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Emissions Reduction Plan Consultation
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RABOBANK NEW ZEALAND SUBMISSION ON THE GOVERNMENT'S EMISSIONS REDUCTION PLAN

Introduction

Rabobank is New Zealand's only specialist food and agribusiness bank. We are part of an international cooperative group based in the Netherlands, with 450 staff working from 28 offices across New Zealand.

Bringing together our deep connections to the New Zealand rural sector, our specialist research expertise and our extensive international reach, we work closely with our clients under our global mission of 'Growing a Better World Together'.

In New Zealand and around the world, Rabobank engages constructively with rural clients and other stakeholders to improve their overall environmental sustainability and to meet evolving requirements and standards.

With our co-operative roots and longstanding relationships with food and agri businesses, Rabobank takes a long-term view of supporting rural exporters, who we regard as critical to New Zealand's wider economic success.

We also take a close interest in legislation and regulations affecting the food and agribusiness sector. For example, we made submissions on both the Climate Change Response (Zero Carbon) Amendment Bill and the Climate Change Commission's draft policy advice. We have also submitted on proposed changes to freshwater regulations, and provided a Briefing to Incoming Ministers following the general election last year.

It is within this context that we welcome the opportunity to make a submission on the Government's first Emissions Reduction Plan.

Rabobank's global approach to climate change

Under our global mission of 'Growing a Better World Together', Rabobank has committed to pursuing the objectives of the Paris Agreement. These ambitious goals are a good fit with Rabobank's values as a global co-operative bank.

By 2050, there will be nearly 10 billion mouths to feed around the world. Although we produce more food today than at any other time in history, our food producing system is under stress.

Internationally, the impacts of climate change threaten predictable growing seasons and grower livelihoods. Rural businesses that can respond to these demands will be best equipped to navigate the risks and have a healthy, sustainable and profitable future.

As we said in our submission on the Climate Change Commission's draft policy advice, Rabobank believes a thriving livestock sector is vital for both New Zealand's national economy and the wellbeing of rural communities in which livestock farms are located.

Furthermore, we believe policy makers need to recognise and protect the role New Zealand plays in contributing to global food security, as a significant net exporter of food and agricultural products.

The importance of this issue is specifically recognised in the Paris Agreement's preamble, where it lists as a priority: *'The fundamental priority of safeguarding food security and ending hunger, and the particular vulnerabilities of food production systems to the adverse impacts of climate change.'*

General Comments on the Emissions Reduction Plan

Rabobank New Zealand supports the Government's commitment to achieving the following GHG emission reduction targets to limit the global average temperature rise to 1.5°C above pre-industrial levels:

- All greenhouse gases, other than biogenic methane, to reach net zero by 2050.
- Emissions of biogenic methane to reduce to at least 10% below 2017 levels by 2030, and to at least 24-47% below 2017 levels by 2050.

Rabobank believes successfully achieving these targets represents a significant challenge for New Zealand's primary sector. While Rabobank believes this is a challenge that can and must be met, it will require the application of a very clear, detailed and carefully considered emissions reduction plan that both:

- Supports farmers and growers by providing clear pathways to reducing emissions over time while maintaining profitability; and
- Does not unnecessarily restrict the ability of future generations of New Zealanders to produce food due to the establishment of forests on productive farmland.

Rabobank broadly supports the overall approaches recommended to the Government by the Commission with respect to the path to 2035 for agriculture and forestry – namely:

- o Using on-farm efficiency and technology to drive absolute reductions in New Zealand's biological agricultural emissions. We have more to say on the role of technology at the end of this submission.
- o Appropriately managing forests to provide a long-term sink, while not placing an over reliance on forestry to a point that it diverts action away from reducing gross emission in other sectors.

Rabobank strongly encourages the Government to include provision within the Emissions Reduction Plan for early, active and ongoing engagement with farmers and growers when developing any policies that will impact upon the primary sector.

Rabobank believes this will help aid the development of policies that are practical, fit-for-purpose, minimise the likelihood of negative unintended consequences, and ultimately increase the likelihood that the policies are embraced by the primary sector.

Specific Comments - Agriculture

Primary sector needs more clarity

Rabobank believes it is critical that the emissions reduction plan provides the primary sector with sufficient clarity about agriculture's intended pathway to a low-emissions future. The sector requires clear details around what is expected of it, and the role Government will play in supporting it to make the required transition. This is essential to provide the sector with the level of certainty required for it to start planning, investing, innovating and adapting in a way that enables it to efficiently and effectively achieve its emission reduction targets, without compromising profitability.

In particular, Rabobank believes it is vital that the Emissions Reduction Plan states explicitly how the following key aspects of the primary sector's low-emissions pathway will be addressed.

Adopting existing emission reduction practices and efficiency gains

Rabobank supports the Commission's recommendation for the widespread adoption of existing farm management practices that reduce on-farm methane emissions, and a continued focus on production efficiency gains.

Support for behavioural change

However, we stress that achieving the scale of behavioural change and future efficiency gains envisioned by the Commission within the set timeframes will require considerable support in the form of:

- o People capital – including the attraction (and retention) of quality people into the New Zealand primary sector.
- o Technology – including further development and application of tools to collect and analyse on-farm data to help inform decisions in order to drive resource use efficiency.

- Infrastructure – including improved rural connectivity via broadband to enable greater knowledge transfer and to support the application of digital technology tools on-farm.

Over the last decade, there has been a significant increase in the regulation of New Zealand's primary sector, introducing new constraints on production systems.

While these constraints will not in themselves prevent future efficiency gains (in fact many will drive them), they will necessitate the application of new technologies, farming practices and management skill sets to maintain historical levels of efficiency gains.

Therefore, it will be critical to have a complete policy mix that creates an environment that enables the widespread adoption of methane emission practices and the realisation of further future efficiency gains.

Investing in new emissions reduction technology and practices

Rabobank supports the Commission's recommendation for developing a long-term plan for funding and research and development to support reductions in methane emissions from agriculture. We submit that the level of funding allocated to any long-term research and development plan should appropriately reflect both the scale of the challenge, as well as the significance to New Zealand of being able to successfully develop new methane emission reduction technology.

Rabobank submits the development and application of new methane emission reduction technology and practices should be a fundamental element of New Zealand's strategy to reduce absolute methane emissions from its primary sector.

Delivery of new technology and practices would not only provide New Zealand farmers with greater flexibility in their transition to lower emission farming systems, but it is also crucial for enabling New Zealand to continue to positively contribute to global food security through the efficient production of high quality food.

Rabobank believes this represents a major opportunity to create world leading exportable technology that could potentially deliver both large scale reductions in global livestock emissions, and significant commercial benefits to New Zealand.

The effective and efficient adoption by farmers of any newly developed technologies and practises will be essential for the ultimate success in delivering emission reductions.

Therefore, Rabobank submits that any long-term research and development plan should incorporate a comprehensive extension strategy setting out how any newly developed technology and practices will be communicated to farmers.

Creating options for alternative farming systems

Rabobank supports the Commission's recommendation that the Government helps to create greater options for alternative farming systems, such as horticulture and arable cropping, through greater investment in high quality information and decision-making tools, supporting deployment of the required infrastructure, and prioritising initiatives to enable international market access.

Rabobank submits that these measures are essential for helping to address the significant barriers to land use currently facing landowners (as identified by the Commission's report), namely market access, supply chains, and lack of experience, skills support and infrastructure (including pack houses, transport and water storage).

Rabobank believes it is important to develop opportunities to create forms of food production that do not produce methane emissions to give land owners greater options to diversify their farming systems. This should include both exploring opportunities for the expansion of currently known commercial viable crops, as well as the establishment of new crops suitable for New Zealand growing conditions with the potential to be commercially viable.

Rabobank also sees the development of alternative farming systems as being important in enabling New Zealand to keep growing overall food production to assist with global food security, while reducing domestic methane emissions.

Specific Comments – Forestry

Managing forests to provide a long-term carbon sink

Rabobank agrees with the Commission that production forests should play an important role in meeting the country's emission budgets, but that any reliance on forestry as a carbon sink should not divert action away from reducing gross emissions in other sectors.

Rabobank submits it is important to avoid any policy settings that would enable emitters in other sectors to use forestry as a carbon sink to delay taking action to make meaningful emission reductions in their own businesses. We are concerned that over time this would lead to increasing competition for productive farmland from emitters wanting to use forestry in lieu of making actual emission reductions themselves.

Rabobank supports the Commission's recommendation that new permanent native forests should be used to provide an enduring carbon sink to help offset emission from hard-to-abate sectors in the long term.

However, Rabobank submits that extreme caution needs to be taken to avoid incentivising the planting of forestry on productive farmland when developing policies encouraging the establishment of new forests.

We agree that there is significant land area in New Zealand of limited value for food production, but which is suitable for productive forests and/or for the establishment of permanent native forests.

Rabobank also supports the Commission's observation that there are multiple co-benefits associated with native forests such as long-term erosion control, improved biodiversity and recreational benefits. Therefore, Rabobank believes forestry land-use represents a significant opportunity, both environmentally and economically, for the future of New Zealand's primary sector if planted in those locations unsuitable for food production.

Rabobank submits current policy settings are unlikely to deliver this outcome, as farmland suitable for food production is likely to be converted into productive forestry (due to strong economic incentives to generate carbon revenue), while less productive farmland is unlikely to be changed to permanent native forests due to limited incentives to do so.

Community impacts of large-scale exotic forestry

In addition, non-harvest permanent pine is increasingly being planted solely for carbon (as highlighted in the "*Transitioning to a low-emissions and climate-resilient future*" consultation document). Rabobank has concerns about the potential long-term social, economic and environmental impacts that unregulated large-scale permanent exotic forests can have on the local communities when not appropriately managed (such as ensuring they successfully transition to native forests over time).

Therefore, as identified by the Commission, Rabobank submits that some form of policy intervention is required to deliver the appropriate form and scale of afforestation envisioned.

Rabobank notes the Government has indicated it will undertake an investigation into the future role and regulation of afforestation in New Zealand, with the aim of making decisions by the end of 2022.

Rabobank strongly encourages the Government to treat this investigation as a matter of urgency, to ensure decisions are in fact confirmed before the end of 2022. Rabobank is concerned that any delay beyond that timeframe could result in large scale, long-term and irreversible negative impacts.

Rabobank submits a key consideration within this investigation should be the potential for any unintended consequences from afforestation to significantly restrict future generations of New Zealanders to produce food from productive farmland, and the associated negative impacts this could have on local communities.

Recognising carbon removal outside current emissions accounting approaches

As highlighted by the Commission, additional carbon removed by small blocks of trees and vegetation on farms is outside current emissions accounting approaches.

Rabobank believes it is important there is ongoing development of technology that makes it more possible to robustly estimate emissions from these areas in the future to enable landowners to be appropriately recognised for the removal of this carbon.

The role of technology in addressing Climate Change

As identified in the Prime Minister's Chief Science Advisor's report of July 2018, apart from substantial land use change, reducing livestock numbers and afforestation, the main opportunities to reduce emission significantly will depend on technological innovations such as developing a methanogen-inhibiting vaccine.

While such innovations provide theoretical promise, no proof-of-concept in animals yet exists and it is therefore unclear when (if at all) New Zealand farmers will be able to utilise these innovations to significantly reduce their emissions.

As a result of its global connections, Rabobank's international research team regularly explores how the food and agricultural sectors in other countries are tackling the challenge of reducing greenhouse gas emissions.

Most recently, Rabobank published a research report titled '***A Reduced-Methane Future for Dairy: Meaningful Progress That's Economically Sustainable***' looking at how technology and economic incentives for methane reduction on United States dairy farms are advancing.

This is rapidly paving the way for US dairy producers to make meaningful progress in reducing greenhouse gas emissions.

Rabobank believes that while the context differs in the US, the report highlights opportunities for the same or similar approach to utilising technology to reduce methane emissions in New Zealand.

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