

# Joint Council Submission to the Pricing Agriculture Emissions Proposal



## 1. Introduction

- 1.1 Thank you for the opportunity to make a submission on the Pricing Agriculture Emissions Proposal (the Proposal)
- 1.2 This submission is made jointly by Tararua District Council, Central Hawke's Bay District Council, Hastings District Council, Napier City Council and Wairoa District Council (the Councils)
- 1.3 The Councils have opted to make a joint submission based on the geographic area (the Region) that the Councils span, and the disproportionate impacts that the pricing agriculture emissions proposal (the Proposal) could have on the Region in its entirety.
- 1.4 The Councils have identified three fundamental concerns in this proposal:
  - 1.4.1 All on farm sequestration opportunities are not adequately accounted for in calculating net farm emissions. Farmers would make the correct investment and environmental decisions if they could see their efforts are being rewarded in any pricing model. While the current emphasis is on ETS eligible forestry there is no certainty around non eligible forestry and no pathway available for farmers who elect to remain out of the ETS and to use forestry sequestration to offset their on-farm emissions. Without the right incentives for the right trees to be planted in the right place and for farmers to be integrating smaller-scale vegetation within their farming systems, these proposals will amplify the perverse outcomes created by the current ETS regime which heavily favours the large-scale afforestation of good farmland with exotics, in particular pine trees.
  - 1.4.2 The proposal has a disproportionate and negative impact on the Region and will lead to a fundamental negative change in the make-up of our districts, the employment opportunities for our people and the vibrancy and success of our towns and businesses. No amount of financial assistance will negate the underlying change in profitability for sheep farming that will result from this proposal.
  - 1.4.3 There is little point in compromising such a fundamental economic driver for New Zealand, in particular as this could lead to a transfer of our highly efficient primary production to alternative countries with inferior production systems and poorer emissions profile.

## 2. Recommendations:

- 2.1 We have several concerns with the proposal and recommend that the Government reconsiders the proposal as a whole and revisits the proposed recommendations by He Waka Eke Noa.
- 2.2 We recommend that any action is paused, AND
- 2.3 THAT the Government further explore the impacts on upstream and downstream industries that would occur because of implementing the Proposal. The BusinessNZ and ExportNZ submission analyses potential flow-on effects of changes in activity levels in sheep, beef and dairy farming. This analysis illustrates the level of harm that would be experienced by our communities if the proposal proceeded in its current form.
- 2.4 THAT meaningful engagement is undertaken by Government with communities to allow active participation
- 2.5 THAT the Government undertake a practical pilot (ie, not based on theoretical modelling) with a range of farms nationally in order to test the assumptions that underpin the proposal, with a particular focus on functionality and testing of the science involved
- 2.6 THAT the proposal be considered from a wider perspective and an interagency framework is applied to consider the social and economic ripple effect on communities.
- 2.7 THAT there is equal recognition for the on-farm practices that contribute to mitigating climate change, including all sequestration that happens on farm.
- 2.8 THAT the future price should be set by the Minister on the advice of an independent oversight board appointed by all He Waka Eke Noa partners. Any price setting and targets should be science-based and not political.
- 2.9 THAT The scheme should not collect a surplus as the Government proposal currently does. Any levy revenue must be ringfenced and only be used for the administration of the system, investment in R&D, or go back to farmers as incentives
- 2.10 THAT There should be one system done correctly the first time. The Councils believes this can be achieved by slowing down the pace of implementation.
- 2.11 THAT the government invest further into research and development into sustainable farming practices.
- 2.12 THAT the Business NZ/Export NZ submission data focussed on illustrating statistically how pricing of agricultural emissions could have impacts on industries upstream and downstream of agriculture, and on the communities where they are located be incorporated into a cost-benefit analysis to consider the actual effects of the proposal.

## 3. Economic Impacts

- 3.1 Information presented by BusinessNZ and ExportNZ in their submission implies that some District economies could be devastated by a reduction in upstream and downstream activity, following the introduction of agricultural emissions pricing. Even worse, the devastation is likely to be concentrated on certain communities within the Districts, especially where local meat works and/or dairy plants are closed. Rationalisation of capacity is likely, if farm output is reduced.
- 3.2 There are also likely to be job losses and business closures within the agriculture, forestry and fishing support services. Businesses in this industry are generally SMEs, because they include operations such as fencing, fertilising and shearing contractors, and associated animal health and welfare businesses.
- 3.3 In the data presented in the BusinessNZ and Export NZ submission, Wairoa, Central Hawke's Bay and Tararua all feature as districts where there is most vulnerable upstream and

downstream employment, however this also has flow on effects to the Council's as a whole, with a particular focus on the impacts for export, particularly the Napier and ports.

- 3.4 New Zealand's economy is heavily supported by agricultural export earnings. Earlier this year, New Zealand food and fibre export earnings were \$53.3 billion for the year ending June 2022.<sup>1</sup> Given Statistics measured total GDP to be \$360 billion, the food and fibre exports sector make up 14 per cent of the New Zealand economy.<sup>2</sup>

## 4. Key Concerns

- 4.1 The proposal is not equitable across New Zealand.
- 4.2 The proposed pricing modelling shows a potential 20% reduction in sheep production. This will greatly impact the districts within The Councils who have farming as the corner stone of their GDP.
- 4.3 Because of the land use physical constraints, the only viable alternative to meat production is forestry. While many of our districts are already being targeted for forestry (including carbon only) this proposal on Agricultural Emissions will significantly stimulate new conversions. With no current ability for Councils to control forestry land use change, some of our districts risk becoming covered in exotic forestry due to a combination of:
- this proposal causing poor future meat production profitability
  - The current emissions trading regime providing heavy and disproportionate incentives for large-scale pine tree afforestation
  - unconstrained land use controls on forestry.
- 4.4 This puts additional strain on infrastructure connecting our districts, negatively impacting opportunities to collaborate, commute and invest in regional initiatives.
- 4.5 Primary industries compromise more than 80% of New Zealand's physical exports and pastoral industries make up approx. 50% of total export earnings. There seems little point is compromising such a fundamental economic driver for New Zealand, in particular as this could lead to a transfer of primary production to alternative countries with inferior production systems and poorer emissions profiles.
- 4.6 This will inevitably lead to depopulation in our rural areas and a major negative flow on effect to our rural towns. While the proposal recognised this risk and offers some potential funding to support any transition, this is only a band aid to a fundamental change in the economic conditions in our district. Such financial assistance will never equate to the permanent negative impact on our districts.
- 4.7 These negative impacts will likely include the loss of employment, closure of rural businesses, schools, local halls, volunteer fire brigades and community groups. Those residents remaining will feel increasingly isolated and this will result in further depopulation and mental health issues.
- 4.8 Widespread afforestation will also pose significant new pest, fire, pollen, and water quality risks that are often not well understood until after a significant event.

## 5. Conclusion

- 5.1 It is commendable that New Zealand is leading the world to seek to put a price on agriculture emissions, but this will have significant implications for the viability of the

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<sup>1</sup> <https://www.beehive.govt.nz/release/new-zealand-food-and-fibre-exports-leap-533-billion-result>

<sup>2</sup> <https://www.stats.govt.nz/indicators/gross-domestic-product-gdp/>

primary sector and our Region's economies, therefore it is vital that the government works with all communities to get this right.

5.2 The government should be looking to develop and bring new technologies to our regions' farmers to help them to work on reducing the gross emissions as soon as possible, with practical technology rather than legislation.



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