

Carbon Pollution Reduction Scheme ('CPRS')

and Agriculture

NSW FARMERS' ASSOCIATION is calling on the Government to exclude Agriculture from emissions liability under the CPRS and to investigate policy that would enable farmers to sell carbon credits created in soil, crops and pasture.

This would align Australia with other developed countries, including Europe, the United States, Canada and Japan, which have excluded agriculture from their emissions trading cap and, instead, are providing positive incentives for farm carbon sequestration (taking carbon back out the atmosphere).

Farming is a biological process whereby carbon is constantly cycling between the farm and the atmosphere. Farms emit

carbon but this is balanced by the carbon captured in crops, pasture and the soil.

In contrast, fossil fuel emissions are a one-way process, with no countervailing sequestration. Kyoto Protocol accounting rules, which the Government has adopted for the CPRS, do not recognise this.



The exclusion of most of the 'plus' side of the farm carbon balance sheet means that:

- Farmers are unable to offset their sequestration against their emissions;
- There is no market-based incentive to maximise sequestration – farmers can't create and sell carbon credits, except by planting their land out to trees; and
- National emissions statistics grossly overstate farm emissions, because sequestration is not deducted.

It is unfair to make farmers pay for emissions if you don't also give them credit for sequestration and it is misleading to claim that agriculture is a major source of greenhouse pollution.

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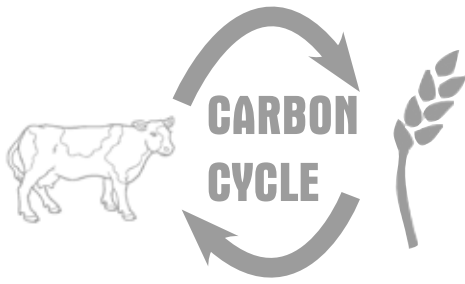
Other problems with farm carbon accounting include:

- Techniques used to estimate farm emissions are highly inaccurate at property scale; and
- There is no method or policy for distinguishing emissions caused by farming practices from emissions due to natural factors such as drought.

The treatment of agriculture under the CPRS and under the Kyoto Protocol is matter of the highest social and economic consequence.

- In face of a projected 50 percent world population growth – nine billion people by 2050 - it is essential that agriculture in developed nations such as Australia is supported by and not penalized by climate change policy.
- Other developed nations have concluded that imposing carbon penalties on their farmers will have major impacts on domestic and global food security.

- Making farmers pay for emissions will increase production costs and reduce trade competitiveness, which will drive production to nations that have higher agricultural emissions.
- In addition to perverse global outcomes, making farmers liable for emissions under the CPRS will have severe impacts on regional Australia, destabilizing farm finance, investment, and property values.
- Centre for International Economics modelling shows that profitability margins for farmers will fall dramatically with the impacts compounded by unstable carbon prices, which as we have seen in the European emissions trading scheme can fluctuate wildly. The study shows that at a carbon price of \$25 per tonne, the average beef farmer's cash income could fall by more than 60 per cent. At \$50 a tonne, most beef farmers would be making a loss, with their cash incomes falling 125 per cent (*On-Farm Impacts of an Australian Emissions Trading Scheme*, RIRDC 2009).



“ *The United Nations Food and Agriculture Organisation (FAO) wants the Kyoto Protocol changed to create an international market for farm carbon credits. The FAO argues that this incentive is vitally important, not only to emission mitigation but also to ensuring global food security.* ”

What are we doing?

The Association is active on many fronts regarding the CPRS and the Kyoto Protocol:

- o The President of the NSW Farmers' Association and senior elected officials represent our policy to Federal and State Ministers, other Members of Parliament, at high level industry consultation meetings and in the media.
- o We are working closely with other State Farming Organisations, with the National Farmers' Federation ('NFF') and with international farming bodies to ensure effective coordination of the farm sector's policy position.
- o Over the past three years, we have made detailed Submissions on all aspects of the CPRS and have assisted in preparing NFF Submissions on matters such as the Garnaut Review, the Green Paper, the White Paper, the Exposure Draft of the CPRS Bill and Government research funding.
- o Staff of the NSW Farmers' Association are engaged in technical discussions with Federal and State Department of Climate Change officials, on matters such as the detail of accounting policy, scheme design and international negotiations regarding the revisions to the Kyoto Protocol.
- o The NSW Farmers' Association successfully lobbied for major Government funding for Research and Development into climate science, carbon accounting, practical and economically viable mitigation options, and carbon credit options.
- o In collaboration with Federal and State colleagues, the Association has ensured that both the Government and the Opposition acknowledges our key concerns regarding the coverage Agriculture in the CPRS.
- o Altogether, Members of the NSW Farmers' Association can be assured that we are leaving no stone unturned in endeavouring to ensure the best possible outcomes on this difficult issue.

“ *Agriculture is the only sector of industry to have reduced its emissions – we have already made a major contribution.* ”

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