



INITIAL ASSESSMENT OF S215 REPORT

21 December 2022

He Waka Eke Noa partners who jointly submitted on emissions pricing say the Section 215 report is moving in the right direction on the pricing system, while noting there is still significant work to do on many critical details.

This document provides an initial assessment of these partners' perspectives on the report as at 21 December 2022.

Setting prices

Partners acknowledge the Government is now proposing to take additional factors such as social, cultural and economic impacts and emissions leakage into account when setting the prices. Partners will keep a focus on ensuring the Government gives adequate weight to these factors in balance with reducing emissions, and how this is expressed in legislation. There is no support for an approach which drives for emissions reductions at any cost.

Partners continue to recommend that food security be considered alongside other factors when setting prices. As set out in the He Waka Eke Noa 31 May recommendations, this is in line with Article 2 of the Paris Climate Change Accord which refers to strengthening the global response to climate change ... in a manner that does not threaten food production.

Partners acknowledge the Government has indicated an Oversight Board which is skills-based and includes Māori membership will have a role in providing advice on the price. Partners remain concerned to ensure this advice is given adequate weight alongside Climate Change Commission advice. Industry will continue to engage to ensure a robust and transparent appointment process for the Oversight Board.

Starting prices for methane and nitrous oxide

Partners acknowledge the report's intent to start with low prices, set for five years, with a review after three years, with the ability to adjust the price in special situations. Partners will continue to focus on getting clarity about exactly what the starting price would be in 2025 for both methane and nitrous oxide and that prices are set at the minimum levels necessary.

There is a commitment to set levies at the level required to fund incentives, further research to support emissions reductions, recognise sequestration offsets (for long-lived gases), and cover appropriate administration costs. The levy setting process will also consider social, cultural, economic and leakage impacts.

The report recognises there is a case for targeted levy relief if the levy prices still result in severe financial impact and there are no applicable technologies or practices to reduce emissions and specific restrictions to sequestration. Partners will continue to work with Government on the details.

Alongside this, partners continue to push for a coherent and urgent response to the perverse outcomes occurring in rural areas as a result of current NZ ETS carbon prices and associated policy settings.

Sequestration

Partners acknowledge the report's commitment in principle to recognising all categories of sequestration, while noting there is still a lot of detail to be worked through.

Partners look forward to progressing the sequestration strategy that will clarify how the full range of categories of sequestration recommended by partners will be recognised in He Waka Eke Noa from 2025 and the transition to the NZ ETS. As recommended in the joint submission the strategy will also explore the risks, interconnections between farm-level sequestration, the NZ ETS and the voluntary carbon market. The strategy will also involve work on how accounting of sequestration on farms will align across He Waka Eke Noa, the NZ ETS, the voluntary market and carbon footprinting for commercial market purposes so farmers can understand the choices for how their sequestration can be recognised.

The development of an effective sequestration strategy is critical for farmers and growers and needs to ensure the ability to account for all sequestration on farm.

Implementation

Partners do not support the introduction of an interim processor-level levy in 2025 if the farm-level system is not ready.

The sector has made significant progress in supporting farmers to meet the He Waka Eke Noa milestones and continues to invest time and resources towards achieving a farm-level system by 2025.

As noted in the joint submission, partners support Government focusing on meeting timeframes for the development of legislation, regulations and the IT system build, to avoid any need for an interim step.

Partners remain of the view that the start date should be in June 2025, to better align with the farming calendar.

Revenue recycling

Partners acknowledge the commitment to recycling revenue raised from the levy back into the pricing system based on a strategy developed by the Oversight Board.

Targets

Partners acknowledge and welcome that the report states that the upcoming review of emissions reductions targets by the Climate Change Commission will take into account science around GWP*.

Monitoring

Partners acknowledge the commitment from Government to annual monitoring of emissions reductions at the sub-sector level, including the drivers of emission reductions, to inform price setting and any transitional levy price relief.