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To whom it may concern

Submission on the Climate Change Response (Emissions Trading Reform) Amendment Bill

Environment Canterbury thanks the Environment Committee for the opportunity to submit on the Climate Change Response (Emissions Trading Reform) Amendment Bill (the Bill). This submission follows our submissions made on the *Our Climate Your Say: Consultation on the Zero Carbon Bill* discussion document and Climate Change Response (Zero Carbon) Amendment Bill in 2018 and 2019, and on the *Action on agricultural emissions* discussion document in 2019.

Environment Canterbury's interest in the Bill is fourfold:

- We support efforts to ensure the Emissions Trading Scheme (ETS) helps deliver New Zealand's international climate commitments under the Paris Agreement and the domestic targets and emissions budgets set under the Climate Change Response (Zero Carbon) Amendment Act 2019
- We want to work alongside Government and the agricultural sector to ensure policies for reducing agricultural emissions complement the work we are doing to improve freshwater outcomes
- We support efforts to reduce operational complexity and incentivise new, and particularly permanent, forests, but caution against incentivising exotic forestry at a scale that is not in the long-term interests of New Zealand.
- We support a more flexible and adaptive approach to accounting for emissions and removals under the ETS, such as a net-emissions approach to on-farm emissions and greater recognition of removals that sit outside current ETS definitions. In order to prevent loss of biodiversity and topsoil, and move towards more diversified landscapes, we need the ETS to better incentivise vegetation types other than plantation forests, including native species that don't meet the ETS forest definition, dryland/coastal, alpine and wetland ecosystems, and fruit trees and other crops. These are the very things that we want farmers to use as part of a regenerative approach to reinvigorate a sustainable land-based economy.

An Emissions Trading Scheme that delivers on New Zealand's climate commitments

Environment Canterbury strongly supports those components of the Bill that enable the ETS to drive emissions reductions and help deliver on our climate objectives. While the ETS has long been the key pillar of climate mitigation policy in New Zealand, it has been somewhat disconnected from our international climate targets and has lacked the necessary tools to drive emissions reductions.

The Bill addresses this through measures to cap emissions covered by the ETS and manage the supply of New Zealand Units via an auctioning mechanism.

We support these provisions and are particularly supportive of unit supply in the ETS being set in accordance with emissions budgets set through the Climate Change Response (Zero Carbon) Amendment Act 2019. We do not have specific comment on these provisions within the Bill, however we will continue to follow the Bill's progress and the development of regulations that enable auctioning and set overall NZU limits and price control settings.

Delivering agricultural policies that complement freshwater work

Environment Canterbury strongly supports efforts to reduce on-farm agricultural emissions and we will seek opportunities to support this work where possible. We are particularly keen to see policies aimed at reducing agricultural emissions complement policies for improving water quality and working in partnership with the regional sector will be critical to ensure this. As noted in our submission on the Climate Change Response (Zero Carbon) Amendment Bill, we have a particular focus on and relevant experience in delivering better land use outcomes and know the rural sector well. A huge part of this is improving water quality in Canterbury through Good Management Practice. This work has required a significant shift in how our communities manage land use, and any efforts to reduce biological agricultural emissions will require an equally significant shift. Gaining insight from the experiences the regional sector has gathered over the past 10 years will be highly valuable as agricultural emissions are tackled.

Action on reducing agricultural emissions in New Zealand has been undermined up till now by significant policy uncertainty, which constrains investment in low emissions research, technology and uptake. The Bill's provisions that price agricultural livestock emissions at farm level, and fertiliser emissions at processor level, from 2025, will provide much needed increased policy certainty and we hope will incentivise actions to reduce on-farm emissions. So too will those provisions within the 2 December supplementary order paper that give effect to the formal agreement between the Government and the agriculture sector (the Joint Action Plan).

Our experience with freshwater management in Canterbury highlights the importance of working together with tangata whenua and our communities, so we support the partnership approach between Government, Iwi/Māori and the primary sector. Through the Canterbury Water Management Strategy (CWMS) we know that the buy-in of affected landowners has been critical, as has the ambitious, constructive and forward-thinking approach applied by all parties. We are hopeful that the Bill and the Government – Primary Sector formal agreement will help deliver a similar level of partnership and buy-in for the changes sought through this Bill. Our experience in delivering the CWMS also shows that setting clear, time-bound expectations is critical, so we support the 2022 review as a backstop mechanism. It will be important that the independent Climate Change Commission can test progress on developing an alternative pricing mechanism to the ETS for farm level pricing and on other commitments made within the formal agreement.

We also note that the supplementary order paper proposes that all farms are required to have a written plan (i.e. farm plan) in place to measure and manage their greenhouse gas emissions by 1 January 2025 and includes a staged transition for getting there. This will sit alongside national efforts to roll-out farm plans to manage freshwater outcomes.

Environment Canterbury implemented a Farm Environment Plan (FEP) and Audit framework as a statutory tool via the Land and Water Regional Plan, and it became operative in 2016. Our FEP framework has proven to be an effective system for engaging with industry and driving farmers towards meeting freshwater quality outcomes, and we have learnt key lessons along the way. One key challenge has been the capacity and capability of industry professionals able to deliver robust FEPs and audits – it's difficult to find industry professionals with extensive knowledge of all farm systems and with the ability to conduct comprehensive assessments.

This challenge will grow significantly should FEPs be expanded in scope and across the country. We will continue to work with the Government and share the lessons we've learnt from implementing our FEP framework.

Incentivising new forestry that delivers on New Zealand's long-term interests

Environment Canterbury supports those forestry-related changes in the Bill that reduce operational complexity and incentivise afforestation. As a pre-1990 and post-1989 ETS forest owner, we expect these changes, and particularly the introduction of averaging accounting and the exemption from surrendering NZUs for temporary adverse events, will reduce compliance costs with the scheme and provide increased incentives to trade post-1989 NZUs. We are also supportive of changes that reduce administration costs for permanent post-1989 forests. As a regional council we know that permanent forests, and especially native forests, can also have considerable biodiversity and erosion control benefits. Any efforts to further incentivise permanent native forestry are welcomed.

We would, however, like to caution against incentivising exotic forestry at a scale that is not in the long-term interests of New Zealand. As a regional council we are particularly keen that ETS forestry rules incentivise afforestation that complements the freshwater and biodiversity outcomes that we are seeking to achieve. There needs to be increased consideration of how forestry impacts water/flow sensitive catchments, and whether local authorities are well placed to protect biodiversity values on scrubland (a term often used that diminishes the importance of the ecological values of dryland, alpine and coastal habitats) in the face of significant economic drivers to clear this land for plantation forestry. There remains considerable risk that climate mitigation objectives incentivise large-scale exotic afforestation, and it's not clear the extent to which this would be in New Zealand long-term interests – from an environmental, economic and rural community perspective. This was noted by the Committee in its report back on the Climate Change Response (Zero Carbon) Amendment Bill, however there are still concerns over the extent to which the Government is actively managing this issue. It is most likely beyond the scope of this Bill, but the changes to forestry incentives created through this Bill need to be considered alongside those created through the Climate Change Response (Zero Carbon) Amendment Bill, the One Billion Trees Programme, and increasing carbon prices.

Environment Canterbury supports the passage of the Climate Change Response (Emissions Trading Reform) Amendment Bill through the House, and thanks the Environment Committee for the opportunity to submit. Environment Canterbury wishes to be heard.

Yours sincerely



Jenny Hughey
Chair

