

Last word

Murray Parrish

The topic I have chosen for this *Last word* is the latest chapter in the 'Iliad of woe' that is the Emissions Trading Scheme.

Ironic because I doubt anyone thinks the He Waka Eka Noa (HWEN) is the last ever 'consultation' on climate-related regulation or the 50% of emissions attributable to ruminant agriculture. How many more iterations, additions and back-flips will be promulgated before the reality is faced that the true cost of New Zealand's climate commitment is greater than an annual subscription to Greenpeace and take-out coffee in a 'keep cup'?

Desperate because the HWEN-related approach is in my estimation no more likely to deliver on New Zealand's Paris commitments than farmer-dominated councils are to adopt regulation addressing the adverse impacts on this country's waterways, including excessive diffuse-source nitrate discharges. How many visits to Parliament by Myrtle the Tractor will it take for a more finely balanced future MMP Government to 'reconsider' its position, given it only took one trip up Parliament's steps to put paid to the FART tax back in 2003.

Those who read Beehive press releases will know the current round of consultation '... is an important step forward in New Zealand's transition to a low-emissions future and delivered on (the Government's) promise to price agriculture emissions from 2025.' The proposal being consulted on is seen as a way of '... rewarding farmers who take action to improve their productivity and profitability while achieving climate goals.' Some of that reward will come in the form of 'revenue recycled back into agriculture through ... incentive payments to farmers.' The press release finishes with the discordant and masterfully understated observation that 'there are a few other issues ... such as how nitrous oxide emissions from fertiliser should be treated.'

Any HWEN-related reduction in New Zealand's ruminant methane emissions in 2025 will occur after 30 years of inaction. Any reductions will occur after 35 years of 'effects-based' regulation of land use under the Resource Management Act legislation that has somehow allowed an increase in the national dairy herd from 2.4 million to a little over 6 million. This is a change associated with a 600% increase in annual use of nitrate fertiliser and New Zealand becoming the

biggest importer of PKE 'supplements' to our 'pasture-based' farming systems.

The Government's proposals in response to HWEN come 17 years after the enactment of the Climate Change Response Act 2008 imposed a greenhouse gas cost on other parts of the New Zealand economy, and 15 years since the Waikato Settlement Act 2010 required a start be made to restore the water quality in the rivers in that region.

To the extent that New Zealand has faced up to the costs of its international emissions reduction commitments, 100% of that cost has been imposed on the 50% of the economy not associated with ruminant agriculture. Whether that can be considered an agricultural subsidy and a distorting influence on land price and land use choice is likely a matter for economists to debate.

The Beehive presser tells us that the HWEN '... proposal aims to give New Zealand farmers control over their farming systems, providing the ability to reduce costs' It informs us that the Government is '... committed to building a system that works for farmers.' Cabinet is reported to have considered '... a system based on managing the total volume of pollution' from New Zealand's farming systems which, while not preferred, is something on which feedback is sought.

Farming is a land use choice. It is no more a pre-ordained investment than forestry, horticulture or Top 10 Holiday Parks. The contrasting approach to the regulation of farming and most other investment choices, including forestry, could not be more stark.

The proposal is '... to give New Zealand farmers control over their farming systems', as if greater control is needed than already manifest in the regional and district planning by farmers as voters determining the majority on some local authorities. Policies aimed at 'improved' water quality and greater resilience in the face of climate change are applied in the form of rules that 'maintain' and 'grandfather' the rights of those using land for farming. Whether doing the same thing in expectation of a different outcome is sustainable management of the environment, or policy madness, likely depends on the extent to which you consider a tax-free capital gain in the family farm a speculative risk or a birthright.

Oh for a government ‘... committed to building a system that works for (foresters)’! The limited attempt to give investors in New Zealand forests some degree of regulatory certainty via the NES for plantation forestry is proposed to be rolled back after only one effective year. Land in forests prior to 1990 were retrospectively stripped of any ‘alternative use’ value by the Climate Change Response Act 2008, to the extent that deforestation liability is as effective a determinant of land use as the prevailing carbon credit value is an inducement to plant. Forests that have never relied on excessive use of nitrate and lime are penalised by rules predicated on maintaining the status quo in anticipation of the lower emissions and circular economy promulgated in more than one government ‘Transformation Plan’.

Whether intentional or not, the message of HWEN and much other land use regulation to investors contemplating afforestation is don’t. To invest in forestry is to pass up the opportunity to bolster tax-free capital gains in land with \$380 million in ‘emissions reduction support’, \$55 million in ‘on-farm support’, \$14.4 million in ‘integrated farm planning accelerator funding’ and \$34 million in support for ‘catchment groups’.

To invest in afforestation in anticipation of a premium for sustainable and low-emissions products at maturity is to bet that the causes of ‘30 years of inaction’ will suddenly abate and that farm land prices will reduce in proportion to the environmental cost of ruminant methane, diffuse nitrate and ‘the total volume of pollution.’

Consultation on the Government’s ‘pragmatic proposal to reduce agricultural emissions and enhance exports and economy’ closed on 18 November. Your Institute will have submitted in support of an outcome that bolsters rather than constrains forestry as an investment choice in New Zealand. Whether in desperation, or in irony, the NZIF plea is for a step change that does in fact transition New Zealand ‘... to a low-emissions future and delivers on (the Government’s) promise to (meaningfully) price agricultural emissions from 2025.’

There is oblique reference in the press release to the changing expectations of countries and customers buying New Zealand’s meat and milk. There is no direct reference to criticism of this country’s farming exports on the basis of food miles, winter grazing practices, palm kernel supplements, domestic food security and any number of real or self-serving ‘justifications’ by ‘customers’ who, as the adage goes, are ‘always correct’. New Zealand farmers can protest loudly that they are put-upon by those who don’t understand. Maybe they will be listened to by some in Parliament. The selective favouritism shown toward the farming sector with respect to climate change and many other issues over recent years suggests they will be more successful in such special pleading than the forestry sector.

If farming is to continue as the ‘backbone to the New Zealand economy’, many in the farming sector proclaim that change is inevitable. The real question in my view is whether that change can occur progressively and without a 1980s-style revaluation in farm land pricing. Full ‘internalisation of the environmental externalities’ of farming, starting with nutrient management that avoids discharges to the air and water ‘commons’, is the reasonable assumption of most New Zealanders. What that would mean in terms of annual kilograms of saleable product and assumed land asset value is likely highly site-specific and also likely significantly negative.

Farmers critical of the financial recognition of forestry’s unquestionable greenhouse gas storage potential would do well to consider whether that value and judicious afforestation of parts of New Zealand’s productive landscape is a useful means of internalising farming’s environmental externalities.

Those farmers fearful of replacing their loss-making lifestyle ryegrass monoculture need to look again to farm forests. Such change is needed, as much for their and their bankers’ salvation as for that of future generations.

Email: parrishmurray4@gmail.com