

Agriculture Emissions Pricing System

B+LNZ & DairyNZ Summary of Recommendations to Government



He Waka Eke Noa
Primary Sector Climate Action Partnership

Industry Partners

DairyNZ

beef+lamb
new zealand

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Letter from DairyNZ and Beef + Lamb New Zealand Chairs

The Primary Sector Climate Action Partnership – He Waka Eke Noa – has delivered the primary sector’s recommended approach to Government on an alternative agriculture emissions pricing solution to the New Zealand Emissions Trading Scheme (ETS).

Following farmer consultation, the partnership has recommended a farm-level split-gas levy on agricultural emissions with built-in incentives to reduce emissions and sequester carbon.

While there are still details to work through, we believe this approach is significantly better for farmers than agriculture going into the ETS. The recommendations are the result of a lot of listening and solution-finding to deliver an approach that is fair across all partners.

DairyNZ and Beef + Lamb New Zealand have together worked hard to advocate for recommendations that work for farmers. We’re acutely aware of the implications of pricing on farm business viability, so we’ve pushed to keep costs as low as possible while still achieving outcomes.

The Government has been very clear that emissions will be priced – doing nothing is not an option. Our challenge was to come up with an alternative that would work for all agricultural sector groups and be accepted by Government.

Farmer feedback during this process has been crucial – thank you to everyone who joined the discussion. It has made a real difference in strengthening the final recommendations.

This has been a challenging subject during a challenging time. To reach this milestone, we recognise the incredible level of participation and collaboration across our diverse sector. This achievement ensures we can influence our own future.

The Government now has the recommendations and will decide whether to accept them. However our work is not done. We’ll continue working with the Government, along with other He Waka Eke Noa partners, to inform their analysis and advocate on your behalf.

We encourage the Government to continue in good faith and be mindful of the impact their decisions have on farmer wellbeing, farming businesses, our communities, and New Zealand’s economy.



Jim van der Poel
DairyNZ
Chair



Andrew Morrison
Beef + Lamb New Zealand
Chair

Why are agriculture emissions being priced?

Meeting global temperature goals

To meet New Zealand's international commitment to limiting global warming under the Paris Agreement, the Government legislated to price agriculture emissions through the New Zealand Emissions Trading Scheme (ETS).

Our sector strongly opposed this, and in 2019 we worked hard to establish the Primary Sector Climate Action Partnership - He Waka Eke Noa - to keep agriculture out of the ETS.

The agreement reached with Government was that farmers would not be priced on their emissions until 2025, and that the He Waka Eke Noa partnership, made up of 10 industry partners, Māori and Government would work together to design a better solution than the ETS.

We wanted a system that is practical, fair and incentivises farmers to make positive change. However, Government also reserved the right to bring agriculture into the ETS immediately if the partnership failed to deliver a credible proposal.

Our customers are calling for action

Every sector and every individual have a responsibility to reduce emissions to reduce global warming. Our sector is committed to playing its fair part.

Many farmers are already taking action to reduce their environmental impact. It's this leadership which has earned Kiwi farmers the title of the world's lowest carbon footprint for food production.

However, it is not only international commitments and legislation calling our sector to take further action. Some of our biggest customers, like Mars and McDonalds, have emission reduction targets that go well beyond our

legislation, and many other countries threaten our competitive advantage as they look to rapidly adopt new technologies to meet growing demand for sustainable products.

Not only do the He Waka Eke Noa recommendations set out a fair transition to lower-emissions farming to maintain production, but its guiding principles will also give farmers the right tools to meet growing consumer demand for more sustainable products. Both will have an impact on the long-term viability and profitability of New Zealand food producers.

B+LNZ and DairyNZ Key Priorities



CHOICE & CONTROL

To provide a range of emissions reduction mitigations, and greater influence over levy price setting.



SPILT-GAS APPROACH

Recognise the different warming of short- and long-lived gases and price them separately.



SEQUESTRATION

Recognise a wider range of on-farm sequestration excluded from the ETS.



AGRICULTURE INVESTMENT

Recycle revenue generated from the levy back into the sector to help reduce emissions.

A summary of farmer feedback

What farmers told us during consultation

99% of farmers told us they don't want agriculture in the ETS, because it does not recognise methane as a short-lived gas, and does not fairly recognise on-farm sequestration.

However, they wanted to see some changes to the partnership's proposal to ensure the sector remains internationally competitive and avoid emissions leakage (shifting production to a less emissions-efficient producer offshore). They also have concerns for the social impact on rural communities, generational farming and mental wellbeing.

There was a strong preference for the farm-level levy option. Farmers wanted to be recognised and incentivised for individual emission reductions, and have choices about their farm management.

However, there were concerns about sector readiness and cost of a farm-level pricing system, and acknowledgement of the size of the challenge to get a system established and operational by 2025.

What farmers told us is important to them

Recognition for sequestration

Farmers support the recognition of a wider range of vegetation not eligible in the NZ ETS and that individual on-farm actions are recognised. However, some felt the proposed 2008 sequestration baseline and exclusion of soil carbon were not fair.

Keeping the cost of administration low

Farmers want to see a cost-effective approach to any pricing system, and suggest exploring existing avenues for the administration of pricing (e.g. Inland Revenue).

Transparent revenue investment

Farmers want revenue reinvested into research and development, mitigation use to be incentivised, and transparency of where money is going and the plan to deliver technology to farmers.

Levy price setting governance

Farmers want our industry to have a seat at the table when levy prices are set. Price setting should be science-based, not influenced by politics. The price setting criteria needs to be transparent with industry bodies involved.

How we can make it easier for farmers

Training and support

Farmers are concerned that the sector does not have the skills or support for farm-level pricing to be implemented in 2025. Preparing farmers and upskilling rural professionals needs to be taken into consideration.

Keep it manageable

Farmers said the system needs to be user friendly, because if the administrative burden is too high it will not drive the outcomes that are needed.

One-stop shop

Farmers would like to see one system for reporting, auditing and compliance, which aligns with other farm reporting systems and regulations (e.g. freshwater).

Thanks to farmer feedback the recommendation was strengthened to include:

An option for early adopters to be recognised for sequestration established **between 1990 and 2008** if adequate evidence is provided.

A collaborative governance structure with Government to give our sector more influence over levy price setting, whereby prices can be kept as low as possible and adjusted as needed, depending on progress towards New Zealand's emission targets, and the impact on the agricultural sector's viability and competitiveness.

A staged transition to detailed reporting that considers the significant amount of work required to build and effectively onboard 23,000 farmers into the system.

Greater integration across existing reporting systems to reduce administration cost and make the emissions pricing system easier for farmers to use.

More options for farmers to reduce their emission charge through incentives for the uptake of new mitigation technologies.

Section

01

Recommended approach

The recommended approach by the partnership is to establish a **farm-level levy system** from 2025, with built in incentives to reduce emissions and recognition of carbon sequestration.

PLEASE NOTE: Nothing is confirmed until Government makes a decision on how agricultural emissions will be priced at the end of the year.

Benefits

Recognises the actions of early adopters. The lower your emissions in any given year, the lower the levy cost will be – a baseline year does not apply to emissions reductions.

A split-gas approach will be used to set unique levy prices for methane and nitrous oxide to recognise the different characteristics of short-lived and long-lived gases, and that methane (~75% of agricultural emissions) only needs to reduce, not go to net zero. This will be significant post-2030 when there will likely be upward pressure on the carbon price to meet the 2050 net-zero target for CO₂.

More effective at encouraging on-farm change because farmers have greater choice, control, and incentive to do so. Revenue recycling

will enable more technology and mitigations, and farm-level reporting that better allows farmers to directly link emissions to their farm operations.

Allows our sector more influence over the price of methane and long-lived gases, compared to the ETS. Prices can be kept as low as possible and adjusted as needed, depending on progress towards New Zealand's emission targets, and impacts on the agricultural sector's viability and competitiveness.

Demonstrates a credible contribution to the legislated methane targets

alongside emission reductions from existing policies and the waste sector. Below are the expected reductions from the farm-level spilt gas levy as the result of on-farm practice change and technology uptake.

Emissions reduction pathway

	Existing Policies (Freshwater, and Forestry in the ETS)	Farm-Level Spilt Gas Levy + Incentives	Waste Sector	TOTAL
CH ₄	4 – 5.5%	4.3%	1.7%	10.1 – 11.6%
N ₂ O	2.9 – 3.2%	1.8%		5.8 – 6.1%

Trade-offs

Greater control brings greater complexity. Giving farmers choice and control in managing their emissions requires a reporting system that can capture a range of data inputs. The more comprehensive and accurate the system is in reporting and pricing emissions, the more complex the system will become for farmers and administrators to use.

A farm-level system is more expensive to establish and administer. Below are the estimated costs based on the current understanding of the system.

Some of the administration costs of the system (yet to be determined) will be paid for by the Government, the remainder will be paid from revenue raised from the levy.

	Establishment cost	Operating Cost		
		Administrator	Farmer reporting time*	Total
Transitional Farm-Level Levy (2025 – 2027)	\$114m – \$144m	\$32m – \$36m	\$41m – \$45m	\$51m – \$55m
Farm-Level Levy (2027 – ongoing)		\$43m – \$47m	\$27m – \$37m	\$70m – 84m
Incentive discounts for approved actions	\$6m – \$7m	\$1.5m	\$0.5m	\$2m

*The additional time spent by farmers collating data and reporting equates to an average transitional cost of \$750, and full system cost of \$1,200 to \$1,600 in additional time per farm based on an assumed salary of \$120,000 per year.

It's important that we address these trade-offs.

Farmers want the cost of the system kept as low as possible, and for the system to be as easy as possible to use.

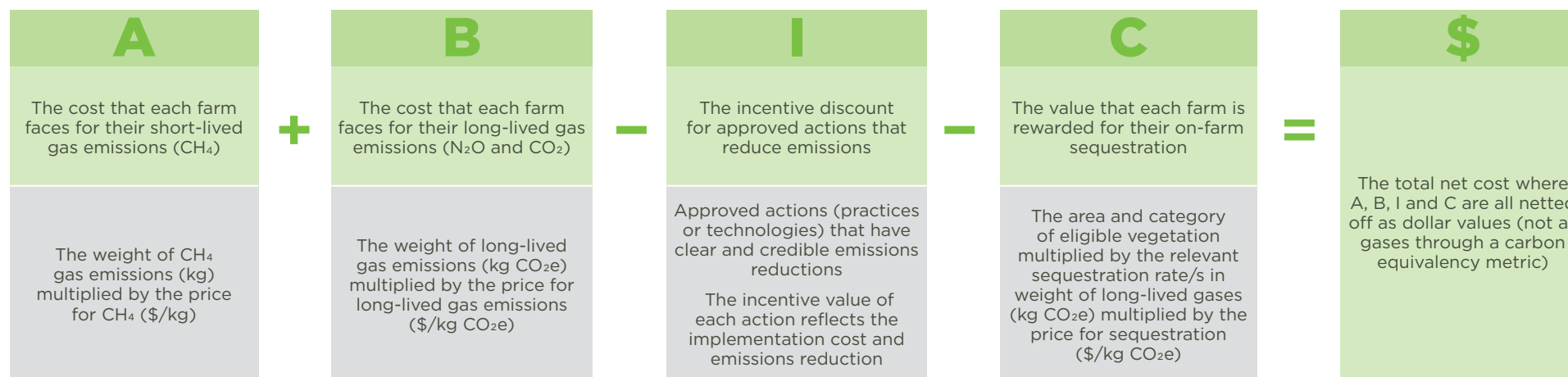
To achieve this the partnership will investigate opportunities for the pricing system to integrate with other existing farm management systems, like freshwater and farm environment plans, and the IRD reporting and payment system.

Leveraging the IT infrastructure of other systems could provide cost efficiencies, and data sharing between systems could reduce duplication of data entry, as farmers are already providing most of this information for other regulatory purposes.

How the farm-level levy works

1. Farms will calculate their final emissions payment through a central calculator within the pricing system.
2. The central calculator will integrate with other existing tools and software to avoid farmers entering data multiple times, across multiple systems, and it will continue to be updated with on-farm efficiencies and mitigations as they become available.
3. **Actual on-farm data, rather than the national averages used in the ETS, will determine on-farm emissions (short- and long-lived gases).**
4. Emissions pricing will use a split-gas approach by applying unique levy rates to short- and long-lived gases. This will be applied to on-farm emissions to give an emission charge.
5. Additional incentives can offset the emissions charge if farms uptake approved actions which reduce emissions.
6. On-farm sequestration is recorded and recognised within the system and will offset the cost of the emissions charge further.
7. Emissions and sequestration will be reported and paid for annually with a flexible year end date that aligns with a farm's financial year end.
8. The revenue raised is invested directly back into the sector for systems administration and ongoing research and development of mitigation technology.

How is the cost calculated?



Agricultural greenhouse gas emissions included:

CH₄ Methane

Generated by ruminants as a by-product of digestion. Less than 5% comes from dung and effluent systems.

N₂O Nitrous Oxide

Released into the atmosphere from dung and urine patches, and nitrogen (N) fertilisers.

CO₂ Carbon Dioxide

Urea N fertilisers contribute to farm CO₂ emissions.

The responsibility of reporting and paying for emissions will be fair and practical for all business types and models

All farm businesses that are GST registered and annually average over:

- 550 stock units (sheep, cattle, deer, and goats); or
- 50 dairy cattle; or
- 700 swine (farrow to finish); or
- 50,000 poultry; or
- 40 tonnes of synthetic nitrogen fertiliser application.

This captures 96% of agricultural greenhouse gas emissions (around 23,000 farms). The remaining 4% of emissions are mostly non-commercial lifestyle blocks, orchards, vineyards, and equine.

Including these farms increases administration costs, outweighing the benefits of greater emissions coverage.

Who reports and pays for emissions?

Business Owners

Business owners will be responsible for reporting and paying for on-farm emissions because of the reduced complexity of emissions reporting on leased land. This approach also has greater potential to align with Freshwater Farm Plans and provide an opportunity to leverage off the IRD business identification system.

Farm Collectives

Farms have the choice to register as a collective, and choose to work together to report their emissions, and potentially to reduce or offset them. Farm enterprises could link their farms

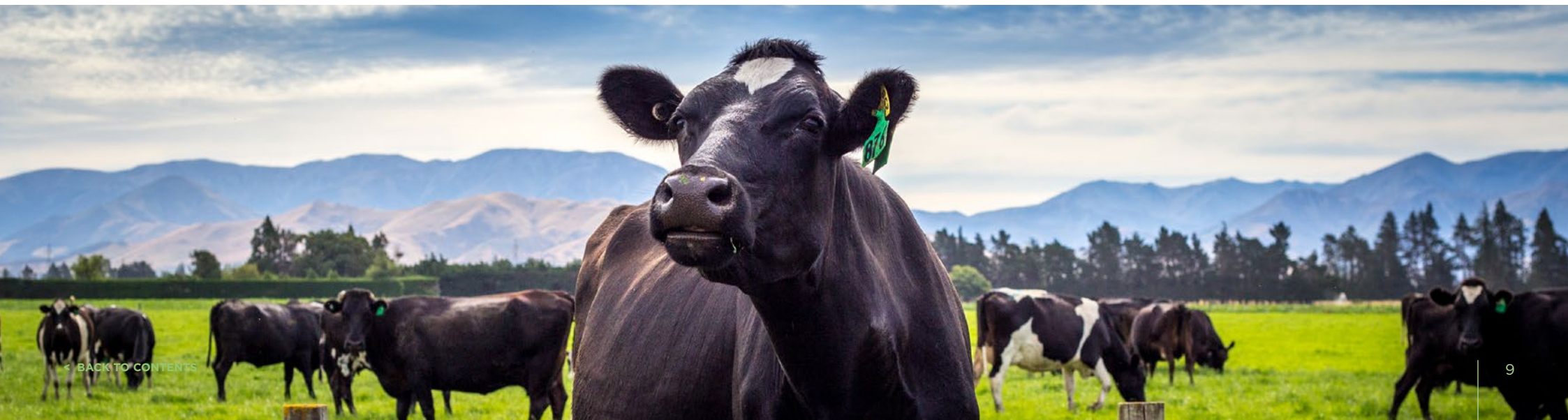
and submit a single emissions return, or processors could use their systems to report on behalf of their suppliers.

To form a collective:

- Farms within the collective register in the pricing system, updated annually.
- Farms have a contractual emissions and sequestration sharing agreement in place.
- The agreement includes operating rules such as data reporting expectations, payment expectations, audit requirements, dispute resolution process and consequences for individual farms in breach of the sharing agreement.

Delegation

Farmers may also choose to delegate responsibility to a person or entity to report on their behalf, e.g. farm advisor or chartered accountant.



How will He Waka Eke Noa be managed and governed?

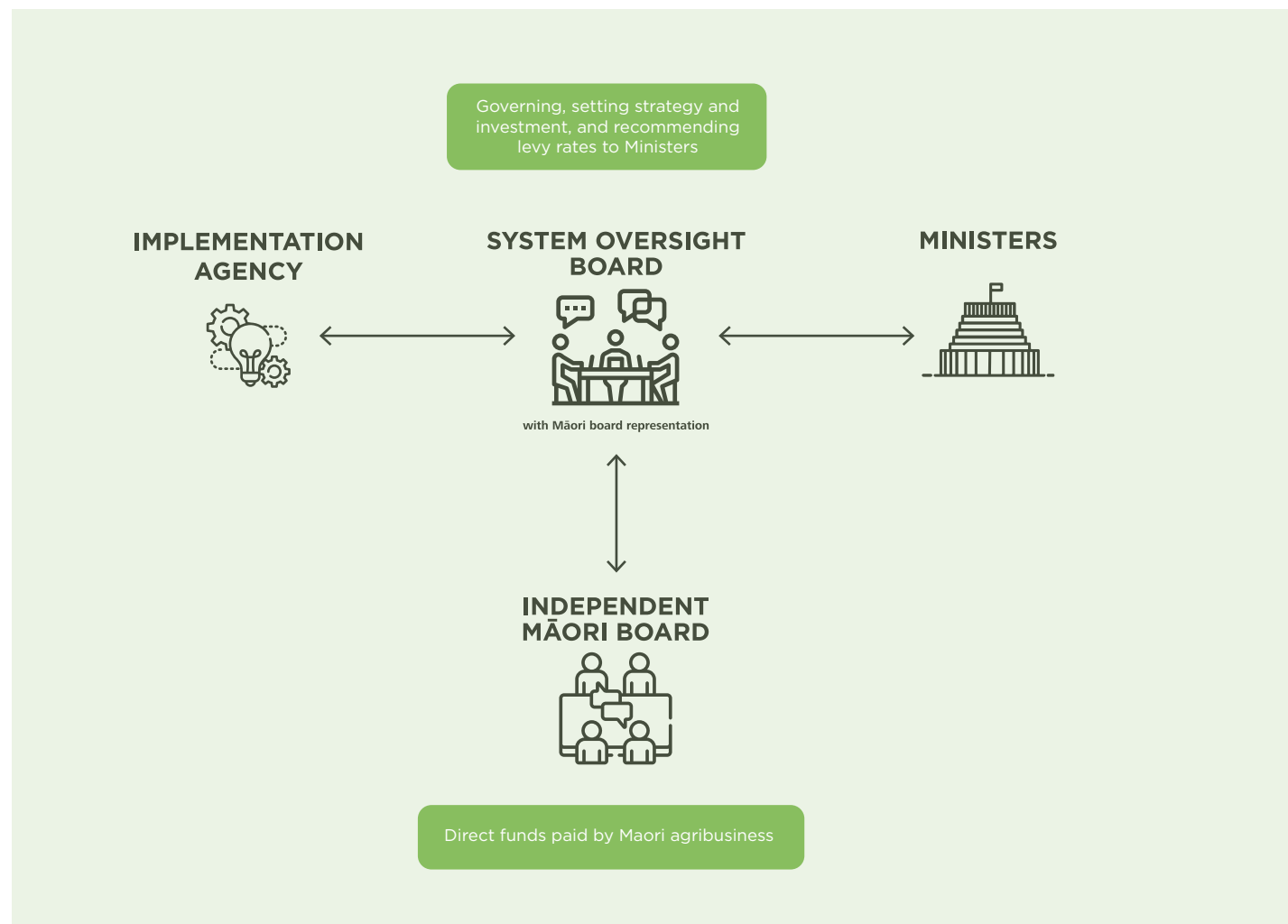
Within the pricing system, decisions will need to be made about:

- The levy rates, the price for sequestration, the value of incentive discounts, and the extent to which these may change over time
- How revenue from the system will be managed and invested
- How the core elements of the system are implemented, administered, and assessed on an ongoing basis, for example adding new mitigations and sequestration opportunities, or the eligibility for additional incentives to reduce emissions.

We listened to what we heard from farmers in consultation and advocated for the sector to have as much control and influence as possible over price settings and revenue recycling.

There will be two entities working collaboratively on governance – the Ministers of Climate Change and Agriculture, and the System Oversight Board.

Ultimately Ministers make the final decisions on the levy prices, however the partnership recommends this is done in collaboration with the **System Oversight Board which will include primary sector representation.**



Research and development will be critical to providing farmers the tools to reduce emissions

A farm-level levy system will be most effective when farmers have a wide range of mitigation options available to them.

Farmers strongly support the investment of revenue into R&D but want transparency and proof of an effective plan to deliver technology. That's why research and development will be an ongoing priority and is fundamental to the He Waka Eke Noa emissions pricing framework.

R&D investment will be funded from the revenue collected from the pricing system, after incentives, sequestration and administration have been accounted for. The revenue available to invest will depend on the sector's progress towards targets. When farmers reduce their emissions there will be less revenue generated, and when farmers use approved actions or increase sequestration more revenue will be directed into incentives and sequestration reward.

The System Oversight Board will set the investment strategy and recommendations for research and development funding.

There is a range of related work happening to fast-track science to the farm gate. For example, DairyNZ and B+LNZ are partners in the BERSA Research and Development Plan that has been developed in partnership with the primary sector, Māori, the science sector, and Government to identify the most promising mitigation options for reducing agricultural greenhouse gases, align investment strategically and streamline the path to market for new mitigations. This plan will be central to guiding the He Waka Eke Noa R&D investment.

DairyNZ and B+LNZ will continue to advocate strongly for the Government to fast-track the regulatory approval of new technologies as this has been far too slow to date.

Dedicated fund for Māori landowners

There is currently a gap in the understanding of the unique characteristics of Māori land, and the extension skills required to assist Māori farmers and growers in improving their whole-of-whenua (kotahitanga) and environmental sustainability (kaitiakitanga).

A key recommendation is that a dedicated fund be established to support opportunities and meet the needs of Māori landowners. This fund would reflect the levies paid by Māori agribusiness. The fund would avoid duplication of investment in existing activities including those under Fit for a Better World.

The dedicated fund would be governed by an Independent Māori Board that would work alongside the System Oversight Board.



Section

02

Getting started in 2025

The recommendation is for a simplified version of a farm-level levy to be launched in 2025, transitioning to a full farm-level levy in 2027.

A farm-level pricing system is complex, and expensive to establish and administer, which will require significant time to build and for regulatory and legislative development and approval processes to be put in place.

A staged approach will allow 23,000 farmers and growers, all ranging in readiness, to be registered, ready and supported.

Modelling shows that implementing a simplified version of the farm-level levy will not significantly impact the emissions reductions our sector can deliver compared to a full farm-level system with pricing starting on 2025/26 emissions.

DairyNZ and B+LNZ will be supporting our farmers through the transition. The successful implementation of the pricing system will also require commitment across processors, rural professionals, and Government to support the registration by farmers to be ready to participate in a pricing system from 2025.

The key features of the simplified farm-level levy include:

Mandatory reporting of 2024/25 emissions, then emissions pricing from 2025/26.

Stage 1 farm-level centralised calculator: the 'simple' reporting method would be available at the beginning. The 'detailed' method would come in from 2027 (i.e., 2026/27 emissions).

Incentive discounts for approved actions on-farm: the available technology in 2025/26 will likely be sheep genetics, coated urea, and feed additives e.g., 3NOP.

A staged approach to sequestration: The simple calculator in 2025 will start with at least vegetation that is part of existing programmes – e.g., QEII, Ngā Whenua Rāhui, Māori Reservation land (qualifying vegetation), and relevant Regional Council funded indigenous vegetation on farmland.

The main benefit of leveraging existing programmes would be a simpler/easier audit and verification pathway. Other sequestration would be backdated once full sequestration measurement and recognition is in place from 2027.

Pricing sequestration will take a staged approach, initially linking the price to the ETS carbon price.

However, being linked to the ETS may risk the overall affordability of the system if the carbon price continues to increase to meet the 2050 net zero target. This is because the farm-level levy revenue generated is used to pay for eligible on-farm sequestration. Post 2028 the partnership recommends reviewing sequestration to manage this risk, in line with the longer-term strategy to reduce long-lived gases.

DairyNZ and B+LNZ will continue working hard to get as much on-farm sequestration recognised as possible.

A staged approach to pricing long-lived gases: The partnership agrees that a strategy to reduce long-lived gas emissions over the long term is required. This is due to the interdependency between agriculture's short- and long-lived gas emissions (90% of carbon dioxide and nitrous oxide come from livestock on-farm).

A staged approach to pricing long-lived gases is recommended, until the strategy has been completed in 2028.

Long-lived gases will be initially priced appropriately to fund sequestration, incentive discounts, research and development and administration.



Section

03

What this means for farmers

Price

Keeping the levy low

The partnership is committed to keeping levy rates as low as needed to reduce emissions, increase appropriate sequestration and maintain a viable productive agriculture sector.

Levies have not been finalised at this point, any estimates or case studies are indicative only.

Recommended levy price setting guidelines:

- tracking against targets
- availability and cost of mitigations
- social, cultural, and economic impact on farmers, regional communities, and Māori agribusiness
- current scientific, mātauranga Māori and economic information
- emissions and production moving offshore.

Providing price certainty

A key concern from farmers during consultation was the uncertainty of the price of methane and the potential impact on farm profitability.

To provide as much certainty as possible to support longer term investment planning, and ensure the system is flexible and agile enough to respond to uncertainty the partnership recommends the following:

Price ceiling: The partnership has recommended starting with a methane price that is no more than 11c per kilo and that this is set for the first three years. The partnership has also recommended a price ceiling so that the prices will not be higher than if agriculture had gone into the ETS.

While a price ceiling could constrain the system in achieving faster emissions reductions, it will be critical in giving farmers the reassurance that the overall cost they will pay will be no more than if agriculture entered the ETS with 95% free allocation (which is phased down incrementally each year).

Frequency of levy updates: Levy rates, any discount on the sequestration price and the value of incentive payments for approved actions be reviewed and updated every three years. This will provide as much certainty as possible to support longer term investment planning, to minimise administration costs, and ensure the system is agile and responsive to new information and data.

Pricing methane

There will be a separate price for methane. The following principles are recommended in setting the methane levy.

1. A unique price reflects the different characteristics of CH₄ as a short-lived gas and recognises that CH₄ reductions do not need to get to zero.
2. The price of methane should be the same price per kg regardless of source and not be related to emissions per hectare or emissions per unit of product.

Pricing long-lived gases (nitrous oxide)

There will be a separate price for nitrous oxide. The partnership agrees that a strategy to reduce nitrous oxide emissions is needed.

This will be undertaken in 2028 when data and insight is available and will inform the setting of the nitrous oxide target going forward.

This strategy would inform an appropriate long-lived emission levy price setting and avoid charging farmers more than needed to achieve system objectives.

Levy relief

The partnership recognises there are some farming systems and locations that do not have options to reduce their emissions charge through sequestration (due to council prohibitions, climate, or soil type) or approved actions to reduce emissions.

The partnership committed to providing levy relief on a case-by-case basis. Levy relief will only be available up to 2030, and strict eligibility criteria will apply:

- access to sequestration (both ETS and He Waka Eke Noa) is severely restricted by national and local body regulation and
- no access to effective mitigation technologies and
- where emissions pricing has had a severe impact on financial viability

Sequestration

Significant wins have been made for farmers on sequestration.

On-farm sequestration can be used by farmers to offset the cost of emissions. That's why the farm-level pricing system will recognise and reward as much genuine on-farm sequestration as possible, while ensuring the system is scientifically robust and not overly complicated or administratively burdensome.

During consultation farmers asked about other sequestration categories (wool, pasture, tussock grasslands, wetlands and soil carbon). The recommendation document sets out why each of these are not currently included.

Additionality and the baseline

To recognise as much sequestration as possible the internationally credible principle called 'additionality' is recommended to recognise sequestration that is 'new' or additional to what would have occurred under business-as-usual practices.

To meet additionality a baseline is required. 2008 is the recommended baseline because this is when aerial/satellite mapping became readily

available, making it easier for farmers to verify their on-farm sequestration.

During consultation, many farmers felt the 2008 baseline was unfair and penalised early adopters. To address this, the recommendation has been updated to recognise vegetation established between 1990 – 2008 if adequate evidence is provided, including aerial imagery, photos, and records.



Trade off of greater sequestration recognition

To recognise more sequestration than the ETS, the process will be made easier for farmers to register their sequestration. However, by reducing the burden of proof not all He Waka Eke Noa sequestration will be considered within the New Zealand Greenhouse Gas Inventory or able to be counted towards international targets. This could mean the value rewarded for He Waka Eke Noa sequestration is lower than what would be eligible within the ETS.

Over time, sequestration should ideally be recognised within the ETS rather than in He Waka Eke Noa. To achieve this the partnership recommends the ETS is improved to include more vegetation categories, and the registration and reporting processes to be simplified.

A wider range of vegetation not currently eligible under the ETS will be recognised

Permanent categories include planted or regenerated native vegetation (e.g. Totara, Rimu, or Kahikatea) that is not harvested and is generally self-sustaining through self-seeding. ETS eligible indigenous vegetation can be entered into either He Waka Eke Noa or ETS, however the same area of vegetation cannot be entered into both schemes.

Note: The baseline for each of these categories could also move to 1990 if the farmer can provide sufficient evidence of establishment between 1990 and 2008 and provided the land was not in vegetation in 1990.



Indigenous

est. pre 1 Jan 2008

At least 0.25ha. Stock must be excluded from area.



Indigenous

est. post 1 Jan 2008

At least 0.25ha. Was in pasture then planted and/or regenerated.



Riparian

est. on or after 1 Jan 2008

1m wide (min.) from the edge of the bank. Woody vegetation including native and/or a mix of non-indigenous plants must be the predominant species.



Perennial Cropland

est. on/after 1 Jan 2008

At least 0.25ha of orchards and vineyards, associated with perennial cropland.



Scattered Forest

est. on/after 1 Jan 2008

Min. 0.25ha for any area counted with min. stocking rate of 15 stems per hectare. May include shelterbelts.



Woodlots/Tree-lots

est. on/after 1 Jan 2008

Up to 1ha and at least 0.25ha of tree species that have greater than 30% canopy cover.

Cyclical Categories include exotic vegetation that is planted and may be felled and re-established (e.g., pines, gums, fruit trees). This kind of forest is not self-sustaining and needs to be replanted. To be eligible for the system, all cyclical categories must have been planted on or after 1 January 2008 (unless evidence is provided to show it was established between 1990 and 2008). The partnership will not recognise exotic plantations that are eligible for the ETS.

Calculating sequestration

The amount of carbon that vegetation can sequester in a lifespan is limited and varies by species, therefore so will the recognition.

To calculate the total sequestration rewarded each species will have a unique sequestration rate. This rate will change over time to reflect the amount of carbon sequestered each year within its lifespan.

To enter sequestration into the system, farmers will need to select the species type and age of the vegetation area they wish to register.

To calculate the total carbon sequestered, the system will use a look up table to apply the correct sequestration rate to the total area. The farmer will be rewarded for the incremental amount of carbon sequestered each year.

Sequestration rates used in the look up table will need to be determined by sequestration experts to ensure they are scientifically credible, and that they can be applied in a workable way.

Currently there is limited research on sequestration rates for some categories of vegetation. We will continue to advocate for more research into on-farm sequestration so the system can be improved over time.

When sequestration is greater than emissions

For most farms or collectives, the financial reward from eligible sequestration is unlikely to be greater than emissions but in some cases it will be. Where sequestration may be greater than emissions, the system will provide a payment or credit.

When vegetation is removed

When vegetation is removed, it becomes a source of emissions. All recognised vegetation will need to be maintained or a liability will apply if they are cleared and not replanted. The recommendations contains specific provisions for adverse events.



Incentives

Financial incentives for further emission reductions

During the consultation farmers told us a greater range of incentives than those proposed would be needed to achieve emissions reductions on-farm. We also heard concerns from farmers that the levy will threaten the viability of farm businesses and farmers needed more options to reduce the emissions charge.

The partnership is committed to supporting farmers in delivering credible emissions reduction and keeping the price they pay for

emissions as low as possible. To do this, financial incentives will be given to farmers who adopt an approved action. An approved action is a new technology or practice change which have a quantifiable link to emissions reductions.

The incentives will be integrated within the pricing calculator and would be netted off against the total emissions charge but could not exceed it - meaning there would be no payout for incentives.

The value of the incentive would be set by the System Oversight Board, and it will take into account the cost of implementing that action, and the emissions reductions being achieved. Over time, as an action becomes commonplace, the incentive may reduce or be removed.

Approved actions that could apply include coated urea, low protein or methane forages, effluent methane capture, low emissions animal genetics, feed additives and vaccines.

Reporting emissions

Individual farms or collectives will be required to calculate their short- and long-lived gas emissions, annually through a **centralised emissions calculator** within the pricing system.

The single centralised emissions calculator will enable a consistent calculation across all farms. It will be dynamic so any calculation improvements can be updated, and the latest science can be integrated. A panel of experts will regularly review and agree upon any required updates.

Farmers can choose to enter **'simple' or 'detailed' farm data** into the calculator, depending on the level they want to calculate their emissions. On-farm emissions and efficiencies will be calculated and reflected within the emissions charge. There are trade-offs for each approach in terms of time and accuracy and farmers will be supported to make decisions when the 'detailed' farm data calculator is in place from 2027.





Section

04

What happens next

The recommendations have been delivered to the Government – the full recommendation report is available at hewakaekenoa.nz

The Government will now have time to consider the recommendations, together with independent advice from the Climate Change Commission on the readiness of our sector for emissions pricing.

Later this year, we expect the Government to share their agricultural emissions pricing proposal for the public to consult on – farmers can also have another say at this time.

By December the Government will make its final decision on how agricultural emissions will be priced.

We expect the Government to work in good faith, and throughout the process we will be calling on them to accept the recommendations.

DairyNZ and B+LNZ will continue to advocate strongly on your behalf throughout this process.

What can you do now?

The key thing to note is that, unless the Government decides to bring agriculture into the ETS beforehand, pricing won't happen until 2025 – there's time to get prepared. DairyNZ and B+LNZ will inform and support farmers at every step.

Actions you take to reduce emissions on-farm now will put you in a better position when agricultural emissions pricing is introduced.

The first step is to **know your on-farm emissions numbers**. See info from

DairyNZ or B+LNZ on how to do this – there are tools and support available.

You can then start to **investigate farm systems changes** that can maintain your production and profitability while reducing emissions.

You can **investigate opportunities for additional sequestration** (including looking at associated costs and what it would mean to permanently retire land, and which scheme you should register into based on species and area planted).