PRICING AGRICULTURAL EMISSIONS IN AOTEAROA NEW ZEALAND

CHRISTINA HOOD

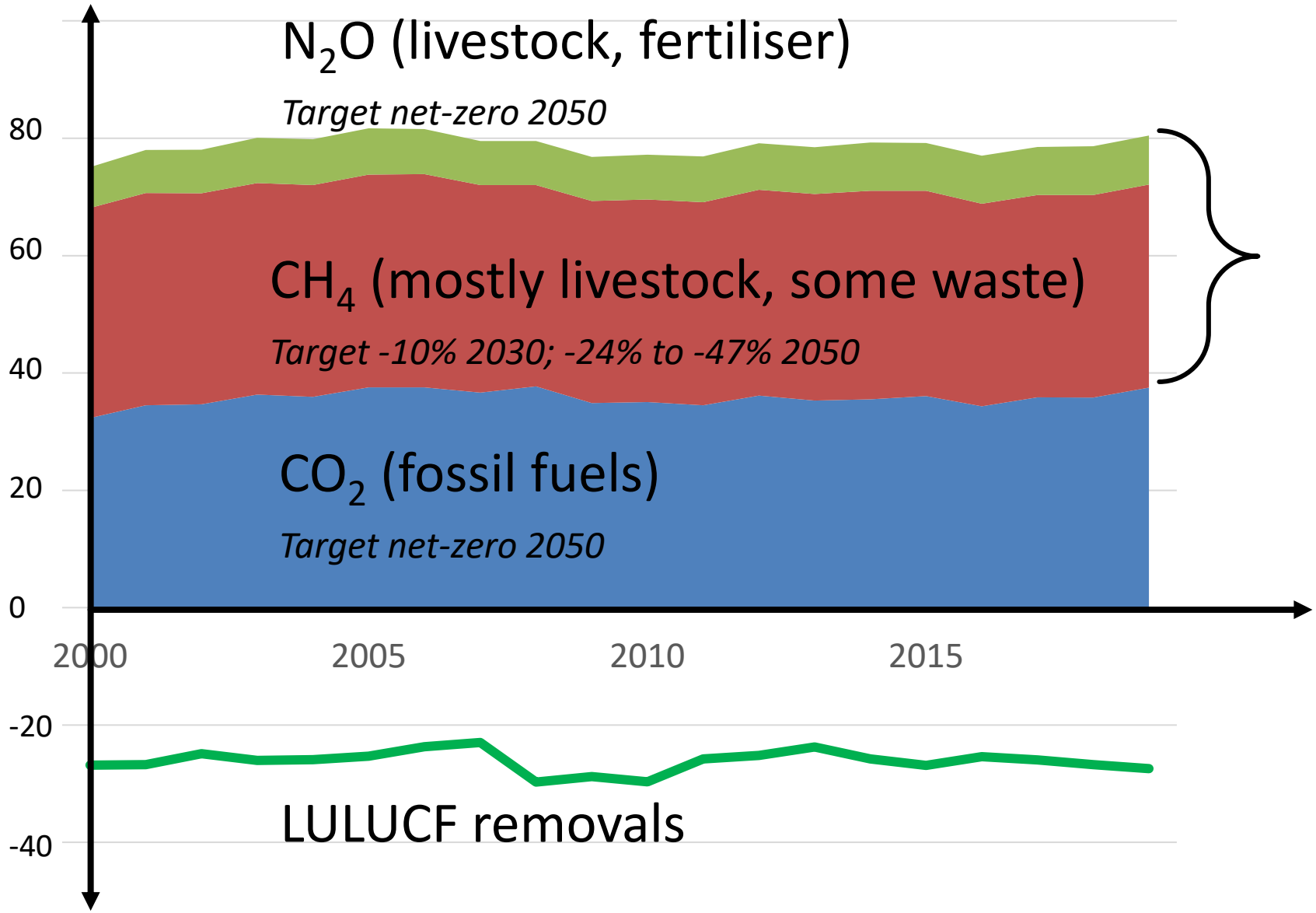
PRINCIPAL, COMPASS CLIMATE

21TH IEA-IETA-EPRI EMISSIONS TRADING WORKSHOP

13 OCTOBER 2021

PARIS (ZOOMING FROM PAEKĀKĀRIKI)

CONTEXT: AOTEAROA NEW ZEALAND GHG INVENTORY



$\underline{CH_4+N_20}$ make up:
52% of gross emissions
79% of net emissions
~8.5t/capita

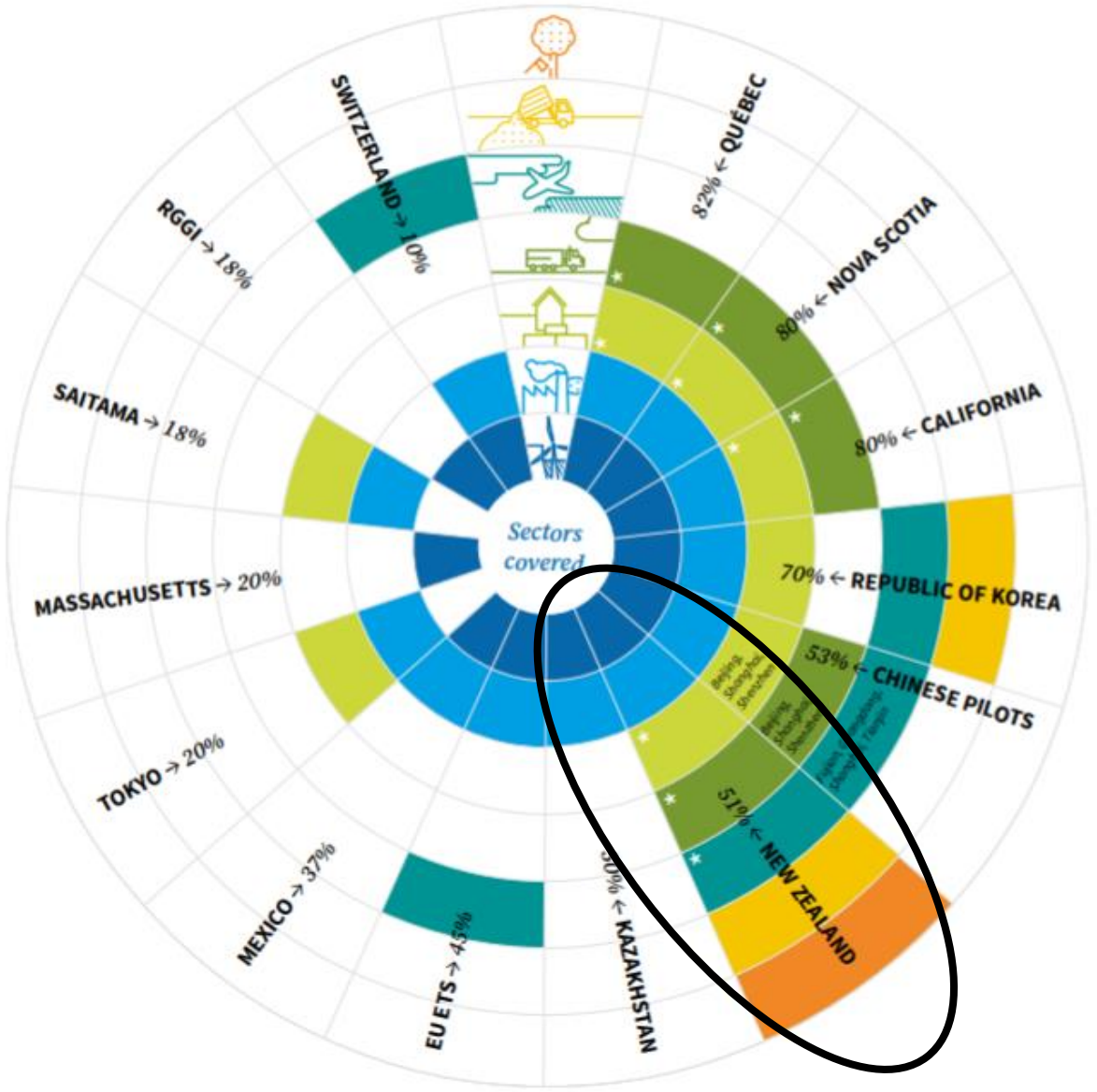
Gross CO_2 ~7.5t/capita
Net CO_2 ~2t/capita

CONTEXT: NZ ETS HISTORY

- In force since 2008; originally mirroring Kyoto Protocol framework into domestic obligations

- Broad sectoral coverage:
  - Forestry emissions and removals
  - Upstream coverage of transportation and heating fuels





Source: ICAP status report 2020

PRICING AGRICULTURAL EMISSIONS - TIMELINE

2003: Agriculture exempted from carbon tax in exchange for industry-funded research

2008: ETS launched. Agricultural emissions legislated to enter in 2013

2009: Agricultural emissions entry delayed to 2015

2012: Entry of agriculture indefinitely deferred

2019: Five year Partnership “He Waka Eke Noa” launched with primary sector, Māori and government to develop farm-level pricing mechanism to apply from 2025. Backstop legislated for agricultural emissions to enter ETS in 2025 at processor level.

2020-24: Farm level emissions measurement, reporting, accounting system rolled out

2022: Climate Change Commission to assess progress in He Waka Eke Noa and advise on allocation methodology

2022: Ministers must table report outlining the system that will apply





KEY ELEMENTS FOR DECISION

- Purpose of pricing: fund-raising for interventions or economic driver?
- Form of pricing: levy or separate trading system ?
- Single system for CH_4 and N_2O, or different pricing/prices to reflect the split target?
- Allowing offsetting with on-farm vegetation (& relationship of this to NZ ETS coverage of forestry) ?
- Implementation of free allocation: level? production based? Land based? How to assess competitiveness concerns (crediting for agricultural reductions elsewhere!)

If brought into ETS via backstop provisions…

- How to design so that this does not undermine function of ETS in energy/industry?
- How does this relate to current revision of role of forestry in ETS?

THANK YOU

CHRISTINA.HOOD@COMPASSCLIMATE.COM