

NSW Farmers' Association

January 2010

Position statement on the CPRS

Royal Commission into climate science

There are considerable and increasing doubts in the farm sector and in the broader community about climate change science and, therefore, the rationale for this agreement.

Accordingly, the Association is calling for a Royal Commission to independently and comprehensively review all aspects of climate change science, including carbon accounting. Such a review should precede any decisions regarding Australian land, water and drought management policy and, in particular, any decision regarding an emissions trading scheme (ETS).

Emissions trading scheme

The Association has a number of requirements should Federal Parliament decide to proceed with an emissions trading scheme (ETS):

- The 'last amendments of the CPRS' (exclusion of Agriculture and a Voluntary offset market) must be honoured by both sides of the federal government as a minimum of any further ETS discussions/decisions.
- So called 'complementary measures' must expressly **exclude punitive regulatory measures** such as constraints on landuse and/or farming practices.
- ETS rules must **recognise efficiency gains** in agriculture as an offset to emissions.
- That the ETS rules must recognise and **reward current best practice**,
- Any offset market for farm carbon must be established on a voluntary 'opt-in' basis

Research and development

- The centre piece of Government policy relating to climate change must be **Research and Development** (R&D) programs directed towards improving the efficiency of production via innovations in renewable technology, waste reduction and recycling, more efficient machinery, transportation and so on.
- Agriculture is part of a complex chain of production and it essential that the government recognises the importance of **supply chain issues** in both policy and R&D programs. Efficiency gains in one link of the chain can be blocked or limited by deficiencies in other links.
- In consultation with the sector, consideration must be given to **innovative financial mechanisms** for leveraging R&D investment, including tax incentives.
- A production-focused emissions reduction pathway would focus on '**doing more with less**' (For example, greater fuel efficiencies in machinery, less volatilization of nitrogenous based fertilisers, stock feed products similar to 'Rumensin' or 'Escalin').

Renewable energy

- The Association supports an accelerated transition to renewable energy
- Specific incentives must be provided to rural and regional land managers to drive uptake and further development of **renewable energy technologies**, both at farm scale and regional utility scale. These should include targeted R&D funding, tax incentives, feed in tariffs.
- Current perverse incentives to expand coal and gas production at the expense of productive farming systems must be removed
- Planning and investment in new energy distribution infrastructure is required to support bulk renewable energy production in regional Australia.

Rangelands

- Under current carbon accounting methodologies, rangeland livestock enterprises would be severely penalized relative to other producers. In the absence of compensating policy measures, a carbon price or tax on livestock methane emissions would drive many rangeland pastoral enterprises out of business with severe consequences for farming families and regional communities.
- It is essential that any ETS policy provides protections for rangeland livestock enterprises such that a level playing field applies to all domestic and international producers and traders.

Trade issues

- While the ETS is primarily environmental policy it is also trade policy, since it will seriously impact terms of trade and competition. It is essential that the full trade impacts of an ETS on agriculture are addressed and managed prior to any introduction of legislation.
- Measures that could be considered in this regard include:
 - Border measures (such as are proposed under USA draft legislation) applying to goods produced in countries with no, or lesser, carbon taxes
 - ‘Most Favoured Nation’ approaches such as operate under any Free Trade and Bi-Lateral Trade Agreements.

Bio-sequestration

- The Association supports further research, development and innovation aimed at increasing the bio-sequestration of carbon that naturally occurs within farming systems.
- It is essential that any offset market created for terrestrial carbon does not result in loss of good farming land to forestry. Current incentives for forestry are driving distortion of land markets and are resulting in the loss of arable land, and water, from Australia’s farming system.
- Offset markets and other policy designed to increase biosequestration must expressly aim to increase and not decrease Australia’s capacity to produce food.

- The Association supports the regulation of offset markets, and the establishment of standards and design features that allow farmers to be direct participants in markets without the need for commercial brokers and other intermediaries.

Carbon accounting

- The Association has significant concerns about current carbon accounting, measurement, reporting and verification rules currently operating under the Kyoto protocol. Current criteria for additionality and permanence are inoperable in the context of farming systems. A net farm carbon model is needed for agriculture, based on net stock changes and which does not require the permanent freezing of land use or land use practice.
- These and other concerns are detailed in the NFF paper: '*Carbon accounting for agriculture: supplementary discussion paper – agriculture post Kyoto*', September 2009' pages 6-11).

Conclusion

In the climate change sphere it is often difficult to separate out political issues from the objective facts. The Association considers, however, that it is indisputable that:

- There are considerable doubts about climate change science, both in the farm sector and in the broader community. An independent Royal Commission would be an appropriate mechanism for resolving these doubts;
- Irrespective of the outcomes of a review of climate science, investment in improving the efficiency of the agricultural chain of production is in the best interests of Australia;
- The current carbon accounting model for the agricultural sector is poorly and confusingly constructed, lacks scientific credibility and is not an effective foundation for engaging farmers in mitigation, or in carbon markets.

The Association is calling on the Australian Government to carefully consider the consequences of **all** policy decisions made in the context of climate change.

Due to increasing global demand, agriculture has a very bright future in Australia but only if we get the policy settings right.

In the global context, Australia's relatively efficient and highly productive agricultural systems are increasingly important and valuable. In short, the world needs Australia to keep producing food.

Australian farmers produce 93% of all the food we eat in Australia - plus we export a massive 61% of our total agriculture production overseas.

Despite the worst drought on record, in 2006-07 Australia's farm exports earned the country \$27.6 billion. Agriculture is responsible for more than 47% of economic activity in regional NSW. In social terms, regional Australia would simply collapse in the absence of agriculture.

It would truly be a national tragedy, in both economic and social terms, if unjustified and poorly conceived climate change policy is allowed to damage Australia's great agricultural sector.

Recommendations

1. That a Royal Commission be commissioned to carry out a full, open, comprehensive, due diligence Inquiry into the veracity of the science and computer model predictions that underlie the CPRS, before the CPRS Bill is passed into law.
2. If, as a result of, or despite the above, a CPRS is introduced then;
 - That Agriculture is excluded from an ETS or CPRS, and
 - That any equivalent 'other measures' provisions are deleted from the Bill and not introduced into a new Bill.
3. That the range of carbon sequestration options for agriculture be increased from tree plantations only on cleared agricultural land, to a full suite of carbon offset options (and landuses) including soil carbon.
4. That a positive incentive scheme be implemented to encourage the sequestration of soil carbon and other biological sequestration processes.
5. That Agriculture is given the option to voluntarily 'opt in' as a comprehensive provider of AEU's to Australian emitters, even if it is excluded from the CPRS.
6. That separate provision is made to all of Agriculture to offset the progressively increasing costs arising from the CPRS in the form of increased energy and production costs.
7. That the rules in respect of soil carbon sequestration be changed to separate and distinguish anthropogenic emissions of soil carbon from emissions arising from natural causes and circumstances beyond our control.
8. That the rules in respect of calculating the GWP of livestock methane be changed to distinguish it from fossil methane emissions, and to take into account the lower net global warming potential (GWP) of methane arising from livestock methane emissions.
9. That the rules in respect of calculating net agricultural emissions be corrected to include all carbon sequestration in agricultural land resulting as part of the terrestrial carbon cycle.

Current Association policy

In October 2009, the Executive Council of NSW Farmers' Association passed the following policy.

ECOct09 That the Association opposes the 'Carbon Pollution Reduction Scheme' on the following grounds:

- a) Because of the continuing dispute about the underlying science;*
- b) The failure to include the full Carbon Cycle when agricultural emissions are calculated;*
- c) The high and increasing costs that will be imposed on agriculture if it becomes a 'covered' sector;*
- d) The equivalent high costs that will be imposed by 'other measures' if agriculture is not a covered sector;*
- e) The continually increasing costs of all inputs that will occur even if agriculture is entirely excluded;*
and
- f) The devastating effects that this will have on the food and fibre production sector, rural towns and communities.*