



National Farmers'
F E D E R A T I O N

Submission to the

CLIMATE CHANGE AUTHORITY

**REDUCING AUSTRALIA'S
GREENHOUSE GAS EMISSIONS –
TARGETS AND PROGRESS
REVIEW DRAFT REPORT**

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MEMBER ORGANISATIONS



CORPORATE
AGRICULTURAL
GROUP



Goat Industry Council
of Australia Inc.



RICEGROWERS' ASSOCIATION
OF AUSTRALIA INC



CANEGROWERS



COTTON
AUSTRALIA



GrainCorp



RIDLEY



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The National Farmers' Federation

The National Farmers' Federation (NFF) is the peak national body representing farmers and, more broadly, agriculture across Australia. It is one of Australia's foremost and respected lobbying and advocacy organisations.

Since its inception in 1979, the NFF has earned a formidable reputation as a leader in the identification, development and achievement of policy outcomes - championing issues affecting farmers and dedicated to the advancement of agriculture.

The NFF is dedicated to proactively generating greater understanding and better-informed awareness of farming's modern role, contribution and value to the entire community.

One of the keys to the NFF's success has been its commitment to presenting innovative and forward-looking solutions to the issues affecting agriculture, striving to meet current and emerging challenges, and advancing Australia's vital agricultural production base.

The NFF's membership comprises of all Australia's major agricultural commodities. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations collectively form the NFF.

The NFF recently implemented a re-structure of the organisation. An associate member category has enabled a broader cross section of the agricultural sector to become members of the NFF, including the breadth and the length of the supply chain.

Each of the state farm organisations and commodity council's deal with state-based 'grass roots' issues or commodity specific issues, respectively, while the NFF represents the agreed imperatives of all at the national and international level.

1. Introduction

The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the Reducing Australia's Greenhouse Gas Emissions Targets and Progress Review Draft Report (the Caps and Targets Review).

The following provides a short comment on the key issues for agriculture.

2. Draft Conclusions: Agriculture and Land Use

The Authority has appeared to de-couple land use and agriculture in the report. In reality, and as acknowledged by the Authority, regulations prohibiting land clearing have largely allowed Australia to meet its Kyoto Protocol first commitment period target. These regulations were targeted at agriculture and while agriculture's emissions have been largely stable, when land use change is included, agriculture's emissions have decline by 40% between 1990 and 2006¹.

The NFF recommends that the Authority's final report correctly report agriculture's net emissions.

The NFF notes the discussion from p.141 of the Draft Report regarding agriculture, where the Authority notes that agriculture emissions are projected to grow in the period to 2030. The NFF notes that while there may well be increased demand for Australian agricultural commodities, Australian agricultures emissions are unlikely to increase particularly when considering emissions intensity per unit of output. It is true that there are currently limited methodologies of the majority of Australian agricultural commodities and farming systems. However, the change in management practices since 1990 means that the emissions profile of today's farm businesses is likely to be different and lower than 1990 – and all done on a voluntary or informal basis and unaccounted for in Australia's Greenhouse Gas Accounts. As an example, changes to cane production include the retention of trash, has resulted in the application rate of nitrogen fertilisers dropped to between 80-120 kg/ha compared to an application rate of 200 kg/ha proposed to be used by the previous Department of Climate Change for a new emissions factor and based on widely understand rates used around 1990.

In all likelihood, this types of situation is set to continue. For example, new tractors purchased in Australia will now include EU emissions reduction technology at a cost of \$17,000 per unit. This technology is not a regulatory requirement of Australia but due to the small market size, tractor manufacturers will not deliver tractors to Australia without the technology. This alone has the capacity to reduce emissions over the period to 2030 and beyond, and again without any change in the emissions profile of the industry – and without the benefit of tradeable carbon units to offset these costs.

The driver for farmers to invest in lower emissions activities is productivity and profitability. In comparison the returns from the investment in carbon tradable units cannot compete with the returns from agricultural production – with modelling suggesting that the gross income from any single CFI option is commonly less than 1% of gross farm income even at a carbon unit price of about \$20 per tonne CO₂-e. Work undertaken by the University of Melbourne suggests that the breakeven price of carbon projects is likely to around the \$24/t CO₂-e.

¹ Australian Government Department of Climate Change, National Inventory by Economic Sector 2006

For agriculture, use of an emissions intensity metric may marry the often conflicting policy outcomes of net lower emissions per area or business unit) and increased productivity. This is not a new concept and has previously been supported by industry as it allows total production to increase but with improved efficiency. Moreover, the New Zealand Government has approached its coverage of agriculture in its ETS using an emissions intensity approach.

The NFF believes that use of emissions intensity will incentivise efficiency improvements, allow productivity to increase to meet future food needs, will demonstrate a reduced emissions footprint per unit of product produced, and increase engagement from the agriculture sector. For example, the dairy sector (whole of value chain) has a target to reduce emissions intensity by 30% by 2020.

The NFF recommends that the Authority consider the merit of an emissions intensity approach for agriculture would support a continued effort to reduce emissions while not reducing agricultural production.

It is disappointing that the Authority believes that there are significant opportunities for re-vegetation to sequester emissions, but limited opportunities for agriculture. While the methodologies are limited, NFF continues to advocate for continued research and development to underpin the development of methodologies attractive to the agriculture sector, including whole farm systems approaches to methodologies.

However, as the Authority rightly concludes the challenges and limitations that are preventing agriculture from doing more formally to reduce emissions include:

- Development and implementation of emissions reduction technologies;
- Resolving measurement, i.e. livestock/cropping emissions involve complex interactions in biological systems that are difficult to measure;
- Practices that reduce emissions on one farm may have a different effect on another due to local conditions (soil, pasture, weather etc.);
- R&D is important to support by development and uptake of opportunities and general emissions intensity improvements; and
- Limited access to capital, economies of scale and limited access to information – all exacerbated by many small dispersed participants.

The Authority has identified some critical solutions as:

- Providing information through rural networks;
- Simplifying methodologies;
- Facilitating access to capital; and
- Facilitating use of project providers to consolidate projects across multiple small farms (trends in farm consolidation may help over time).

While the NFF concurs with these solutions, and additionally has provided other solutions to Government (e.g. seeking an AFSL exemption for aggregators similar to water traders), the machinery of government means that the common sense solutions will remain challenges.

3. Draft Recommendations

R1. That the trajectory range and the national budget to 2050 be reviewed at least every five years. There could be an extra review in 2016 to take into account international developments on the post-2020 framework. As part of these reviews, the trajectory range would be extended and narrowed to maintain a similar period of guidance over time, and future targets and trajectories would be set within the range.

The NFF has no comment.

R2. That the periodic reviews of the trajectory range and the national budget to 2050 have regard to the following general criteria – changes in or new information relating to climate science, the level and pace of international action and economic factors.

The NFF has no comment.

R3. That the Government recognise voluntary action by cancelling one Kyoto Protocol unit for each tonne of emissions reductions achieved in the period 2013-2020 through:

- *The voluntary cancellation of domestic units;*
- *The voluntary cancellation of renewable energy certificates; and*
- *GreenPower purchases.*

NFF does not support the Authority’s draft recommendations in relation to the First Kyoto Protocol commitment period carry over units. The primary reason why Australia was able to meet and exceed its First Commitment Period target was the regulatory ban on land clearing imposed on farmers. The NFF believes that these carry over units belong to farmers who had lost their right to clear land. The proposed use of the carry over units for other national outcomes is contrary to this view and is therefore not supported.

The NFF recommends that these units remain for use by the agriculture sector, and that Government and the NFF have further discussions on the most appropriate agricultural use for these carry over units.

R4. That the national carbon budget for the period 2013-2050 be 10,100 Mt CO₂-e and be reviewed on a regular basis.

NFF has no comment.

R5. The Authority is canvassing two sets of options for emissions reduction goals at this time:

	<i>Option 1</i>	<i>Option 2</i>
<i>2020 emissions reduction target</i>	<i>15% below 2000 levels</i>	<i>25% below 2000 levels</i>
<i>Indicative national emissions trajectory for</i>	<i>A straight line to the 2020 target.</i>	<i>A straight line to the 2020 target. This line</i>

<i>the period 2013-2020</i>	<i>This line starts at Australia's first commitment period target under the Kyoto Protocol (108% of 1990 levels) in 2020, and ends at 15% below 2000 levels in 2020.</i>	<i>starts at Australia's first commitment period target under the Kyoto Protocol (108% of 1990 levels) in 2020, and ends at 25% below 2000 levels in 2020.</i>
<i>National carbon budget for the period 2013-2020</i>	<i>4314 Mt CO₂-e</i>	<i>4010 Mt CO₂-e</i>
<i>Trajectory range to 2030</i>	<i>Beyond 2020, reduce emissions within a trajectory range bounded by the paths to a 35 and 50 per cent reduction below 2000 levels in 2030</i>	<i>Beyond 2020, reduce emissions within a trajectory range bounded by the paths to a 40 and 50 per cent reduction below 2000 levels in 2030</i>

As there is much conjecture on whether the conditions have been met entirely for an increase to 15% below 2000 levels in 2020, the NFF suggests that the current target is retained. By the Authority's own admission, the conditions have not been met at all for a 25% target in 2020 and therefore, this should no longer be considered.

Therefore, the NFF supports that the current 2020 target of 5% below 2000 and that this position does not preclude the Australian Government doing more, voluntarily, to deliver greater than 5% outcome by 2020.

While the Authority has proposed that the First Kyoto Protocol Commitment period carry over carbon units be used against the 2020 target, the NFF suggests that it may be more prudent to reserve this for use in 2020 should the need arise, or as previously stated to cancel an equivalent voluntary effort not currently considered against the Kyoto Protocol.

R6. That the Government keep access to genuine international emissions reductions available where this is a cost effective way of helping to meet its emissions reduction goals.

While there are some good arguments fiscally to use international carbon units to meet any target, as this may be at least cost to the national economy, the NFF remains concerned about any flow on impact this would have on the value of domestic units under any policy setting. Moreover, it could send an incorrect signal to the global community that Australia is not prepared, or doing, its fair share of reducing emissions. This is a policy and reputational risk.

Should the Government propose to increase the target to either 15% or 25%, further work is required on the Direct Action Plan and Emissions Reductions Fund (including methodologies), and other Government programs in support of the emissions target, and further work to model and assess the implications of options to achieve the target through either domestic or international credit options.

The NFF recommends that should the Government accept a target of 15% or 25% below 2000 levels in 2020, that any additional effort be recovered through both domestic effort and the acquisition of international units with further work to model the both options in terms of cost and long term benefit.

The NFF has no comment on the national carbon budget to 2020 or the trajectory range to 2030.

R7. That the level of carbon pollution caps for each of the first five years of the flexible price period under the carbon pricing mechanism be:

<i>Year</i>	<i>If Australia adopts a 15% target (Mt CO₂-e)</i>	<i>If Australia adopts a 25% target (Mt CO₂-e)</i>
<i>2015-16</i>	<i>234</i>	<i>193</i>
<i>2016-17</i>	<i>229</i>	<i>178</i>
<i>2017-18</i>	<i>224</i>	<i>182</i>
<i>2018-19</i>	<i>219</i>	<i>171</i>
<i>2019-20</i>	<i>214</i>	<i>165</i>

The NFF has no comment as this relates to an emissions trading scheme, which the current Government has undertaken to repeal.

4. Conclusion

The NFF has made a number of suggestions for consideration by the Authority as it finalises its report to Government. In particular, the NFF encourages further work to be undertaken should the Government adopt a target of 15% or 25% below 2000 levels in 2020 to ensure an equitable outcome between impacts to the domestic market by the proposal to purchase international to bridge the gap.

Furthermore, NFF notes that emissions the emissions profile of Australian farms is markedly different to 1990 and an emissions intensity approach is an appropriate methodology that services requirements of the sector to reduce emissions while increasing productivity and efficiency.