



AGRICULTURE IN THE NEW ZEALAND EMISSIONS TRADING SCHEME



The Climate Change Response (Emissions Trading) Amendment Act 2008 came into force on Thursday 26 September – as such, the Emissions Trading Scheme (ETS) is now in operation. The ETS is the price-based mechanism for greenhouse gases and is a key part of overall climate change policy. It involves all significant greenhouse gases and all sectors.

Who is included and when

There will be a phase-in period with different sectors entering at different stages:

- January 2008 – Forestry
- January 2010 – Stationary energy, including gas and geothermal energy; and Industrial Process emissions
- January 2011 – Transport
- January 2013 – Agricultural emissions (N₂O & CH₄); Synthetic gases; and Waste

Forestry is the first sector to enter the scheme because it plays a core role in managing New Zealand's carbon footprint. Detailed information on forestry in the ETS is available at www.maf.govt.nz/sustainable-forestry.

The ETS (Agriculture) includes greenhouse gases from pastoral agriculture, horticulture and arable production – methane from livestock emissions and nitrous oxide from animal urine and dung and synthetic fertiliser.

Participants can voluntarily report their emissions in 2011 and are required to report their emissions in 2012, but they are not required to pay for their emissions in these years. Agriculture fully enters the scheme in 2013.

Who has to participate in the ETS (the point of obligation)?

The Act sets the point of obligation for agriculture emissions at processor level. This means meat and dairy processors and fertiliser companies will be responsible for the emissions that occur on farms. The Act allows the Government to change this to farm level before a cut-off date of 30 June 2010.

A Technical Advisory Group (TAG) including industry representatives is assessing whether this would be feasible or cost-effective and will report back to the Government in November 2008.

How will emissions be measured?

The method for estimating emissions for the ETS will be set out in regulations and will be different depending on whether processors or farmers participate in the scheme. Tools will soon be available to allow farmers to estimate the emissions from their own farm.

What does this mean for the sectors?

The principle behind the ETS is that emitters of greenhouse gases must either reduce their emissions or purchase New Zealand Units (NZUs) to pay for those emissions. NZUs can also be earned through forestry plantings as they sequester carbon.

The agriculture sector will not be required to pay the full cost of its emissions until 2030. The sector will be allocated a number of emissions units from 2013 through to 2030. From 2013 to 2018, the annual allocation will equate to 90 percent of the sector's total 2005 emissions. The allocation will phase out gradually from 2019 to 2030.

The scheme will be reviewed by an independent panel and this is likely to occur every five years. That review will look at a number of factors, including how New Zealand's trade competitors are addressing their emissions, what mitigation technologies are available, and assess whether the allocation path or other settings might need to be adjusted.

Mitigation and adaptation

A research and development programme is underway to identify technological solutions to agriculture emissions. The phase-in period provides considerable time for research effort.

There are a few options available for landowners to mitigate the impact on their farms at present, including:

October 2008

- planting forests/trees on farmland (creating carbon sinks);
- using fertiliser more efficiently, and using nitrification inhibitors;
- reducing the carbon intensity of outputs by improving productivity.

KEY DATES

10 September 2008	Legislation passed
Late 2008	Technical Advisory Group report released
2009	
March–June 2009	Government decision on point of obligation*
2010	
	Draft allocation plan out for public consultation
30 June 2010	Ability to change to a farm point of obligation expires
2011	
1 January 2011	Voluntary reporting begins
2012	
1 January 2012	Mandatory reporting begins
31 December 2012	Ability to enable a farm-level opt-in under a processor level point of obligation expires
2013	
1 January 2013	Agriculture fully enters ETS
2014	
30 April 2014	Agriculture participants required to surrender units by this date for emissions in 2013

* These are not legislative timeframes and are subject to change