

Agriculture in the Emissions Trading Scheme

The Government is currently seeking submissions on a raft of proposed changes affecting agriculture in the Emissions Trading Scheme. The Consultation Document "Updating the Regulations for Agriculture in the New Zealand Emissions Trading Scheme" reflects work by the Agriculture ETS Advisory Committee on the practical and technical aspects of bringing agriculture into the Scheme.

Under the Scheme industries such as agriculture are or will be liable to surrender emission units to pay for their emissions of greenhouse gases including methane and nitrous oxide. Although liability to surrender emission units for agricultural emissions has been delayed again, the obligation for the agricultural industry to report emissions begins this year.

The submissions process provides an important opportunity to re-examine how we account for agricultural emissions. We have to get this right so that when eventually liability to surrender carbon credits for agricultural emissions is introduced, we can be confident that the apportionment of accountability is accurate and fair. It is also important to ensure that the government has accurate data now to influence priorities for investment in research for the reduction of emissions without compromising production.

The regulations require agricultural emissions to be reported by the meat processors and dairy processors, not by farms, at least for now. While this is administratively simpler it also means emissions calculations are currently based solely on production levels. Total emissions are averaged to produce emissions factors per tonne of carcass weight of animal slaughtered, per animal slaughtered, and per tonne of milk or colostrum processed.

Meat and dairy processors, along with live animal exporters and fertiliser processors, should have registered as participants in the Emissions Trading Scheme and opened an account with the New Zealand Emission Unit Register before 1 February 2012. Scheme participants are required to submit an annual emissions return online through the Emission Unit Register between 1 January and 31 March each year. The first report is required by 31 March 2013 for agricultural emissions during 2012. For more information about who the required participants are and the reporting requirements as they stand currently, see "A Guide to Reporting for Agricultural Activities under the New Zealand Emissions Trading Scheme", available online from the Ministry for Primary Industries.

The changes that are being proposed now to the Regulations will affect not only the accuracy and fairness of reporting as between different agricultural sectors, but also in due course which agricultural sectors will bear what liability to surrender emission units.

One important principle driving the changes which the government wants to make, is to ensure that different agricultural sectors are not subsidising each other. According to the Consultation Document the current approach to the reporting of emissions for the beef meat industry includes about 26% of the emissions from dairy cattle. One proposed change would correct this, so that the dairy industry correctly accounts for all its emissions.

Under the current reporting regulations the sheep meat industry is accounting for emissions from all sheep in New Zealand, even though wool production accounts for about 30% of total sheep emissions. That is also to be corrected under one of the changes in the Consultation Document.

Another crucial issue the Consultation Document considers is which agricultural sectors should be included in the Scheme and which should not. Where should that line be drawn?

The wool industry is not currently included in the Emissions Trading Scheme "for administrative and practical reasons". Should it be included? If so, where would the point of accountability for emissions lie? If it is not included then New Zealand's international liability in respect of emissions from these sheep will be borne by taxpayers generally rather than by the wool industry.

There is currently an exemption for the slaughter of bobby calves. It is proposed to create exemptions for the slaughter of all calves and vealers. It is also proposed to exempt dairy processing of goat and sheep milk and colostrum.

It is proposed to remove egg producers from the reporting requirements, because the compliance costs are disproportionate to the volume of emissions from this sector. Additional information about this issue is available in the Agriculture ETS Advisory Committee's first report, also available online from the Ministry of Primary Industries.

Another proposed change is to simplify the reporting requirement so that meat processors only need to report tonnes of carcass weight, rather than also including the number of animals slaughtered.

The government proposes to change the underlying methodology for calculating emissions and allocating them to the outputs from each agricultural sector, from a "bottom up" approach to a "top down" approach. It is not clear from the Consultation Document why this produces such different results but the aim is to achieve higher consistency with New Zealand's international reporting obligations.

In my view the Consultation Document does not provide sufficient detail to support some of the claims it makes so it is disappointing that the Advisory Committee's second report, on which this paper appears to be based, is not yet available online. This makes it more difficult for members of the public to prepare informed submissions.

This is an important opportunity for those in the agricultural industries to have your say. Submissions can be made to the Ministry for Primary Industries by 5pm on Friday 10 August 2012.

Whatever changes are made to the Regulations, we can expect them to be put in place this year before reporting on agricultural emissions is required for 2012.

The place of agriculture in the Emissions Trading Scheme is still very much a work in progress. We know that the Agriculture ETS Advisory Committee is going on to consider how to transition the obligations to report emissions, and eventually also to surrender emission units, from the processor companies to the farmers.

Lesley Brook, BA(Hons) LLB, is a partner in Anderson Lloyd Lawyers, and specialises in advising commercial clients. She has an interest in the Emissions Trading Scheme and its implications and has spoken widely on the subject.

Contact Us



Lesley Brook, Partner

Phone: 03 467 7164

Mobile: 027 434 5295

e-mail: lesley.brook@andersonlloyd.co.nz