New Zealand farmers may pay for greenhouse gas emissions under world-first plans

By 2025, farmers would pay a levy on emissions from sources such as cow burps and gases from their urine under proposals released by Jacinda Ardern

New Zealand's government has proposed taxing the greenhouse gasses that farm animals make as part of a plan to tackle the climate crisis. Photograph: Mark Baker/AP

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In a world-first, New Zealand appears set to introduce a scheme that will require farmers to pay for their agricultural greenhouse gas emissions, including the methane belched out by cows and nitrous oxide emitted through livestock urine.

The prime minister, Jacinda Ardern, and three of her ministers, stood behind a podium of hay bales at a North Island dairy farm on Tuesday morning to unveil the government's plan for putting a price on the climate cost of farming.

The emissions created by the digestive systems of New Zealand's 6.3m cows are among the country's biggest environmental problems. The plan includes taxing both methane emitted by livestock and nitrous oxide emitted mostly from fertiliser-rich urine – which together contributes to around half of New Zealand's overall emissions output.

"The proposal, as it stands, means New Zealand's farmers are set to be the first in the world to reduce agricultural emissions," said Ardern, adding that it would give the country's biggest export market (worth $46.4bn a year) a competitive advantage globally, while putting the country on track to meet its 2030 methane reduction target.

"No other country in the world has yet developed a system for pricing and reducing agricultural emissions, so our farmers are set to benefit from being first movers," Ardern said. "Cutting emissions will help New Zealand farmers to not only be the best in the world but the best for the world."

The plan arose out of the He Waka Eke Noa scheme – a partnership between farming leaders, Māori and government. The scheme was created in 2019 following calls from the farming sector to price greenhouse gas emissions at farm level, rather than forcing farmers into the separate Emissions Trading Scheme, which they criticised as being a blunt tool to calculate agricultural emissions.

The government has accepted most of the recommendations from the partnership and incorporated feedback from the Climate Change Commission, but rejected a proposal from farmers that they play a significant role in setting their own emissions prices.

Under the proposed plan, by 2025, farmers who meet the threshold for herd size and fertiliser use, will be required to pay a levy the government will set every one to three years, on advice from the Climate Change Commission and farmers. The price will be influenced by the country's progress towards meeting its international promise to cut methane by 10% by 2030, down from 2017 levels. It comes alongside a net-zero emissions target for 2050.

All revenue from the levy will go towards new technology, research and incentive payments to farmers who adopt climate-friendly practices.

The consultation document is set to be signed by cabinet in early 2023. Should the plan succeed, it could spell the end of a long-running battle between farmers and policy-makers that emerged in 2003 under the former Labour government. The then-prime minister, Helen Clark, proposed a tax on all livestock for their methane emissions, known as the "fart tax", that sparked vehement opposition from farmers and was eventually abandoned.

"It has been a very long journey and it is well past time we got going," said James Shaw, the climate change minister and Green party co-leader, adding that working with farmers to reduce emissions was a priority, rather than relying on offsetting emissions through forestry.

"It is better than the 'backstop' of bringing agriculture into the Emissions Trading Scheme, which could see agribusiness simply offsetting farm emissions without making any actual changes to reduce emissions on farms," Shaw said.

Industry groups that participated in the partnership will have until mid-November to consider the government's plan, with some already expressing concerns that on-farm planting (sequestration) will be recognised by the Emissions Trading Scheme, rather than being included within the agricultural pricing scheme.

"If farmers are to face a price for their agricultural emissions from 2025, it is vital they get proper recognition for the genuine sequestration happening on their farms," said Andrew Morrison, the chairman of Beef+Lamb New Zealand.

"New Zealand sheep and beef farmers have more than 1.4m hectares of native forest on their land which is absorbing carbon and it's only fair this is appropriately recognised in any framework from day one."

Climate change farming emissions plan: Government rejected James Shaw's preferred option

By Michael Neilson
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Climate Change Minister James Shaw feared the Government's preferred option to address agricultural emissions could be "ineffective" and risked not meeting targets.

The Government today released for consultation its plans for a world-first scheme that will see farmers paying for agricultural emissions in some form by 2025.

The Government accepted most of the recommendations made by the He Waka Eke Noa industry partnership but rejected two primary recommendations, including that levies paid via the scheme to be set by the sector, and instead would be set by Ministers.

This would involve Ministers deciding periodically how much farmers should be paying for their methane emissions, with input from the sector and Climate Change Commission about how they were tracking on targets.

Shaw instead wanted a cap set on overall methane emissions and the price then set by the market. That way it would be protected from any future political interference.

Under the co-operation agreement with Labour, Shaw, who is also Green Party co-leader, normally sits outside of Cabinet but comes inside on climate-change issues.

The Government has committed to a 10 per cent reduction in methane emissions from agriculture and landfills by 2030, going up to a 24-47 per cent reduction by 2050, compared to 2017 levels. It comes alongside a net-zero emissions target for 2050.

Make a beeline for the Beehive

Prime Minister Jacinda Ardern leaving with chief press secretary Andrew Campbell after her visit to Kaiwaiwai Dairies farm near Featherston. Photo / Mark Mitchell

It was argued, in a Cabinet paper released today, in the past a low marginal price and no cap on emissions had been "ineffective at reducing emissions".

Under the proposed option, Ministers and Cabinet would also have to update the levy rates periodically to ensure it was effective.

"The Minister of Climate Change is concerned this process will allow meeting emissions reductions commitments to be traded off against other considerations," the paper said.

Officials ultimately argued downsides of Shaw's proposal were that it could be "too complex" to be implemented by 2025 and could have "lower sector support".

The paper also stated Shaw was "concerned" the pricing system would "not provide sufficient certainty that Aotearoa New Zealand will achieve its climate change targets".

Shaw, who recently had to fight to regain his Green Party co-leadership after being accused of not achieving enough in his portfolio, reiterated his preferred option of setting an emissions cap for methane.

Part of the consultation document included investigating this for a later introduction.

"I think it could be more robust in a system that uses an absolute cap," Shaw said.

"The option that I was putting forward was for a system that doesn't rely on modelling."

He said that approach was used in the Emissions Trading Scheme.

"However, officials are very clear, they didn't think they could get it up and running in the 36 months remaining to us. And also, the sector itself strongly rejected it.

"I'm always very wary about prices set politically. But ultimately, that's why we've punted for having the [Climate Change] Commission provide that advice."

Prime Minister Jacinda Ardern with James Shaw (left), Damien O'Connor and Kieran McAnulty, during their stand-up at Kaiwaiwai Dairies Ltd near Featherston. Photo / Mark Mitchell

Prime Minister Jacinda Ardern said the decision was based on making the proposal "workable" and timely".

"There are just some things that functionally you would not be able to implement across the country in their timeframe."

Concerns over rural impacts, 'emissions leakage'

National, meanwhile, has tread a cautious line in its response, both reiterating its bi-partisan support for overall emissions reductions targets while highlighting the impacts on rural communities.

National's agriculture spokeswoman Barbara Kuriger said they were committed to reaching the country's emissions targets but felt today's announcement put consensus with the industry at risk.

They were concerned about modelling showing international emissions could increase as jobs and production is shifted offshore as a result of measures here, known as "emissions leakage".

The plan stated: "If suppliers of dairy, meat and wool products in other competing countries fill this gap in world markets, agricultural emissions in these competing countries will likely rise.

"If those emissions increases are not offset by reductions elsewhere in those economies, this process reduces the effect that Aotearoa New Zealand's emissions reductions have on overall global emissions."

It has estimated as much as 65 per cent of reductions here could be "leaked" by countries offshore.

"Worryingly, the large falls in sheep production in New Zealand could lead to higher global emissions as more sheep production moves overseas to less-efficient farms," Kuriger said.

They were also concerned the plan did not allow farmers to earn extra income from some forms of on-farm planting and carbon capture.

"Broad industry support is crucial for any enduring solution to agricultural emissions."