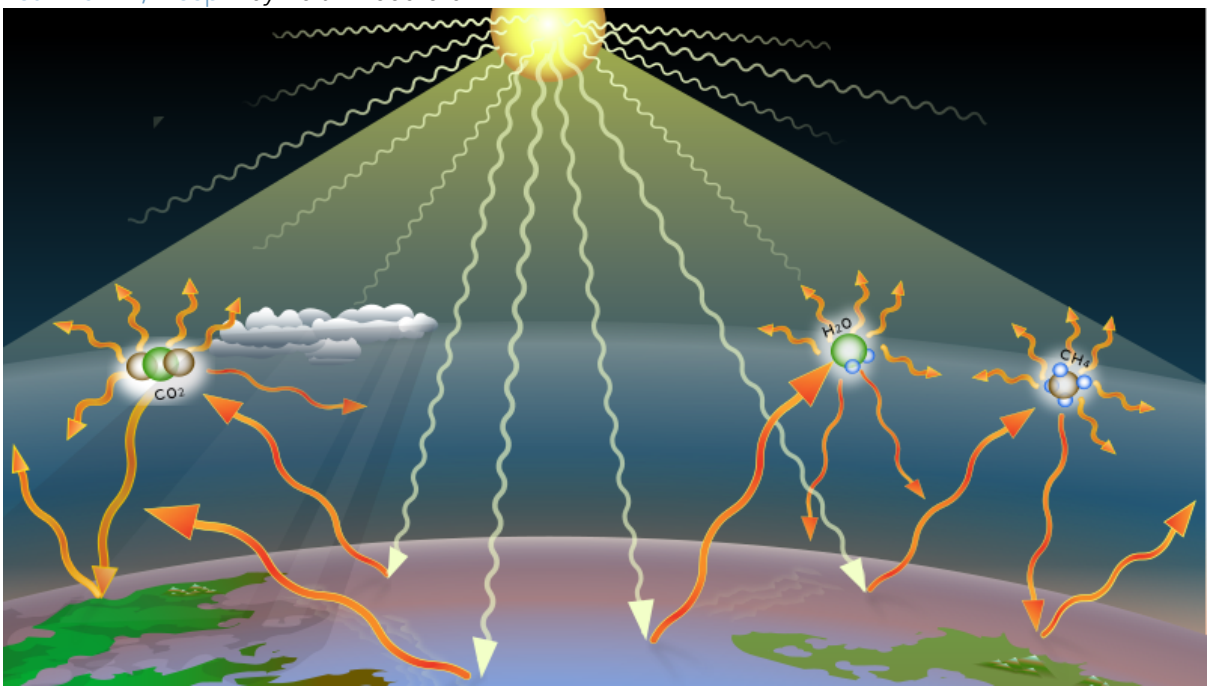
Keith Woodford says He Waka Eke Noa was always going to be controversial. Right now, it is in some trouble

10th Mar 22, 2:08pm *by* Keith Woodford



Four weeks have slipped by **since I last wrote about** the He Waka Eke Noa (HWEN) proposals for dealing with agricultural emissions of methane and nitrous oxide. During that time, DairyNZ and Beef+Lamb have been conducting roadshows around New Zealand trying to convince their members to support the HWEN proposals.

If the HWEN proposals are accepted by farmers and the Government, then this will be the framework for agriculture's greenhouse gas (GHG) levies through to 2050. So, we have to get it right.

My assessment is that the roadshows are not going particularly well. I make that judgement in part from the flood of emails I am getting from upset farmers, but more importantly because of the fundamental flaws within the current proposals.

My assessment is that there is some sort of consensus emerging that HWEN, rather than the Emission Trading Scheme (ETS), is the way to go, although there are dissenters even to that. However, there is great unhappiness, and with good reason, in relation to the specific proposals.

The dissenters to HWEN who say 'chuck it out' tend to be people who would like to throw a figurative grenade into the overall process of levying agriculture for its GHG levies. Well, they are unlikely to succeed. One way or another, agriculture is going to be levied.

Like it or not, all major political parties recognise that New Zealand has to do something to live up to the principles that it signed up to in 2015 at the 'Paris Agreement'. So, one way or another, New Zealand agriculture is going to be included in an emission reduction programme. It can either be the ETS or an HWEN scheme.

I am very clear that it has to be HWEN. This is because agriculture is a total misfit within the ETS. Being in the ETS would be destructive not only for agriculture but for the New Zealand economy.

There is a lot of misinformation about the importance of agriculture within the New Zealand economy. This is in part because of the crazy way we measure the contribution to GDP of what is called 'agriculture'.

The crazy GDP measurement system assumes that shearers are not part of agriculture. Nor are any of the contractors that supply farm-level services to farmers, such as silage contractors or crop harvesters. Inputs such as seed and fertiliser are regarded as costs which are deducted from agricultural revenue in the calculation of GDP. Similarly, all rural professionals are excluded from agriculture's contribution and included as part of the services sector. Fonterra and the meat companies also lie outside the sector.

Some clever Americans at Harvard University figured out way back in 1957 that the way to look at agriculture's contribution was to look at the whole agribusiness system from inputs through to the plate. But here in New Zealand, many people are still locked into ways of thinking that go back to peasant-farming days in Europe when a large proportion of people worked on farms, and the economy could be divided into three simple categories of farm-based agriculture, manufacturing and services.

To understand the importance of the agribusiness sector, or as I often term it the 'agrifood sector', we have to look at the whole system from farm inputs through to the plate.

Within our current crazy system of collecting and presenting statistical information, the best way of getting an insight into the overall New Zealand agribusiness system

is to look at exports. What we see is that primary sector exports, including forestry and fishing, total around $50 billion per annum. Returns have been steadily increasing and now total well over 80 percent of total exports.
Within this $50 billion, more than $30 billion comes from dairy and meat.
Quite simply, our primary industries, and particularly dairy and meat, are what underpins our whole economy. These are the products that allow us to pay for vaccines, medical equipment, pharmaceuticals, fuel, computers, vehicles and machinery.
Accordingly, New Zealand needs to think very carefully before it brings in levies that destroy our economic base.
A key element of the Paris Agreement is that although we must reduce our emissions, we must do this in a way that does not threaten food production. That is very explicit and right up-front within lines 9-11 of the substantive statements that follow immediately after the preamble and definitions.
That requirement within the Paris Agreement does not let us 'off the hook' from doing something about emissions, but we have to do it without shooting ourselves in the foot, or perhaps shooting into even more important organs of the body.
That leads me to a perspective that there are fundamental principles within HWEN that almost all of us should all be able to agree with. However, I am also of the view that the current HWEN proposals are somewhat of a dog's breakfast when it comes to the specifics. A lot more work is going to be needed on those specifics to bring them into line with the fundamental principles.
So, what are the fundamental principles? There are four of them.
The first principle is that there must be a split-gas approach. Lumping things into a single-gas approach of carbon dioxide equivalence leads down a deep rabbit hole from which there is no way forward.
The second principle is that what we do must not threaten food production. That is what we signed up to in Paris. The particular value of New Zealand's pastoral production is that it is protein rich. That also happens to be why its dollar value is high. It is what people want.
The third principle is that levies on methane and nitrous need to be channelled exclusively to researching and implementing emission-reduction technologies. The aim is not to arbitrarily tax agriculture. Rather, the aim is to have the necessary funding for addressing our Paris commitments to reduce emissions within that framework of not threatening food production.
This principle of recycling of all levies is currently a proposal but it now needs to be locked in with Government.

The fourth principle is that HWEN needs to focus on the 'main game', which is methane and nitrous oxide. Anything to do with carbon sequestration should be handled within the ETS.

One of the problems with the specific proposals is that there is far too much emphasis on sequestration within HWEN. This drags things back into the mess of carbon dioxide equivalence and away from a genuine split-gas approach.

Currently there are anomalies within the ETS in relation to sequestration. Also, the bureaucracy associated with getting a lot of indigenous forestry into the ETS is destructive. But the answer to that is to sort out those anomalies and bureaucratic hurdles, not put forestry into HWEN.

Those sequestration issues in the ETS can be handled right here in New Zealand, without going anywhere else in the world seeking approval, as long as the ETS retains carbon-sequestration integrity.

In contrast, shifting aspects of sequestration across into HWEN simply means that instead of being issued with valuable NZUs, it becomes a case of robbing Peter Farmer to pay Paul Farmer, and with both Peter and Paul Farmer paying for lots of administration to make that happen.

What we now need to do is lock in those principles. That could mean Groundswell, for example, agreeing with HWEN that this is the path forward, and putting out a joint statement to that effect.

The next step is that HWEN needs to acknowledge that the current proposals are somewhat of a dog's breakfast, although no doubt HWEN will prefer some more polite language for that. And the following stage of getting the proposals sorted out needs to be more inclusive, with less focus from HWEN in selling the specific proposals, and more on genuine ongoing consultation with leaders from groups who are currently unhappy.

The significant group of people who are outside the tent need an invitation to work with recognition from inside the tent. This would be consistent with the meaning of He Waka Eke Noa which is that 'we are all in this together'.

One of the big things that has to happen is for HWEN to ask itself some hard questions about the amount of necessary RDE&E, with that acronym standing for research, development, extension and education, that is required for emission reduction within an industry that generates $30 billion of export income per annum. It certainly needs to be more than the current indicative figure of $10 million per annum.

It is this RDE&E, and the associated support of specific mitigation responses, that needs to be the focus of HWEN funding.

I had planned to also say something here about the various mitigation strategies that need to be focused on through RDE&E. But that will have to wait for another article.