



# NEW ZEALAND'S PLANS FOR AGRICULTURAL EMISSIONS PRICING

## Key messages

More than half of New Zealand's greenhouse gas emissions stem from agriculture, representing by far the largest share in the OECD area. While agriculture-related emissions are not included in the New Zealand Emissions Trading Scheme, the country is set to become the first to price agricultural emissions as of 2025. Agricultural sector leaders and the industry teamed up in a partnership – *He Waka Eke Noa* (“We are in this together”) – to design a pricing system that ensures that agricultural products remain internationally competitive while reducing emissions.

Country: [New Zealand](#)

Sector: [Agriculture](#)

Scales: [Local](#) | [National](#) | [Regional](#)



Zero hunger



Clean water and sanitation



Responsible consumption and production



Climate action



Partnerships for the goals

## Challenge

More than half of New Zealand's greenhouse gas (GHG) emissions stem from agriculture, mainly emissions of methane (CH<sub>4</sub>) from ruminant animals and nitrous oxides (N<sub>2</sub>O) from animal waste and fertilisers. This represents by far the largest share in the OECD area, reflecting the importance of the sector to the economy. New Zealand's climate mitigation policy largely relies on forest sinks and carbon pricing via the national Emissions Trading Scheme (NZ ETS). However, agriculture is the only sector that is not included.

The government set ambitious long-term targets to reduce CH<sub>4</sub> emissions and reach net zero for N<sub>2</sub>O and CO<sub>2</sub> emissions by 2050, introducing a distinction between short- and long-lived gases. Discussions with agriculture sector stakeholders are underway on how to best reach these targets. The large majority of farmers are opposed to an integration of agriculture into the NZ ETS and would like to see better recognition for on-farm sequestration.

To date, many farmers lack awareness of drivers of emissions on their farms and options to mitigate them. Incentives to adopt new technologies are limited. Related investment costs are high and not always cost effective (New Zealand Government, 2022).

## Approach

Legally binding objectives for agriculture are an integral component of New Zealand's climate commitments, including quantified medium- and long-term targets. The country aims to reduce gross biogenic CH<sub>4</sub> emissions 10% below 2017 levels by 2030 and by 24-47% by 2050. Other GHG emissions shall reach net zero by 2050 ([2019 Zero Carbon Amendment Act](#)).

To help the country progress towards its targets, policy measures will be set out in three emissions reduction plans (2022-25, 2026-30, 2031-35), including sector-specific emissions budgets. An independent Climate Change Commission monitors progress, and reports annually on achievement towards reaching the 2050 target.

The government's first [emissions reduction plan for 2022-25](#) is based on five focus areas: 1) pricing agricultural emissions by 2025; 2) accelerating new mitigation technologies; 3) supporting producers to make changes; 4) promoting the transition to more sustainable farming systems; and 5) enabling Māori-led solutions, which is a cross-cutting objective to capitalise on indigenous knowledge.

The Primary Sector Climate Action Partnership – [He Waka Eke Noa](#) (“We are in this together”) – is at the heart of New Zealand's approach to reduce emissions from agriculture. Established in 2019, the partnership brings together key stakeholders such as Māori farming organisations, industry partners, sector experts and scientists, as well as government representatives, to develop practical solutions. It is committed to designing an on-farm pricing system that ensures New Zealand's agricultural products remain internationally competitive while reducing emissions. It also aims to help build resilience in rural communities.

The precise set-up of New Zealand's agricultural emissions pricing mechanism will be decided by the end of 2022. It is not yet clear whether agriculture will be priced under the NZ ETS (at farm- or processor-level) or through introduction of alternative pricing (e.g. farm-level levy approach) and regulatory measures to enforce emissions reduction obligations. The *He Waka Eke Noa* partnership recommended a farm-level split gas levy on emissions, recognising the different warming of short- and long-lived gases. The split-gas approach would separate charges directed at producers for short-lived gas emissions (CH<sub>4</sub>) and long-lived gas (N<sub>2</sub>O and CO<sub>2</sub>).

## Results

New Zealand is one of the first countries that set legally binding targets for the agricultural sector. Similar to the [UK Climate Change Act](#), New Zealand's [2019 Zero Carbon Amendment Act](#) sets interim targets on the pathway to a long-term goal and relies on independent, evidence-based advice. This will help New Zealand progress towards its climate targets in line with its commitments under the Paris Agreement. It is early to assess the impact of New Zealand's first emissions reduction plan. However, the country is actively preparing the introduction of an emissions pricing mechanism for agriculture by 2025.

The *He Waka Eke Noa* partnership provides a promising framework to consider farmer-led approaches and engage key stakeholders towards operational solutions. For example, the *Know your numbers* initiative was instrumental in developing farm-level monitoring capacity to measure emissions and thereby prepare producers for emissions pricing. By the end of 2021, 61% of surveyed farms knew their annual total of on-farm emissions; nearly a quarter of farms had a written plan to measure and manage their emissions as of 2022 (He Waka Eke Noa, 2022). However, there are large variations between sectors: dairy farms are generally better at measuring on-farm emissions (92%) than farms engaged in horticulture (30%). By 2025, the country aims to ensure that all farms have a written plan to measure and manage agricultural

emissions. Measuring emissions at farm level is an important prerequisite for introducing an on-farm pricing system.

### Lessons learnt

New Zealand's experience underlines the importance of multi-stakeholder dialogue and capacity building at the farm level. Effective dialogue between different stakeholders and nationwide consultation with farmers and growers have helped develop practical solutions to reducing emissions in New Zealand's agricultural sector. Farmer feedback plays a critical role in refining recommendations for the set-up of the country's agriculture pricing mechanism. The *He Waka Eke Noa* partnership contributed to raising awareness of farmers, strengthening farm planning capacity and supporting the transition to more sustainable farming systems. New Zealand's experience in reducing emissions from agriculture will provide many interesting lessons for other countries.

### Further information

OECD (2017), OECD Environmental Performance Reviews: New Zealand 2017, OECD Environmental Performance Reviews, OECD Publishing, Paris, <https://doi.org/10.1787/9789264268203-en>.

OECD (2022), "New Zealand", in Agricultural Policy Monitoring and Evaluation 2022: Reforming Agricultural Policies for Climate Change Mitigation, OECD Publishing, Paris, <https://doi.org/10.1787/7f6276aa-en>.

New Zealand Government (2022). Towards a productive, sustainable and inclusive economy. Aotearoa New Zealand's first emissions reduction plan, <https://environment.govt.nz/assets/publications/Aotearoa-New-Zealands-first-emissions-reduction-plan.pdf>

He Waka Eke Noa (2022). Milestone update and six-month progress report, October 2021 - March 2022, [He-Waka-Eke-Noa Six-Month-Progress-Report March-2022.pdf](https://www.hewakaekenoa.nz/assets/Uploads/He-Waka-Eke-Noa-Six-Month-Progress-Report-March-2022.pdf) ([hewakaekenoa.nz](https://www.hewakaekenoa.nz)).

He Waka Eke Noa (2022). Agriculture Emissions Pricing System. B+LNZ & DairyNZ Summary of Recommendations to Government.

<https://beeflambnz.com/sites/default/files/consultations/RECOMMENDATION-REPORT.pdf>

### Featured publication

OECD (2017), OECD Environmental Performance Reviews: New Zealand 2017, OECD Environmental Performance Reviews, OECD Publishing, Paris, <https://doi.org/10.1787/9789264268203-en>.

Link to: <https://www.oecd.org/environment/country-reviews/>

### Related content

[The United Kingdom's pioneering Climate Change Act \(oecd.org\)](https://www.oecd.org/climate-action/ipac/practices/)

**Last updated:** 07-11-2022