

**SUBMISSION**

On

**Reforming the New Zealand Emissions Trading Scheme:**

**Proposed settings**

to

NZ ETS Improvements,  
Ministry for the Environment,  
PO Box 10362,  
Wellington 6143

[etsconsultation@mfe.govt.nz](mailto:etsconsultation@mfe.govt.nz)

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## About the Fertiliser Association of New Zealand

- 1 Replacing nutrients harvested in produce is essential for farming systems. Managing the supply and the cycling of nutrients, including greenhouse gases, in New Zealand's primary industry production systems serves the interests of all New Zealanders, both for economic benefit and environmental management.
- 2 The Fertiliser Association of New Zealand promotes and encourages responsible and scientifically based nutrient management.
- 3 To promote good management practices, the Association develops training programmes for rural professionals (with over 200 certified nutrient management advisers), funds research, participates in government and local body working groups, and works closely with other organisations in the agricultural sector.
- 4 Founded over 70 years ago, the Association is funded by member companies to address issues of common public good. Members Ballance Agri-Nutrients Limited and Ravensdown Limited manufacture, distribute or market around 98% of all fertilisers sold in New Zealand.
- 5 The co-operative base of the Association members means the industry is not driven by product sales, but by delivering best value to its farmer shareholders. The shareholders' best interests in nutrient management are aligned with effective and efficient use of nutrients.
- 6 Nitrogen fertiliser is a key component of agricultural productivity, and itself is a small part of the overall current New Zealand total greenhouse emissions, at 5.7 percent of agricultural emissions. While the proportion is small, the industry has a key pan-sector role to play in management of nutrient cycling across all farm types - dairy, beef & lamb, arable and horticultural farms. The industry has the systems and expertise to aid agriculture's transition to a lower greenhouse gas emissions future in a productive and profitable way.
- 7 For over 30 years the Association has been investing in industry good tools for understanding and managing the nutrient cycle on farms. Along with MPI and AgResearch, the Association is an owner and investor in OverseerFM.
- 8 In combination with the primary sector groups, the Association administers and supports the Nutrient Management Adviser Certification Programme.
- 9 The Association member companies employ the largest group of farm environment / nutrient advisers in New Zealand.

## Submission in-brief: Section 2 Provisional Emissions Budget

- 10 We continue to support development of a predictable transition pathway for reducing carbon emissions for New Zealand agriculture, so that New Zealand has the best chance of maintaining its successful export industry in an increasingly unpredictable international trading environment. Clear signals, and consistency in approach, allowing certainty for investment, is critical to a successful transition for the agricultural sector.
- 11 This submission is restricted to the 'Section 2 Provisional Emissions Budget' as it applies to the long-term goal of meeting New Zealand's 2050 emissions target.
- 12 The consultation document presents a proposal for an emissions budget of 345 Mt CO<sub>2</sub>-e over the period 2021 -2025, as the first step on the trajectory towards the longer-term targets. Three options are presented, and for agricultural emissions these options are based on adoption of existing profitable efficiency measures, but at different rates of adoption.
- 13 One difficulty with the projections is that it takes a simplistic approach and bundles the treatment of all gases, when in reality the treatment of enteric methane from livestock emissions will require a very different projection and profile. A more nuanced approach is required to realistically address the abatement profile over time.
- 14 The principle of a straight-line reduction from 2022 to 2050 is an oversimplification. It is underpinned by assumptions in the Marginal Abatement Cost Curve Analysis which may or may not hold true. The mitigation options to be undertaken are most unlikely to follow straight line emissions reductions.
- 15 Never-the-less in general terms, the principle of limited opportunity for reductions in the first two years is supported. If not already undertaken by farmers for efficiency benefits provided, uptake of mitigation will experience inertia and a lag time.
- 16 Regardless of the emission budget the reduction in emissions will be dependent on policy development and implementation programmes which drive the adoption of additional mitigations.
- 17 The proposed abatement rate for agriculture based on adoption of mitigations that improve profitability, of 50 % by 2025 may be ambitious overall, and may difficult to achieve in the immediate short-term.
- 18 A lag in the short-term will inevitably require more stringent reduction at a later date, if the 2050 target is to be met. If this is to be the reality, then policy indicators (emission budgets) should reflect this circumstance, and thereby emphasise the benefits to industry of early adoption and rapid uptake of mitigations, wherever possible.

- 19 In terms of emissions budgets there should be clear signals of expectations of equal commitment across the different sectors, and particularly so with the use of fossil fuels in the transport and energy sectors.
- 20 Of the three options presented in Section 2, Provisional Emissions Budget, the middle rate suggested, based on 50 % adoption of efficient mitigation which improve profitability, appears benign at first glance. However, the path is likely to look very different in reality. This assumption and a straight-line reduction thereafter signals a steady continuous course of mitigations from now until 2050 to meet the 2050 target set in the Zero Carbon Bill.
- 21 The impetus for embarking on reductions early, is already masked by the proposed projection which shows a flat line for the first two years followed by straight line reductions. This masking refers, as demonstrated in Figure 8 of the discussion document, to the initial flat line being clearly depended on increased mitigations to offset the reduce abatement by forestry during this period.
- 22 From a messaging perspective the projections presented by flat line emissions for two years and continuous reduction on a straight line path to 2050 is very appealing, but fraught with risk by masking the nature of immediate reductions needed and accelerated reduction which are likely to be needed over time - depending on the treatment of the different gases.
- 23 Furthermore, the medium-term abatement offered by forestry land use change provides a medium-term relief in mitigation pressures but is likely to come at significant social cost. Forestry land use change does not provide a long-term sustainable solution, but a medium-term relief as a new equilibrium benchmark is set.
- 24 There is no doubt, considerable debate is yet to be had on viable mitigations and abatement cost curves which underpin emissions targets, and the social and economic consequence. However, as a signal for understanding the implications of the mitigation pathways to 2050, the proposed assumption of holding emissions steady for two years and a straight-line reduction to 2050 potentially carries a risk of complacency.
- 25 It should be noted the straight-line projection for reductions is at odds with the current projections for the period 2020- 2030 depicted in Figure 5 of the discussion document and for the period 2020-2035 in New Zealand's Fourth Biennial Report Under the United Nations Framework Convention on Climate Change (Figure 4.6).
- 26 A higher, (less ambitious) budget with lower reduction in the initial period, would demonstrate a need for accelerated mitigation and abatement later. It may reflect the more likely trajectory of emissions reductions, as momentum is gained across all sectors, including electrification/ fossil fuel alternatives for transport, as well as provide stronger signal for early adoption of available and profitable mitigations as they become available.

27 The key to success will be ensuring systems and procedures adopted will enable the reductions profile required as mitigations develop and evolve.

**Concluding comment:**

28 Thank you for the opportunity to lodge this feedback. We would welcome the opportunity to engage further to discuss the matters relating agricultural emissions and meeting emissions budgets.



Greg Sneath

For

Fertiliser Association of New Zealand

28th February 2020