He Waka Eke Noa Webinar

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Deer Industry New Zealand

Your questions and feedback

Send text to 021 465 121

Use chat to ask questions or provide feedback

He Waka Eke Noa

Partnership of government, industry and Māori to address agricultural emissions

Creating a framework that will:

- Reduce emissions
- Build resilience
- Assist with adaptation to climate change

Ensures farmers have influence on price and revenue

Legislative process

- Consultation to end March
- **HWEN makes recommendations to Government end April**
- Climate Change Commission reports on 'readiness' June 2022
- Govt wants legislation passed before the 2023 election
- Pilot scheme in 2024
- All farms using the emissions pricing system in 2025

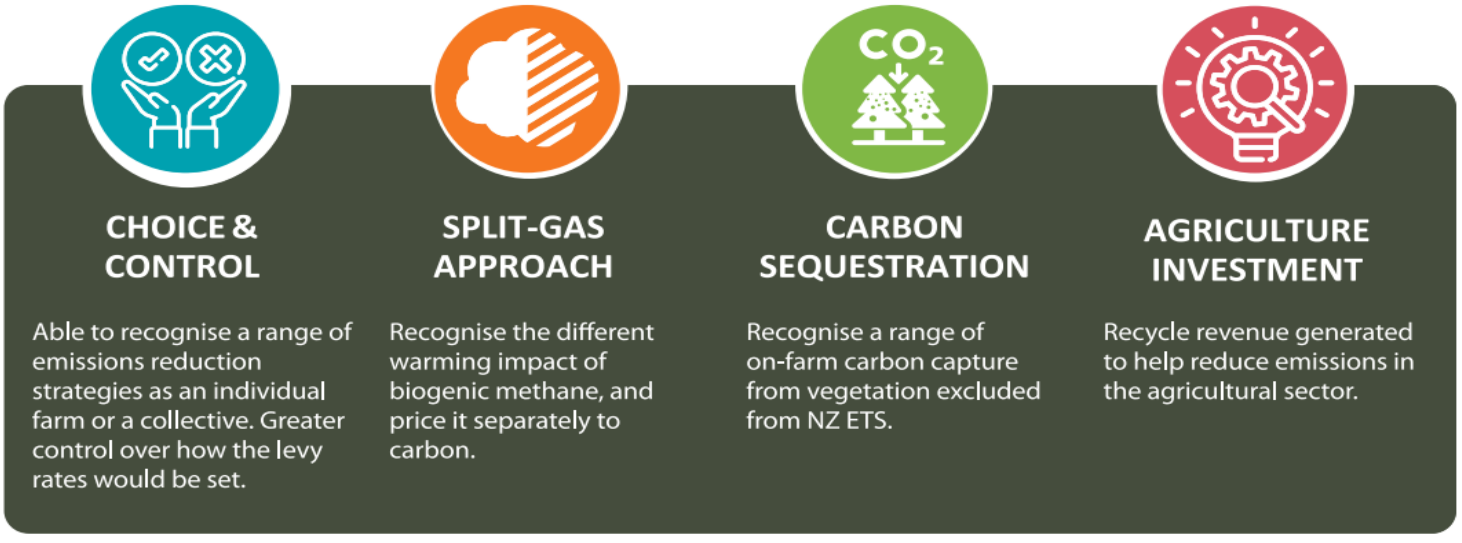
Emissions Reductions Targets

- CH_4 emissions to reduce by 10% below 2017 levels by 2030

- N_2O and CO_2 to reduce to net zero by 2050

Options for consultation

- ‘Backstop’ – agriculture in the NZ ETS
- Option 1. HWEN Farm level levy
- Option 2 HWEN Processor level hybrid levy



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‘Backstop’ - ETS

- No control over price
- Relentless and ever increasing in price
- Methane not recognised as a short lived gas
- Carbon capture only recognised through NZ ETS eligible forestry
- Revenue raised would not be directly reinvested back into agriculture
- National average emissions factors not a reflection of farm systems that are able to produce less emissions per product

Farm-Level Levy

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Key Features

- Farms calculate their short- and long-lived gas emissions through a single greenhouse gas calculator.
- Actual on-farm emissions are used to determine pricing
- On-farm efficiencies and mitigations will be recognised as they are implemented.
- Different levy rates would apply to short and long-lived gases.
- A wide range of on-farm sequestration will be recognised to offset the financial liability of the emissions levy.

- Farms that have already taken action to reduce emissions would be recognised through reduced lower cost in this option.
- Farmers will be incentivised to use future mitigation technology as it becomes available

Modelled costs using ETS equivalent prices

	Dairy	Sheep / Beef / Deer	Fertiliser
2025	Between $0.04 and $0.05 kg MS (milk solids)	Between: • $0.09 kg and $0.19 kg sheep meat • $0.06 and $0.29 kg beef • $0.21 kg venison	Between $0.02 and $0.05 kg N (mixed cropping)

*Venison price based on a modelled deer farm

How is the cost calculated?

	A		B		C		$
	The cost that each farm faces for their short-lived gas emissions (CH_4)	+	The cost that each farm faces for their long-lived gas emissions (N_2O from livestock and synthetic fertiliser, CO_2 from urea)	−	The value that each farm is rewarded for their on-farm sequestration	=	These costs/values total to a 'net' emissions return, where A, B, and C are netted as dollar values, not as gases through a carbon equivalency metric
determined by	The weight of CH_4 calculated (kg) The price for CH_4 ($/kg)		The weight of long-lived gases calculated (kgCO_2e) The price for long lived gases ($/kg CO_2e)		Area of eligible vegetation The relevant sequestration rate/s in weight of long-lived gases (kg CO_2e) The price of long-lived gases ($/kg CO_2e)		

Processor-Level Hybrid Levy

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Key Features

- Processors would pay for emissions based on the emissions charge applied to products supplied, or bought (fertiliser), by farmers or growers.
- Split gas emission charges
- Farms could receive a payment for emissions reductions if they choose to enter into an Emissions Management Contract (EMC).
- Farms could also receive a payment for sequestration, on the basis of an agreed EMC.

Modelled product costs by sector

- Dairy 2025 = $0.05/kg MS (milk solids).
  2030 = $0.16/kg MS

- Drystock 2025 sheep meat - $0.10/kg, beef - $0.07/kg, venison - $0.15/kg.
  2030 sheep meat - $0.30/kg, beef - $0.22/kg, venison - $0.46/kg

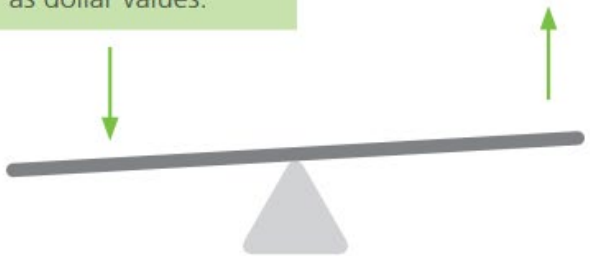
- Fertiliser 2025 is equivalent to $0.02/kg N
  2030 is equivalent to $0.07/kg N

*modelled using ETS equivalent prices
2025 NZU = $85 / tonne
2030 NZU = $138/ tonne

How is the cost calculated?

determined by

A		B		$	EMC
The cost that each processor faces for their short-lived gas emissions (CH_4)	+	The cost that each processor faces for their long-lived gas emissions (N_2O from livestock and synthetic fertiliser, CO_2 from urea)	=	These values total to an emissions net cost, where A and B are added together as dollar values.	Farms and collectives could choose to enter into an EMC to obtain a payment for emissions reduced and/or to have their sequestration on-farm recognised.
National average CH_4 emissions per unit of production x amount of product		National average long lived gas emissions per unit of production x amount of product			



Deer Farm Case Studies

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The purpose of the study

Four deer farm case studies were completed to look at GHG emissions, offsets and the financial implications of these in the three policy options

Four farms assessed were;

1. Hawkes Bay velvet farm
2. Hawkes Bay hill country
3. South Island high country
4. South Island venison

Tools used included OverseerFM, B+LNZ calculator, Farmax Pro, MfE emissions calculator

Mitigation options used on all four farms were;

- Change stocking ratio
- Reduce nitrogen fertiliser use
- Change land use and reduce stock numbers
- Decrease stock numbers and plant trees.

Emissions impacts

- Considerable variation of emission pricing on-farm
- On farm emissions reduced by 0.07% - 0.42% by changing stock policies or 3.73% to 8.51% by changing land use and decreasing stock numbers.
- Greatest gains achieved by reducing land into forestry
- It is likely we will have the technology in the future for further mitigations

Financial impacts

- Entry into ETS decreased EFS on the SI Vension farm by 17% on one of the properties
- The HWEN on-farm levy reduced profitability on SI high country properties without sequestration by as much as 14%
- The HWEN processor hybrid levy reduced profitability on SI high country without sequestration opportunities by up to 15%.
- For the Hawkes Bay hill country farm, with significant areas already in a QEII covenant, the impacts on EFS were between -3% and +15
- From year 2 onward, the HWEN levies will be less costly than the NZETS.

		Case Study 1 – Hawkes Bay Velvet	Case Study 2 – Hawkes Bay Hill Country	Case Study 3 – South Island High Country	Case Study 4 – South Island Venison
ETS (processor level) – no sequestration	Annual levy to pay	$615	$4,077	$6,816	$24,649
	Impact on profitability	-0.4%	-3.3%	-5%	-17%
He Waka Eke Noa Farm-level	Annual levy to pay (emissions)	$5,993	$6,730	$18,660	$17,772
	Sequestration	17.9t CO_2e	265.9 t CO_2e	0	32.1 t CO_2e
	Annual levy to pay less sequestration	$4,469	-$15,874*	$18,660	$15,044
	Impact on profit	-2.9%	+13%	-14%	-10%
He Waka Eke Noa processor hybrid	Annual levy to pay (emissions)	$615	$4,077	$6,816	$24,649
	Sequestration	17.9t CO_2e	265.9 t CO_2e	0	32.1 t CO_2e
	Annual levy to pay less sequestration	-$1,206*	-$18,525*	$6,816	$21,921
	Impact on profit	+0.8%	+15%	-5%	-15%

DINZ Position

1. Agriculture remains out of the NZETS
2. A split gas approach, with prices decoupled from the price of carbon
3. Farmer input into design and pricing is essential
4. Reductions in emissions are rewarded at farm level
5. Pricing reflects the availability of mitigations
6. The scheme is integrated with other government policies on environmental management
7. Administration costs are minimal
8. The impact on the sectors of the New Zealand agriculture industry is equitable.

DINZ current actions:

- Requested a review of the emissions factors for venison. This is underway.
- Requested work on the impact high country properties, this is underway
- Advocating that costs need to be worn fairly across all sectors. Submissions to HWEN, Ministers and CCC
- Working on the split between venison and velvet to make sure fair allocation

NZDFA position

1. Agree with DINZ position.
2. Pricing mechanism needs to have the following outcomes:
    i. Lowers risk of large-scale afforestation at the expense of farmland.
    ii. Farmer well-being. Farmers have a sense of control and real options.
    iii. Responsibility for managing emissions lies with individual farmers. All farm systems participate.
    iv. Independent of ETS price (linked to fossil fuels) for CO_2-e.

NZDFA actions

- The Executive Committee has been working with key sheep and beef farmers on amendments to the HWEN Option 1 (farm level levy). Key features:
  - Progressive levy on emissions on a per hectare basis.
  - Reporting and levy collection via IRD.
  - All sequestration (that can be verified) is counted.
- Email sent to all deer farmers on 18/02/2022 encouraging feedback to HWEN before Sunday 27th March 2022 (yourfeedback@hewakaekenoa.nz)
- NZDFA will also submit feedback

Have Your Say.

Have your say by Sunday 27th March 2022
https://hewakaekenoa.nz/your-say/

DINZ and NZDFA will continue to advocate for all deer farmers however individual farmer voices speak volumes

Priorities:

1. Ensures the sector remains profitable and internationally competitive

2. Recognises on-farm actions that reduce emissions

3. Clear and simple system, with low administration costs

Feedback and questions

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