

Pricing Agricultural Emissions Consultation: Comparison of Submissions

18th November 2022

DRAFT AND CONFIDENTIAL

1.0 Analysis of HortNZ Submission

- The HortNZ position is aligned with HWEN partners, and “recognises both Primary Sector and Maori Agribusiness Partners” in all instances.
- The HortNZ submission is limited to reporting the views of their “growers”, following a 2021 consultation on HWEN and more recently in 2022 on the Government’s recommendations on agricultural pricing of emissions (26 attendees of zoom meetings, and 37 responses to a recent survey). It is important to note that the relevance of their position therefore rests on the integrity of this recent consultation conducted with growers. Whether it includes a sufficiently representative sample of vegetable growers might be explored.
- In regard to the Government’s recommendations on agricultural pricing of emissions, it covers seven areas:
 - Method of setting the nitrous oxide price
 - Fertiliser in the ETS or farm level
 - Fertiliser emissions - synthetic and organic
 - Exclusion of minor animal emitting sectors
 - Recognition of sequestration
 - Collectives
 - Equity of the price in agricultural sector, nz and overseas
- The main conflict between submissions is over farm level versus processor level (ETS) for fertiliser. Vegetable growers are adamant that it should rest with the fertiliser companies and minimise administration costs. It is interesting that HortNZ captured and reported some feedback aligned to vegetables growers’ position, but chose a different position presumably aligned to other members interests and with the wider HWEN consortium. The statements below are taken from the member feedback reported in the HortNZ submission:
 - *Growers who prefer the ETS consider it a more efficient and cost-effective option*
 - *Growers who prefer the ETS, think the 200T CO₂e threshold is unfair. It captures most large vegetable growers but does not expose small vegetable growers to the emissions price*
- Note there is no other specific mention in the HortNZ submission of these issues most important to vegetable growers including the “40MT threshold” and the onerous administration costs.
- The following table compares each of the HortNZ positions with the position outlined in the vegetable growers’ submission. Whether they are in conflict or are aligned is noted in the LH column.

Area Covered in HortNZ Submission – 18 th Nov	HortNZ Position (as proxy for growers)	VNZ and PNZ Position (vegetable growers)
<p>1. Method of setting the nitrous oxide price</p> <p>(aligned - minor)</p>	<p>While the prices in estimated to 2030 are the same between the options, in the longer term the ETS option will be linked to abatement cost of carbon and the He Waka Eke Noa cost will be linked to the abatement cost of nitrous oxide.</p> <p>We consider is more appropriate to link the cost of the nitrous oxide emissions to achieving the nitrous oxide part of the emissions budgets.</p> <p>HortNZ supports the Primary Sector and Maori Agribusiness submission that recommends a unique price with a price cap linked to the ETS with 95% Free Allocation and 1% phase out.</p>	<p>Vegetable growers' submission did not specifically explore the setting of the nitrous oxide price separate from carbon.</p> <p>This was a secondary consideration against the requirement for shared governance of the price-setting mechanism: "governance of emissions pricing should be according to the original HWEN proposal, with meaningful representation from the primary sector"</p> <p>Also, as no separate market exists for Nitrous Oxide credits, this would seem to have to reference carbon in any case.</p>
<p>2. Fertiliser in the ETS or farm level</p> <p>(significant conflict)</p>	<p>There are pros and cons of both the Farm Level and ETS point of obligations.</p> <p>Only 2% of synthetic fertiliser is used by the Horticultural Sector. We understand farmers prefer the farm level option because it enables them to manage their fertiliser emissions in an integrated way with their animals' emissions.</p> <p>HortNZ supports the Primary Sector and Maori Agribusiness submission that recommends the Farm Level option</p>	<p>The emissions levy on fertiliser should be administered entirely by the fertiliser companies (processors) themselves, and included in the price of fertiliser, with no differentiation between any parties, or on any basis.</p> <p>This approach would also eliminate the large compliance and administration costs proposed.</p>
<p>3. Fertiliser emissions - synthetic and organic</p> <p>(conflict – minor)</p>	<p>HortNZ supports the Primary Sector and Maori Agribusiness submission that recommends the organic manure is not subject to a price.</p>	<p>The exclusive focus on levying "synthetic nitrogen" could create unnecessary market distortions. There is already sufficient incentive for parties desiring claims in respect to using organic fertiliser or similar practices. We submit that emissions from a unit of synthetic nitrogen fertiliser cannot be objectively distinguished from emissions from a unit of non-synthetic nitrogen fertiliser.</p>

<p>4. Exclusion of minor animal emitting sectors</p> <p>(conflict – minor)</p>	<p>The horticulture sector also has relatively minor emissions. Work undertaken by the He Waka Eke Noa programme office estimated the emissions for the horticulture sector may make 1.5% of NZ Agricultural Emission (CO₂e). Based on the data HortNZ has collected as part of the “know your number” milestone, we estimate the contribution is likely to be less than 1%.</p> <p>HortNZ has participated in the partnership because we believe all farmers and growers need to manage their emissions, and all farms should be subject to pricing at the same emissions threshold.</p>	<p>The exemptions granted to pigs, poultry, and goats are “because the costs of including these minor sectors in an interim levy would likely outweigh the additional emissions reductions benefits that would arise from pricing these sectors at the processor level”.</p> <p>The contribution of New Zealand vegetable growers to greenhouse gas emissions is negligible, comprising only 0.017% of New Zealand’s total emissions. On this basis vegetable growers should also be exempted.</p> <p>Note that vegetable growers are more concerned about the “40MT of N fertiliser” threshold, which was not even explored here.</p>
<p>5. Recognition of sequestration</p> <p>(aligned - minor)</p>	<p>HortNZ supports the Primary Sector and Maori Agribusiness submission that recommends that all sequestration categories included in the He Waka Eke Noa Partnership recommendations are included.</p>	<p>The apparently arbitrary inclusions and exclusions in regards to vegetation qualifying for sequestration are also problematic, and we take the position that this is symptomatic of a larger issue: namely that the architects of this policy already understand that is too unwieldy and impractical especially when it cannot possibly achieve its goals. The attempt to reduce complexity by disqualifying the only classes of on-farm vegetation that vegetable growers could claim is extremely disappointing.</p>

<p>6. Collectives</p> <p>(aligned - minor)</p>	<p>NZGAP has put forward a joint proposal with Te Awanui to use NZ GAP as a method to support Maori Agribusiness collectives across horticultural and pastoral land uses for, He Waka Eke Noa and Freshwater.</p> <p>However, the industry investment required to support developing NZGAP so it can provide assurance for Maori growers who have diverse land uses, is unlikely to be justifiable if collectives are not available either in 2025 or soon after for all growers who may wish to operate within collectives.</p> <p>HortNZ understands the importance of collectives for Maori Agribusiness, and support access to Maori collectives from 2025. We also think that collective for all, could simplify the system.</p>	<p>In principle, if collectives are recognised then this should be available to all parties.</p> <p>Cultural identity is not an appropriate basis for discrimination in any levy system.</p>
<p>7. Equity of the price in agricultural sector, nz and overseas</p> <p>(conflict – minor)</p>	<p>HortNZ supports the Primary Sector and Maori Agribusiness submission, and believe a balance has been struck with recommendations that will enable the primary sector to take climate change action, remain productive and respond to increasing market demands for climate action. .</p>	<p>Vegetable growers contend that the proposed levy will be immaterial (and thus ineffective), but also note that if it is increased to the point of materiality, it would impact the health and wellbeing of New Zealanders as well as disadvantage growers in international markets and could invite foreign companies to import produce to New Zealand thus threatening food security.</p>