FINAL

Notes of Climate Change Commission Stakeholder Workshops: Agricultural Sector in the ETS

Prepared for:
Climate Change Commission

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Introduction

Overview

These notes present a summary of the findings from these workshops, prepared by the independent facilitators. The detailed outputs and inputs are in the Appendices.

Workshops' purpose

To support the Commission's work advising government on emissions pricing in agriculture, four two-hour online workshops were held on 1, 2, 6 and 7 December 2021, to engage with relevant stakeholders.

The Commission was seeking stakeholder input on the following:

- draft criteria to guide the Commission's assessment of proposed farm level emissions pricing mechanisms
- the aspects the Commission should consider when assessing the agriculture sector's readiness for implementation of a farm-level emissions pricing mechanism (EPM)
- the topic of agricultural assistance.

Agenda

All workshops ran to the same agenda, below.

Time	Task
15 min	**Session 0: Preliminaries** Karakia, introductions, welcome from the Commission including context of these workshops in the overall work programme.
40 minutes	**Session 1: Framework for assessing emissions pricing mechanisms** Focus question: What does the CCC need to consider when assessing a proposed EPM? • 10-minute presentation by Commission staff, introducing the topic and the terrain of inquiry. • 25 minutes in breakout groups.
20 minutes	**Session 2: Assessing sector readiness to participate in emissions pricing** Focus question: What aspects should CCC explore when assessing sector readiness? • 5-minute presentation by Commission staff, introducing the area and terrain of inquiry. • 10 minutes in smaller breakout groups • 5 minutes' review together
40 minutes	**Session 3: Advice on agricultural assistance** Focus question: What should the CCC consider when it gives advice on agricultural assistance? • 10-minute presentation by Commission staff, introducing the area and terrain of inquiry. • 15 minutes in breakout groups • 15 minutes' review together
~5 minutes	**Session 4: Implications** Brief plenary discussion to elicit what participants considered to be the biggest implications of these discussions, for the Commission's work.
	Close

Note taking and facilitation process

- In breakout groups, each "room" had a Commission scribe and room facilitator. Their role was to ensure equitable airtime between participants, encourage focus on the topic at hand, and to capture people's inputs accurately into the online whiteboard. Participants could choose to type their own whiteboard inputs if they wished, and some did.
- In plenary discussions, the independent facilitator held the conversation space and Commission staff took notes.
- Beyond the workshop, participants were invited to provide any further information directly to Commission staff. This is not included in this document as any dialogue was separate to the workshop.

Attendees

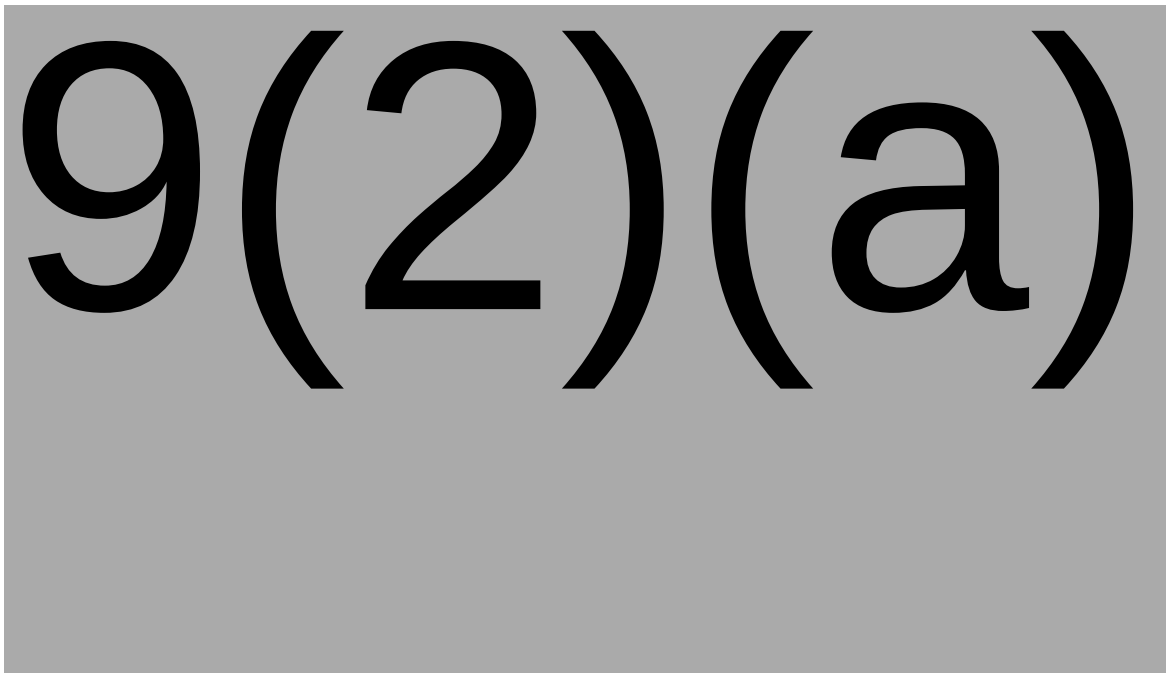
The tables below set out who attended the workshops.

Climate Change Commission (some minor substitution between workshops):

Barry Anderson
Ben Aves
Charli Keeling
Christopher Holland
Edward Lewis
Francisco Hernandez
Harriet Palmer
Havana Wellbelove
Matt de Boer
Olivia Prior
Phil Wiles
Sally Garden
Sandra Velarde

Independent facilitators (one per workshop):

Isabella Cawthorn
Michelle Rush



Workshop notes

Key to layout

The following are themes from participant feedback across each of the four workshops.

- In the left column in **bold** are themes that were raised frequently (albeit in different wording). Where a post on a digital whiteboard received several "likes" and endorsing or supporting comments, these strengthened its theme contribution.

- The right column has more detail about the composition of that theme.

  "In italics beneath each theme are some verbatim quotes from participants that illustrate some dimensions of that theme."

- General observations are made about the degree of homogeneity or variation in participants' contributions, and some points of interest are included where relevant.

Session 1: How should the Commission assess proposed farm-level emissions pricing mechanisms?

Overview

Participants discussed the Commission's framework for assessing a farm level pricing mechanism, and answered against the three criteria by which a proposed mechanism could be considered:

- Effectiveness,
- Practicality, and
- Equity.

There was a lot of crossover between people's contributions across these three considerations which has been accounted for below.

Question 1: How should we assess proposed farm level pricing mechanisms in terms of their effectiveness?

Overview

Feedback on how to assess for effectiveness had some crossover with the discussion about assessing for practicality, particularly around the administrative burden aspect. Where some themes were stronger in certain workshops, this is noted.

There were two meta-contributions in the local government and NGO workshops:

- querying the extent to which non-market mechanisms (such as commons structures (ref. Professor Elinor Ostrom's work)) are being considered at all, in a discourse seemingly focussed exclusively on pricing
- querying the proportion of emissions reduction that's expected to be met through an emissions pricing mechanism versus other policy measures

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A strong consensus that an effective pricing mechanism must deliver real and significant emissions reductions.

This theme presented across all groups. It was the dominant theme of feedback In the NGOs and local government groups, and in the other groups it was one of a handful of themes of "effectiveness".

> *"Effectiveness – how to balance implementation of a pricing scheme. Farmers may choose to simply pay the check rather than reduce GHGs (costs and benefits)"*
>
> *"Unsure that HWEN proposals will actually incentivise behaviour change and reductions – it will become just another compliance cost. If it doesn't drive farm-level change, there's no point"*
>
> *"Gross emission reductions – e.g. is 1% reduction enough?"*
>
> *"How much it reduces emissions at the farm level"*

Effectiveness is comprehensive coverage

A major consideration for effectiveness is the extent to which the mechanism covers all farm types; all emission sources; and all soil types (including peat).
This got several mentions in all groups, and was the second-strongest theme (after actual emissions reduction) for all but rural professionals.

> "*Returning drained peatlands to wetlands most effective carbon sink opportunity for many farming areas"*
>
> *"For Māori landowners … many farm / ownership structures, how to consider equity and practicality for these organisations. Practicality might look different for different farm types."*
>
> *"Drystock sector. It won't be effective if it's not equitable between sectors"*
>
> *"Needs to be comprehensive – include all emissions for each sector including e.g. soil erosion carbon loss peat etc"*
>
> *"Pricing should consider pricing inputs (e.g. fertiliser and supplementary feed) as well as outputs (e.g. emissions, rebates). Should consider full carbon cost of inputs (e.g. synth N fert and PKE)"*

Effectiveness is clarity, good engagement,

An effective mechanism must be very clear to all the different farming sectors about what it is trying to achieve, and how it applies to the different actors in each sector. A

good communication

strong part of this theme was that an effective mechanism will include comprehensive outreach, communication and engagement.

This theme dominated the rural professionals' feedback on effectiveness, and was a more minor feature of other groups' feedback relative to other themes.

> *"Communication and messaging – needs to be so much better. Hard even for us to understand what's coming and what requirements will be"*
>
> *"Extension – a lot of money will need to be spent on helping farmers understand what they need to do"*
>
> *"Farmer ownership over programme – needs good farmer buy in"*
>
> *"Regional level, e.g. Canterbury zoning, collective / catchment decision making may [be] an effective tool, holistic look at environmental issues"*

Effectiveness is incentivising well the right people and the right changes

Effective mechanisms will incentivise both change in farm practice and in land use (not at the expense of each other), and reward early adopters / early movers.
It's especially important not to effectively punish early adopters.

Contributions from the rural professionals' workshop on this theme were principally around recognising, building on, or honouring farmers' pre-existing work.

> *"Needs to recognise good work to get farmer buy-in"*
>
> *"Should more holistically engage farmers and support them to make changes"*

The other three groups' contributions on this theme focussed more on the overall picture of incentives faced by farmers at different stages in their emissions-reduction journey, and on avoiding perverse incentives for all.

> "*Effectiveness – assess the framework used for on farm reductions. It will be important to differentiate between early adopters and those who are yet to take action, moral hazard in punishing those who are doing what they can. Land-use change may be the only real driver of ag emissions reductions."*
>
> *"No incentive to increase productivity. […] Currently incentivising farms to be more productive but increasing costs at the same time"*
>
> *"Solutions should reward early adopting farmers – incentivise higher emitters. Some ag issues are siloed by the ETS, e.g. water quality, health. HWEN proposals may make intensive farming e.g. dairy more cost effective so this must be linked in to other sustainability outcomes"*
>
> *"Need to avoid risk of rewarding those who haven't done anything, and penalising early movers"*
>
> *"Sector coverage. Target highest emitters as priority – emissions reductions need to address highest emitters, mitigate risk of penalising lower emitters . Reduce risk of unintended outcomes e.g. increased intensification in some areas (intensive vs extensive)"*

Effective means having the point of responsibility for reducing emissions at the most efficient point of the process chain

A minor theme was that an effective mechanism will place the point of responsibility for reducing emissions (attribution) at the most efficient point of the process chain for emissions reduction. This theme also came up several times in the question about assessing proposed schemes' practicality (see below).

> *"Point of responsibility – Range of business structures. Complex leases and accountability. Split between emissions responsibility to farmer / business and sequestration from forestry / soil carbon from landowner."*

> *"Ensure point of responsibility sits at the skinniest point of the supply chain. 25,000 farms vs maybe 5 fertilizer companies?"*

> *"Incentives need to be at farm level"*

Effective mechanisms will address contribution to warming

Rural professionals highlighted that an effective scheme will address the contribution to warming rather than just CO2 equivalence. There were several comments suggesting different measures – GWP* vs GWP100.

> *"A methodology and metric that reflects warming contribution. GWP100 CO2 equivalents of 1990 doesn't. GWP*"*

> *"Needs to be "like for like" based on warming impact. GWP100 isn't effective for doing that."*

Question 2: How should we assess proposed farm level pricing mechanisms in terms of their practicality?

Overview

Contributions on this question included many general observations on things that participants considered will be dimensions of practicality in a pricing scheme (such as "Regulatory arrangements take a long time", "Good data", and "Single tool or multiple tools").

There were also several recommendations which were more detailed than the workshop's terrain of inquiry. These have been captured but are not summarised here.

Practicality is where the burden of recording, analysis and data entry isn't too onerous

Across the board, a practical pricing mechanism was seen as one where the burden of recording, analysis and data entry (transaction costs) isn't too onerous.

Across all workshops there was a sense that what is "too onerous" needs to be assessed against the emissions reductions being achieved, against farmers' tolerance for a burden perceived as additional, and against some "happy medium" of precision in calculating that would satisfy different stakeholders with different desires.

> *"Transaction costs may be very high relative to emissions reductions (being the administration and monitoring etc.)"*

> *"Admin for a farmer is a challenge / burden […] what farmers are protesting is showing us they are frustrated with regulatory tape. Admin is a burden"*

"How to balance those who want to be in the detail and those who want to stay at a high level? Full range of potential respondents …"

"This is a data game. How do you value add experience of getting into this"

"Few farmers attempting to use B&L calculator with mixed success – concern about numbers. Simplistic algorithm behind… Confidence re if absorbing carbon or emitting methane, will be hard for farmers to know that if put numbers into different models with different results"

"Net-emissions accounting crucial. … if gross not being acknowledged for the work you are doing. Short [/] long lived trees, wetlands, soil carbon, how to recognise pasture quality and how that impacts methane production…"

"Practical" administrative burden for emissions may be more achievable than estimated

Amongst generalised concern across all groups about the potential administrative cost burden of farm-level emissions pricing, several respondents in the academics' and rural professionals' workshops believed that this might be over-estimated.

"*Will already be doing this – Farmers will already be collecting this information for farm plans in a few years – won't be a huge extra cost for farmers in reality"*

"Should be around 20mins to fill in B&L calculator, emissions extra (maybe 1 hr max) doesn't match with estimates – costs may be overestimated

"Overseer analyses - Thousands of Overseer analyses already exist, so farmers know their GHG number. Mental readiness will be much harder to overcome and will require a lot more effort from government and industry to improve this. Including emphasising the co-benefits."

"Cost to implement system, farmers will need to submit integrated farm plans soon anyway. The HWEN figure may be overstate if these can be streamlined. […] Farmers aren't clearly hearing how these programmes will fit together"

Practical mechanisms will integrate with existing regulatory requirements and their tools

All groups had a theme that an emissions pricing mechanism's practicality should / could be measured by the extent to which it can be integrated into (or at least does not duplicate or conflict) with:

- other data capture systems e.g. LUCAS and LIDAR
- existing farm management tools such as Overseer and the Beef + Lamb calculator
- freshwater planning – including Integrated Farm Plans
- terrestrial environmental reporting and management such as SNAs.

"Integrating with other farm planning; Farmers need to understand that this will all be streamlined"

"People are using existing programmes, what does that mean – if they are using multiple programmes that have slightly different purposes i.e. Overseer recently regarded as not fit for purpose. No ruminant model in the back of Overseer.[…]"

"In Bay of Plenty have lots of multi enterprise properties – might have kiwifruit, forestry etc. What finding with freshwater is that each sector is providing industry standard template so 3 different farm plans for water. Better to streamline for one process – using info already provided for water related farm plans stuff before asking for further inputs"

Practicality in emissions pricing is enough people with the right skills to run the system

This was a strong theme, with all groups highlighting the administrative burden for farmers, and highlighting the importance of extension and support services. This topic was echoed in the discussion about assessing the agricultural sector's overall readiness for emissions pricing (see below).

(Councils' skill levels were raised just twice, in the local government and academics' workshops.)

> *"Availability of skills – multi-angle approach, skills for farmers and consultants, support farmer ownership of their data"*
>
> *"Skills available – variable across the country & not comprehensive knowledge. Not enough knowledge who could give advice on sequestration + farming. A, knowledge on particular property. B, knowledge on policy. C, understanding how ag business system is working"*
>
> *"Remove data entry and offer insights through improved technology that supports them. Farm IQ thought they would be where they are now in year 2. Diet / feed management opportunity to combine technology that would remove burden."*
>
> *"Concern around proper training and personnel for planning, auditing etc. Need guidance to understand how much consultants etc should be charging"*
>
> *"Farm advisors – particular skills farmers will need help with in terms of farm planning? People who can sit and have the time 1:1 with farmers. Education and support. Expanding constraint of how well farmers can implement the regulations and understand what their options are in terms of reducing emissions and diversifying landuse"*

A practical mechanism has the point of obligation or responsibility in the right place, and clear and unequivocal

This theme also presented in "Effectiveness" above, and "Equity" below. It was raised most in the "Practicality" question by rural professionals, with some mentions in the academics' and local government workshops and none in the NGOs'.

There was a sub-theme that if the point of obligation is on-farm, it must be designed understanding that farms have diverse and often complex legal and operational structures.

> "*Point of responsibility will be important. Accountability - Owner versus who runs or operates. What if it's a trust model? Business operations are going to have the emissions – the relationship between who owns and is responsible for the land – i.e. what's impacted by operations (soil carbon)"*
>
> *"Point of obligation with different practices – Obligations falling e.g. mix cropping, grazier farms, finishing etc. E.g. head counts on / off trucks, weight"*
>
> *"Liability / point of obligation will be challenging. How do you challenge your GHG number? Systems already in place?"*

Practicality shouldn't be a barrier to

Two participants in the NGO workshop explicitly put a caveat on the dimension of practicality: that it's important to start, practicality shouldn't be allowed to be a barrier that gets in the way of progress in reducing emissions.

emissions reduction	*"Should let current practicality barriers to limit approach – risks deferring problem. CC is an existential crisis so outcome should be driving response – don't let the cart pull the horse"* *"Don't wait for perfect solution which aren't here yet or we will be waiting forever. Regulation will drive adaptation."*

Question 3: How should we assess proposed farm level pricing mechanisms in terms of their equity?

Overview	Participants traversed several dimensions of equity, with the strongest focus on aspects of equity within the agricultural sector. Wellbeing for rural communities, and the public health implications of different farming activities, made cameo appearances in this discussion.
Equitable mechanisms will address equity between: different farming types; different farm sizes; and farmers' ability to pay.	This theme was extensively traversed across all workshops except the NGOs' one, where it was a less prominent theme relative to others. Equity dimensions in this theme included: • Equity between farm types (e.g. drystock and dairy) both in terms of emissions and in sequestration potential, and the degree to which the overall ratio of such farms in Aotearoa needs to change *"Manage equity between dairy / high country – It can't be the same."* *"Commercial equity issues – Access to funding – big transfers one group[p to another. Taking away from one sector"* *"Reallocation of emissions burdens between different farms. Lots of back and forth / lateral transfer of products or stock, concerns around perverse outcomes if the boundaries around different systems aren't set."* *"Consider capacity of different farm types – needs to consider capacity of different farm types to respond. [Additional comment:] Agree, can you reward some for adopting technologies even when there are others who are willing to adopt the technology but cannot due to financial or practical barriers?"* • Equity between different farm structures (e.g. owner-operated, trusts and collective ownership such as iwi Māori) *"Māori land, mechanisms and investment vs freehold land, considerations in landuse change"* *"Tragedy of the commons, Māori farming – long term views"* • Equity considerations where there are financial or practical barriers

"People who are farming on the margins – There is going to be some pain, you can't avoid it. Economic margin but doesn't necessarily mean they are higher emitters – but ability to absorb extra cost might be lower. 2-3% extra cost might break them"

"Farms can do more or less – affordability across different farm types. Some that could do the most, will have least ability to pay"

Equitable mechanisms consider farm-scale attribution of emissions burdens over time

Two participants in the rural professionals' workshop highlighted equity across time at farm scale: how emissions reduction burden is attributed across the life of a traded animal, and between successive owners or holders of land.

"Upstream effects must be considered. If emissions are priced at processor level, the finishing farmer ends up with the charge. Replacement stock with maintenance burden, the person who grew the stock may not feel the emissions price"

"Reallocation of emissions burdens between different farms. Lots of back and forth / lateral transfer of products or stock, concerns around perverse outcomes if the boundaries around different systems aren't set."

Equitable distribution of burdens and benefits between generations

This was raised the most in the NGOs' and academics' workshops, with participants raising:

- The extent to which it's acceptable to let some farms go under or suffer significant economic impacts
- The incentives for or against practice change that a pricing scheme could create, including:
    - that failure to reduce emissions in agriculture means that other sectors must pick up the 'slack'
    - that grandfathering credits essentially privileges the status quo, and historic profit and emissions

"Equity through generations - must be fair on future generations and not load emissions reductions onto the future but address then mow when they're being generated."

"Don't grandfather – Not grandfathering emissions efforts of the most polluting farms by treating everyone at the same baseline. Equity implications of splitting gases for how the (all gas) emissions budgets and NDC are met. Even though long term targets are different, these near term goals need effort measured on GWP100 / CO2e"

"Equity – the main issue here is the question of equity between NZers as a whole, whose interest lies in long-term development of a climate-friendly economy, and in reducing the wealth transfer to farmers under the ETS; and the interest of livestock farmers in maintaining their traditional lifestyle"

"It may be more important to allow our systems to move in a more emissions favourable direction rather than responding to the status quo and current emitters"

Not penalising or disincentivising good practice instigated outside the emissions domain

This was a minor theme but occurred across all workshops and also got mentions in the Practical and Effective discussions.

The most cited example of such good practice was riparian planting and wetland restoration. Several participants noted the extensive co-benefits including to biodiversity and public health (e.g. from reduced nitrates), and that these should be recognised in the pricing mechanism.

> *"Co-benefits – even if farmers would have to plant riparian etc anyway under FW reforms, no risk of double counting, only benefit of maximising co-benefits"*

> *"Unrecognised sequestration of biodiversity – rich afforestation – e.g. pre 1990 forests, soils. Needs to recognise co-benefits"*

> *"Impacts on other sectors and their efforts to reduce emissions – example: some areas of trees being too small to be rewarded through the ETS, so some farmers getting paid for sequestration that others don't get paid for.*

Equitable also means avoiding perverse incentives e.g. penalising first-movers

Manifesting across all three areas for assessing a proposed pricing mechanism was a clear theme on the importance of not disadvantaging first-movers and innovators, given the front-loading of investment necessary for farm systems change. This related to the theme above about not dissuading people from good practice instigated outside the emissions domain (e.g. through biodiversity initiatives).

There was a slightly weaker theme around proactively or positively incentivising first-movers and early adopters.

> *"Need to avoid risk of rewarding those who haven't done anything, and penalising first-movers"*

> *"Farm system change is expensive, up front, so time frames and funding mechanisms to support this are important"*

Equitable mechanisms will respond to historic / ongoing inequity

There was a clear though smaller theme that an equitable scheme should somehow make special provision for farms on "underdeveloped" land, such as some Māori land (which got specific mentions in the local government and academics' workshops).

> *"Māori farmers have different state of development and little access to debt – they would see as limiting their choices. Disadvantaged by any pricing mechanism. Access to debt –"*

> *"Māori land – Northland native regen due to undeveloped land, few Treaty settlements. Key not to penalise those iwi / hapu"*

A related element in was concern that a mechanism should somehow accommodate "disadvantaged" regions (e.g. with fewer rural professionals to support farm change).

> "*Methane reduction technology – incentivising these technologies which potentially aren't economically or practically available to all (and not as effective as reducing stocking herd) may be harmful to farmers"*

International equity: open question

In all but the rural professionals' workshop there were a few mentions of international fairness in terms of competitiveness, in relation to trading partners' agriculture subsidies. There was a clear divide between those with principled rejection of effective or actual subsidies, and those seeing justification in other countries' use of them.

> *"Fairness of international competition – if UK offers subsidies NZ farmers may be disadvantaged."*

> *"Farming has been effective at delaying. There's going to be outcry, protect international competitiveness, but at the same time we need to take action"*

The NGOs' and academics' workshops had several mentions of the international equity issue of how New Zealand relates to countries with less-developed (and lower-emitting) populations.

> *"Purchasing offshore – Anything we don't do domestically will need to be purchased offshore (ie NDC). When thinking about ambition of the HWEN proposal, need to think about ambition in that context"*

> *"Developed vs developing country debates in global summits – acknowledging different demographics locally"*

Session 2: What should the commission explore when assessing sector readiness? Where could it go to find this out?

Overview

Participants discussed these questions over 10 minutes in pairs or threes, and identified their three most significant points to note down. Participants also provided more detail such as contacts, references and URLs which the Commission can use to follow up.

Concern sector is not ready

Across all workshops, a large majority of participants expressed concerns about the sector's current state of readiness, with an overall view that it was not ready. A number of examples were provided.

> *"Our shared view: farmers are not ready. High dependence on Rural Professionals. The rural professionals are under a lot of stress as well – simply put because the central govt policy changes are still uncertain as well. The best that advisors can do at present is help farmers understand their baseline numbers. We want to note that many farmers are still in denial about GHG taxation, CC impacts etc"*

All workshops but rural professionals' provided some positive examples of pockets of higher readiness, such as Silver Fern Farms' "Zero Carbon Beef" with Toitū Envirocare audits.

Integration needed with other policy and regulatory requirements

Echoing the previous sessions' conversations, there was another overarching theme of general concern that a farm level pricing mechanism would create a further administrative burden and risk its success if it was not integrated with other policies and regulatory requirements seeking practice improvement (e.g. water and biodiversity).

> *"How it relates to other policies & regulatory requirements – encourage and enable farmers to use carbon accounting not only for regulatory purposes… parallels with water quality and quantity issues matter in many places. They're an opportunity for parallel innovation"*

The capability and capacity of intermediaries, e.g. rural professionals and the extent to which they are trusted.

Across all workshops, a strong theme was the important role that the rural professionals play in supporting farmers to be ready.

> *"Rural professionals will be creating farm plans for farmers at the end of the day. If there aren't enough skills, capability, then barrier. Do we have enough people to be able to implement the plans for farmers?"*

> *"We need intermediaries who can be trusted. It's really odd to hear institutions wondering about how essentially 100% adoption is required. How do we get consultants, advisors, bankers to play well and get the adoption curve to move in the right direction"*

> *"Massey and Lincoln don't offer feed management degrees so how can rural professionals support change"*

> *"[Farmers] nervous with an army of consultants"*

> *"Unclear how much consultants should be charging"*

Psychological or mental readiness needs to be understood at multiple scales.

Participants across all workshops raised mental readiness as an important consideration when discussing farmer readiness.

This extended from the larger / national scale (readiness to accept that pricing – and the need for emissions reduction – will see some farms go the wall), down to individual or personal readiness (e.g. the Groundswell NZ advocacy group).

Mental health of stressed farmers and farm communities received a couple of mentions in the earlier session's discussions, while not being sufficiently mentioned to constitute a theme.

> *"Overseer analyses - Thousands of Overseer analyses already exist, so farmers know their GHG number. Mental readiness will be much harder to overcome and will require a lot more effort from government and industry to improve this. Including emphasising the co-benefits."*

> *"Uncertainty – has an impact on psychology. Conversation needs to be about climate positive farming – opportunity to reduce emissions and sequester in your system. Hard, is that high uncertainties with nature. Need to buffer in uncertainty and move with it."*

"Considering farmers who do not want to be ready either. So, agree, the strategy needs to be positive, encouraging, beneficial, and drive readiness"

Capacity of the broader sector to manage this administrative burden and existence of adequate systems for it

Pessimism about this was a minor theme mentioned in NGOs' and local government workshops. Participants noted the slowness of change seen with IFP and freshwater plans, and noting some negative experiences with other initiatives such as forestry regulations.

"How it fits with other legislation E.g. freshwater. Tying them in together is both a barrier and an opportunity. Lots of potential co-benefits"

"Not just farmers. How ready is all this administration part? Look at MPI/MfE around water, IFPs, biodiversity. They have been going for some time. And have not landed anything yet. Lots of people changes."

The existence and use of widely accepted measurement tools

Equally prominent as a theme was the extent to which readiness can be assessed by the degree to which farmers are already using a tool that's applicable, acceptable, and widely understood across different farming types to obtain their GHG number. Some participants see current tool use as a reason for optimism, others as a reason for pessimism.

"Sector readiness depends on availability of mitigation technology and tools. This will determine farmer readiness to participate".

"1% of farmers know how to use models. Examples being Overseer, no pathway for rural professionals to learn dietary manipulation / feed management"

The capability and capacity support, and general practical support

The availability of support among and between farmers and others in the sector was raised as an important issue across all workshops. This includes support offered by farming organisations, including industry organisations, local branches and so forth.

"Build farmer networks (incl bankers, regional councils etc)"

"Information flows to farmers – sector bodies need to be given the facts (they also need the willingness to listen). Not surprising that farmers are grumpy given the information they get"

Where to find out more about readiness

A number of helpful suggestions were made during the workshops, of places that the Commission could go to find out more about these readiness aspects:

- 350 programme and others that build networks between farmers
- Survey consultants, farm consultancy firms
- rural sector perceptions and attitudes towards the environment - Lincoln and Waikato universities' research departments; Auckland University's psychology department data (public attitudes)
- understanding readiness for transition overall – Global Association for Transition Engineering
- Readiness for farm planning around carbon as well as other matters: Regional Sector Group on Farm Environment Planning tools and standards /

links to MPI's Integrated Farm Planning project 9(2)(a)

- Political framework and atmosphere e.g. Groundswell NZ advocacy group. Farmers relating to social movement; leadership structures in these movements
- Supply chain understanding – Toitū (audits Silver Fern Farms / zero carbon-marketed beef)
- Readiness for using new integrated software (regional councils' IRIS MkII) – 9(2)(a)
- German course – psychology of climate change; psychology behind COVID communication e.g. Toby Manhire and Siouxsie Wiles.

Session 3: What should the Commission consider when it gives advice on the why's and wherefores of agricultural assistance?

Overview

Participants used three stimulus questions to discuss issues related to financial assistance to participants in an emissions pricing scheme: exploring the rationales for and against assistance, (if yes) the basis on which it should be provided, and the ideal degree of differentiation between groups (if any).

Where there was a clear trend, this is noted at the start. There was a lot of crossover between people's contributions across these three questions.

Question 1: Should assistance be provided, and if so why?

Overview

Participants were generally of the opinion that 'Yes' it should be provided. A small minority held dissenting views. There were also some general warnings provided without explicitly answering the question at hand.

Definitional challenge: "assistance" only financial

A feature of this discussion was confusion about the term "assistance". Across the board, people wished to talk about non-financial assistance such as extension but in the Commission's terminology "assistance" specifically means financial assistance.

A range of definitional or terminology points were raised:

- *"Difference between assistance and incentives – assistance should be given to all farmers for raising awareness, extension, getting data. Aim to improve good management practices."*
- *"Free allowance based on trade exposure… terminology is really confusing"*
- *"Introduces a lot of complexity that may obscure the point. Creating a level playing field between sectors should be more of a focus. Allowance may be better term than assistance, we want to avoid linking this to subsidies"*
- *"Everyone should get extension and info. Incentives should be provided based on need"*

There were also differing positions on the rationale for "assistance": the extent to which it's given to assist something that would've happened anyway.

Yes, to support a just transition

This was the standout reason people gave for supporting assistance.

Dimensions of this were:

- buffering impacts on wellbeing

  "Supporting farmer wellbeing – Important for building resilience, process of easing farmers into emission pricing. Getting people's heads around it so we can ratchet up later"

- mitigating shocks and price volatility especially for smaller farm businesses and the many rural households

  "Yes, need a mechanism to ease transition. Assistance based on production / profit margin"

- easing people into the system (psychological, socio-political consideration) without provoking drastic or perverse actions such as exiting farming altogether, or engaging in protests.

  "As a resource for the most vulnerable and symbolic actions to facilitate buy in – see hypothecation literature – e.g. congestion charges?"

  "Mental health, improvements in reductions, extension and communication will be crucial as id it's not properly understood, there will be more whole-farm afforestation as farmers take the easiest option"

A smaller but notable theme within this was specifically supporting the uptake of innovation and promoting desirable activities, and preventing backsliding.

> *"Investment in innovation is happening but not fast enough. Assistance needs to drive action – innovation is happening but we need to incentivise a mindset change as well as technology"*

Yes, to buffer New Zealand's international first-mover disadvantage

This was a much smaller rationale for support, though it was mentioned across all workshops with one or two comments each. There was some disagreement about the merits of assistance as a subsidy amongst other subsidies (essentially two wrongs not making a right), and an NGO workshop participant questioning the concerns about emissions leakage as being overblown.

> *"Yes because international competitiveness – will put NZ on the map. Will reward emissions intensity"*

> *"Yes but not a subsidy – Important for international trade – competitive edge. Opportunity for technological innovation […] should not be cash / rebate"*

> *"Needs to consider risk of leakage. ICCC reports state that risk of leakage is low. … may be less of a risk than commonly stated."*

No, it shouldn't be provided

In all but the rural professionals' workshop there were participants opposing agricultural assistance on the basis that it is effectively a subsidy or free allocation for an undesirable activity.

"It'll be hard to roll back"

"There are better uses for the money"

"Hard to take away, what's the phase out? Is it like a subsidy on oil?"

"Paying the polluter – Where does it lead us? Away from long term emissions reduction"

Other considerations

Several participants raised questions or made warnings without saying an explicit Yes or No to the question.

These covered considerations such as

- The risk of pollution swapping (e.g., reducing fertiliser but increasing supplement use)
- Only providing assistance if there are no better solutions to drastically reduce emissions
- The ETS free allocation concept needs to change – competitiveness has been mis-conceived in some sectors such as concrete (alternatives not considered)
- Assistance shouldn't be monetary.

"Need to ask at what point it might be more cost effective to buy some out rather than providing assistance to prolong status quo"

Question 2: On what basis should assistance be provided?

Overview

Participants provided a range of bases including value bases (such as buffering impacts, or maximising incentives for good activity), and process or procedural bases (such as dimensions of economic and policy efficiency).

No clear view on definition of need

As in the earlier sessions, while the concept of "need" was a strong presence – as in "farmers in need" and therefore deserving support – there was no clear view on what "need" looks like.

Incentivise good practice and/or land-use change that delivers co-benefits

This point received strong support across all workshops, and manifested throughout the other sessions' discussions.

Examples that recurred included incentivising the uptake of innovation, greater productivity, and practices that enhance water and native biodiversity as well as emissions reduction (such as restoration of wetlands).

"Emissions reduction and incentivising practices with co-benefits"

"Target assistance on measures that have the greatest co-benefits. Should reduce bad outputs but encourage good outputs. Balance costs and benefits at right level (e.g. cost of implementation vs benefits to society) also costs to famer"

"Need to drive carbon efficiency at the same time as farm productivity. Don't reward low efficiency farmers. Good farming practices should improve the economy / productivity at the same time as reducing environmental impacts"

It must drive meaningful emissions reductions

This was a category of comment that manifested across all workshops. It appeared as general warnings (without explicit support or opposition assistance at all) and as caveats on general support for assistance.

Dimensions of this theme included:

- supporting early adopters, and not encouraging or enabling high emitters
- assistance or lack of it can't be a reason to postpone action
- rewarding change rather than just reducing a financial liability
- being proportional to assistance in other sectors (e.g. versus the EV subsidy)

"Has to incentivise the best change."

"Should consider availability of mitigation options and ability to transition to different land-uses. Need to look at cost- effectiveness of different mitigation options e.g. if it's expensive but very effective it might warrant assistance"

It must support systemic change and change that builds capability and wellbeing

This was a smaller theme, explored most in the academics' workshop but with contributors providing lots of detail.

Dimensions to this theme included using assistance to establish infrastructure, setting up necessary science and research / finance structures / extension structures and a layer of intermediaries to support change (e.g. support for catchment groups).

"Fund rural professionals to help farmers"

"Service sector doesn't have capability & capacity to receive funding yet"
"We have a problem in that we've been focusing on the farmer and producer level. Intermediaries are important too. Subsidising return of trust between banks, scientists, any network interacting with farmers"

"Assistance for catchment groups – helping groups function through good funding and input to go towards welfare and farmer science at the catchment level"

"Assist broadly to achieve wellbeing goals? Our democracy and market access will likely be more stable if we consider the world's shift and general ethos away from strong targeting… modern societies can benefit from assisting and stabilising their rural economies"

Assistance should not be provided based on current production

There was a desire not to perpetuate the status quo or postpone good action – so instead of basing assistance on current production, suggestions were to base assistance on (for example) land characteristics; marginal abatement costs; biodiversity; capability in the region.

"*Compensation for larger farms, e.g. dairy who may need a lot, but they also have simpler systems. Targeting it towards farmers who have the greatest need to build their capacity in reducing"*

"Could be land-based (e.g. per hectare), or output-based (per kg product). Output based will be good for communicating to our market"

"Potential to join dots – Nature Based Solutions a long term C storage, biodiversity improvement and landscape resilience. Public good perspective – similar to QEII"

Short term, phase out / ratchets down

This theme appeared in all workshops. Comments in this theme emphasised that assistance should not be seen as ongoing; nor should it be perceived as a subsidy or other instrument that would degrade farming's social licence instead of improving it.

"*Assistance for short term transition – provide some assistance to transition but as a short term and credible pathway to phase out subsidies"*

"Ratcheting prevents backsliding"

"Yes – phase out. Assistance should be given to those who are engaged and reducing emissions. Farmers respond very well to economic incentives, so valuable to get people engaged for a period."

"Ratcheting approach, integrate into overall wellbeing agenda to get people on board"

Hypothecated / recycling revenue

Revenue recycling was mentioned by a few participants across all workshops as a way to enhance buy-in to the scheme.

"Can the levy be held by farmer[s] to help implement new technology as well as investing in technology. Revenue needs to be ringfenced. … Revenue needs to be fully recycled"

"*See MPI policy proposal from a few years back. They suggested full exposure but costs are recycled back to those in need. Needs to be nuanced - in reality we need farmers to face the full signal. Could be both cost of emissions as well as transition costs"*

Not distortionary or capable of creating perverse incentives

There were general warnings provided by a handful of contributors across all but the rural professionals' workshop. This theme related to the one in earlier sessions about driving meaningful emissions reduction.

"It may be more effective in some case to buy out properties than it will be to incentivise the reductions needed. Good threshold for testing policies"

"Needs to be focussed on real purpose – emissions reduction – Risk that it will become an investment game. Needs to drive change."

Question 3: Should assistance be differentiated between different groups, and if so on what basis?

Overview

There was generally a Yes, assistance should be differentiated, but with widely ranging views on the basis for this. There was a minority of clear dissent.

Yes: differentiate by emissions reduction potential

The different emissions-reduction potential of different land types got mentioned across all workshops as possibly meriting differentiated assistance.

> *"Target to land uses with biggest potential impact in reducing emissions - land-use change – e.g. peatlands"*

> *"Tairāwhiti – majority land class 6-8 – no feed brought in, so some technologies won't be relevant. Base on availability of practical mitigation technologies (for different farming systems as well as land classes). Assistance needs to be related to how farms operate"*

Yes: differentiate by performance

Views were mixed on whether the highest-performing or the lowest-performing farming should be targeted for differentiated assistance.

Throughout all workshops there were divergent perspectives on whether to differentiate to reward lower-emitting farms, rather than enabling or supporting farmers who would go under because they're emitting more than they can afford. This related to themes in the discussion on assessing equity of an emissions pricing mechanism.

Suggestions included using differentiation as an incentive for (e.g.) riparian planting, using innovation and using new technologies rather than (e.g.) sequestration or carbon farming. See also "Recognising different farming types" below.

> *"Emissions profile – categorise at production and maximise assistance of people below the sector average they are able to reach. People maintaining production at 20% below sector average, biggest advantage. Differentiate based on performance"*

> *"(No), Should be based purely on where emissions reductions occur"*

> *"Positive reinforcement – for doing good – not punishment. Focus on reward- throw a carrot out there to create momentum around change. Deregulated = sink or swim"*

> *"Upping the payout for certain mitigation / sequestration options rather than a blanket price. Positive incentives for riparian planting etc"*

Yes: on options available to farmers / farm vulnerability / farmers' need

The concepts of "having options" and "need" continued to make their presence felt across all workshops, and whether to target those at the bottom or at the top. As noted, there was continued divergence on what constituted "need" and "options".

> *"Give assistance to landowners who need to take action but face barriers. Need to prioritise those farms who need the most support. Especially marginal farms where there is huge opportunity for land-use change*

(Nelson)"

"Size, vulnerability – who will struggle the most. BUT might need to consider land-use change. Don't want to prolong emissions if farm-system change is better long-term option."

Yes: recognising different farming types

Emissions pricing would have different impacts across different farming systems, and participants across all workshops mentioned this as a dimension on which differentiation would make sense.

"Difficult to create flat rate across all sectors. Need to focus on maximum gains for different farming systems (e.g. high-efficiency farms will not see much change). BUT challenges to implement diversified system due to issues with models"

"Diversity of sector requires different incentives – Not straightforward. Dairy vs hill country? Different sensitivities to emissions pricing"

Yes: recognise Māori land as different

A small number of participants in the NGOs' and academics' workshops specifically mentioned Treaty implications and systemic disadvantage.

"Treaty implications in differentiating between different farming groups"

"Impact of pricing mechanism on Māori farmers needs to be considered – look at barriers that Māori landholders face are different to Pakeha"

No: don't differentiate between groups

The rural professionals' workshop was the only one where a few participants were explicitly opposed to differentiation in their comments. Across all workshops, however, there were general warnings without explicit support or opposition, and strongly conditional statements of support.

"*See MPI policy proposal from a few years back. They suggested full exposure but costs are recycled back to those in need. Needs to be nuanced - in reality we need farmers to face the full signal. Could be both cost of emissions as well as transition costs"*

"Assistance shouldn't be differentiated between sectors."

"Should be based purely on where emission reductions occur."

Implications for the Climate Change Commission's work

Overview

In the closing stage of each workshop, participants were invited to share what they saw as the single biggest implication for the Climate Commission's work in giving advice to the government.

Some patterns were apparent, including agreement that the mechanism and any assistance must materially reduce emissions. There was support for greater rural engagement, particularly in recognition of the important role intermediaries (rural

professionals) need to play. There was a sense that as a world leader in agricultural emissions reduction this could be a positive opportunity for the country, if it is done right.

What do you see as the single biggest implication for the Commission?

The implications mentioned included:

- Equity – both within the primary sector and with other industries
- In light of the three policy pillars, agricultural emissions pricing is a microcosm of a bigger question. What are the criteria with which non-pricing policies are pursued? Including the question of the ETS hypothecating revenue? Related to this was a concern from some people that agriculture shouldn't be outside of the ETS.
- What assumptions are being made about the infrastructure behind the pricing tool? Is this in place, and is it sufficiently well supported?
- New Zealand is leading the way for the world in regards emissions reduction in agriculture – others will be watching
- Transitions and considering graduating them – to ensure time to test and adjust
- How can the structure be straight forward enough to operate within whilst ratcheting down emissions rather than just seeing the price being paid and no action taken – the mechanism needs to achieve effective and fast change at the farm level
- What role can intermediaries play, e.g. rural professionals and what is in place to support them to be part of the process
- Farmers need to be enabled to off-set through sequestration
- The Commission should focus its advice on reducing emissions, and not take into account impacts on cost and production levels: this is the role of Government's own advisors. And finally, from one commentator:

"If we are going to pay polluters, what is the exit strategy?"
