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Ministry for the Environment
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TE TĀTAI UTU O NGĀTUKUNGA AHUWHENUA PRICING AGRICULTURAL EMISSIONS: SUBMISSION OF THE HAWKE'S BAY REGIONAL COUNCIL

Thank you for the opportunity to comment on *Te tātai utu o ngātukunga ahūwhenua*.

Policy Context

The Hawke's Bay Regional Council (HBRC) is the primary statutory authority charged with managing and regulating the use of the region's natural and physical resources of land, water, air and coastal environments.

The Council is required by law to promote the integrated management of natural resources and takes an integrated catchment approach that seeks to operate from the mountains to the sea in response to natural ecosystem function, particularly in relation to the way land-use, biodiversity, freshwater and coastal environments inter-connect and interact.

HBRC undertakes its work in partnership with tangata whenua in various forms at both Post Settlement Governance Entity level, as well as marae and hapu, and particularly under the Hawke's Bay Regional Planning Committee Act 2015. HBRC also works with the territorial authorities of the region to promote the economic and social wellbeing of our communities.

HBRC, and its predecessor catchment board entities, have a long history of managing the relationship between land use and extreme weather events, particularly as it relates to flooding and soil erosion, and increasingly water security and drought. The Council provides the region's infrastructure to manage flood risk, which is currently being upgraded for climate resilience with Crown co-funding, and water security solutions also co-funded by the Crown. HBRC is leading work regionally and nationally in relation to adaptation to sea level rise and coastal inundation.

HBRC is acutely conscious of the urgency for action in response to the climate crisis, both in terms of adaptation and mitigation. In 2019 HBRC declared a climate emergency and has a comprehensive programme of work to address growing climate hazards and risks, and a programme targeting community action for climate change mitigation. HBRC hosts the region's Civil Defence Emergency Management functions and is at the front line of protecting our communities from the effects of climate change. HBRC has procured detailed analysis of the region's greenhouse gas footprint, and has commissioned a detailed regional climate change risk assessment.

HBRC currently has significant investment and activity dedicated to promoting afforestation in the region, including through a \$30m Erosion Control Scheme, a \$5m Right Tree Right Place pilot in partnership with The Nature Conservancy, and multi-million dollar partnership with the Ministry for Primary Industries in the Hill Country Erosion Fund. The majority of this work is in partnership with sheep and beef farming businesses, which comprise the majority of regional land use.

Te whakapakari tahi i tō tātau **taiao**. Enhancing our **environment** together.

In responding to the risks presented by a changing climate, with associated impacts for fresh and coastal waters and biodiversity, HBRC works closely with farmers and growers throughout the region. HBRC currently administers requirements for around 1000 farm environment plans and hundreds of erosion control plans on dairy, dry stock and cropping farms within the region. HBRC also has programmes to protect and restore native vegetation and wetlands at priority ecosystem sites on private farmland.

HBRC has long supported farm system research for better environmental outcomes and is presently funding research alongside the Ministry for Primary Industries investigating the impacts on soil carbon, and water and nutrient retention, from regenerative pastoral systems. HBRC has also established the Hawke's Bay Future Farming Trust to research and promote innovative and regenerative farming practices, particularly in relation to a changing climate.

HBRC sees climate change as being at the heart of everything we do. And we work with our communities in everything we seek to achieve, particularly our rural communities. Supporting and enabling our communities to take action is our paramount philosophy for achieving tangible real-world outcomes with those who are best-placed to take action. We believe that if we work with our communities we can achieve great things, but if we are working against our communities we are going nowhere.

Clarity of Purpose for Pricing?

HBRC supports the Government's objectives of effective, practical and equitable outcomes from the policy but we are concerned that the proposals as they stand will fall short of achieving these outcomes. We are also concerned that the Government is unclear about how and where its proposals will result in reductions in agricultural greenhouse gases.

From what we can see there appears to be little evidence that pricing agricultural emissions in the manner proposed by the Government will have a material impact on reducing overall demand and consumption of meat, dairy and associated animal by-products. Therefore, the primary objective of the policy proposals must presumably be to either generate revenue to fund on-farm action, or to impair farm business profitability to drive land use change to reduce emissions, or both. A policy mixture that seeks to do both but without clarity of pathways to outcomes risks unintended consequences and achieving either outcome poorly.

HBRC supports policies that encourage changes in land management and land-use for reduced net emissions, and better water quality and biodiversity, but believes that emissions pricing should drive production system change in a way that maximises environmental outcomes while minimising undesirable economic and social outcomes. It is therefore important to carefully consider the extent to which the package of proposed policies will achieve these outcomes.

As proposed it appears the Government's proposals are insufficiently flexible and supportive of a broad suite of actions on farm to deliver the greatest environmental outcomes at lowest cost. The proposed approach to setting pricing also risks being more commercially punitive than enabling and placing significant numbers of farm businesses at commercial risk rather than driving change *within* farm systems where this makes best sense within the biophysical landscape. HBRC is concerned that these characteristics of the policy risk undermining the effectiveness, practicality and equity.

If large scale land-use change is the objective of the policy then the Government should be clear about this and demonstrate clear understanding of the economic, social and environmental implications of this and how this will be managed to achieve the stated policy objectives.

Integrated Management?

Now more than ever Aotearoa New Zealand needs to take an integrated approach to the management of the inter-connected and inter-dependent domains of biodiversity, land-use and freshwater, and climate change. Aotearoa New Zealand faces the need for action across these domains at pace and scale, and it is only private landowners, with support from central and regional government, who have the resources and the ability to take the necessary action to deliver a step-change in outcomes across these entwined challenges.

It is essential therefore that policy supports, encourages and incentivises private landowners to take practical and achievable steps. The more practical and achievable these steps are the more readily they will be pursued and the faster the outcomes will be achieved. HBRC believes that the Government's policies across land, water, biodiversity and climate change should be integrated and mutually reinforcing, and be designed to operate holistically within farming systems with the landowner at the centre of decision-making. The approach should be able to be tailored to optimise outcomes at property scale and delivered through a single farm planning approach, aimed at achieving multiple objectives as efficiently and effectively as possible.

By focussing on having a single integrated planning approach, developed in the context of the specific biophysical circumstances of a single farm system, a landowner could be provided with coherent and workable policy direction and incentives for change that best suit a particular farm business. In parallel to this consultation the Government is developing regulations for Freshwater Farm Plans. HBRC believes it makes no sense to make a plan for farm management change focussed narrowly on freshwater outcomes given the significant overlaps of farm actions that benefit climate mitigation and adaptation and biodiversity as well. The significant investment the agricultural sector will be required to make forever more on freshwater farm planning will fall well short of its potential, and be an inefficient use of time and resource, if action on climate change and emissions reduction on farm is not integrated.

Critical to achieving the changes required in land-use to achieve these multiple, layered benefits is enabling an optimised combination of interventions that suit each property from a broad tool kit. This tool kit should include protection of remnant native vegetation via fencing and pest control, retirement of low productivity and erodible land, re-establishment and expansion of wetlands, riparian planting, spaced erosion control planting, shelter belts, pasture and crop management, as well as indigenous and exotic plantation and permanent forestry. HBRC consider that verifiable changes in vegetation since 1990 should be considered.

Government policy should enable landowners to offset their ruminant emissions via the mix of these tools in a pragmatic and flexible manner that recognises the benefits for freshwater and coastal environments, soil conservation, biodiversity, flood mitigation and landscape resilience. A narrow focus on carbon accounting and compliance risks missing these critical wider benefits and achieving much less for the environment and the social changes that will support this.

HBRC urges the Government to recognise an approach that is less focussed on precise farm scale measurement of both GHG emitted and sequestered and uses more approximate estimation of both that will support more practical action at farm level. We urge the Government to be more encouraging and supportive of action, rather than policy that will be seen as a compliance burden where the least effort required may become the default approach or widespread non-compliance takes place. There

are already serious capacity challenges for environmental regulation and it makes no sense to develop a policy package that further exacerbates this and risk policy implementation failure. There is a serious need to rationalise and consolidate rural environmental regulatory efforts across policy domains so that real world outcomes may actually be achievable.

HBRC believes farmers play an invaluable role in our regional economy and rural communities, and therefore policies across these domains should be supportive and motivating for farmers by focussing on what is achievable and realistic, not punitive and undermining of farm business performance or confidence. HBRC is concerned about the effect that current and prospective land-use change and impacts on farm profitability may have on our rural communities and the anxiety this is currently generating.

Land Use Planning?

If the Government's objectives is to in fact drive large-scale land-use change to reduce emissions from agriculture and sequester much greater volumes of carbon from afforestation, HBRC believes this needs to be done in a planned and coordinated manner with well-being of affected communities at the heart of decision-making. Fragmented and ad hoc land-use change runs the risk of unintended consequences and sub-optimal social, economic and environmental outcomes.

The impacts of landscape scale land-use change on communities and their social and physical infrastructure needs to be understood and factored into decision making. Where there are significant impacts on communities HBRC believes transitional assistance should be provided to support change, using a 'just and equitable transitions' approach.

HBRC believes that the changes proposed in the Natural and Built Environments Bill and the Spatial Planning Bill have good potential to shift resource management to a more strategically planned approach that integrates across environmental outcomes and plans for future economic and social wellbeing. This approach would enable communities to plan for future land use and the associated infrastructure in the managed way that provides sufficient time for orderly transition where large scale land-use change is required.

HBRC is concerned that the introduction of the package of policies proposed to reduce agriculture greenhouse gases is not aligned to this new approach to resource management planning and, along with ETS settings for forestry, risks accelerating large scale land-use change before community-led planning has been given an opportunity to be undertaken. This is a disconnect in the Government's proposed approach on agriculture GHGs, which fails to leverage the Government's own resource management reforms currently underway.

If landscape scale land use change is an objective of the proposed policy then HBRC urges the Government to align policy implementation in this domain with the development of regional spatial strategies under the Spatial Planning Bill.

Conclusion

HBRC believes the Government should be very clear about whether it is genuinely seeking to enable and support changes *within* pastoral farming systems for better environmental outcomes, or whether it is in fact aiming to drive landscape-scale land use change across a large number of pastoral farming properties by impairing the profitability of farming businesses. If it is the former then the policy settings should be land-owner centric and support as much action as is practicable and sensible within each farm system in a cost-effective and flexible manner, that integrates action across freshwater,

biodiversity and climate. If the Government's objective is the latter then HBRC believes the policy should be delayed to enable community centric approaches that are supported by strategic spatial planning with appropriate transitional support for communities that are to be significantly impacted or dislocated.

HBRC urges the Government to recognise change happens on the ground with landowners and communities being the ones that make the differences and bear the consequences. HBRC believes that only by enabling and supporting our rural communities to take action will we achieve change at the pace and scale required across our climate change, biodiversity and freshwater challenges.

Yours sincerely,



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