



# Cabinet

## Minute of Decision

McGuinness Institute title:  
[CAB-23-MIN-0370] Agricultural  
Greenhouse Gas Emissions  
Pricing: Progress Update

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### Agricultural Greenhouse Gas Emissions Pricing: Progress Update

Portfolios                      Agriculture / Climate Change

On 14 August 2023, Cabinet:

#### Farm level emissions measurement and reporting

- 1        **noted** that work is underway to develop a standardised farm-level emissions calculation methodology, to be finalised by April 2024 at the latest;
- 2        **agreed** to seek final policy decisions, before the 2023 general election, to enable mandatory reporting of farm level agricultural emissions from Q4 2024;
- 3        s9(2)(j) [REDACTED]
- 4        **noted** that Cabinet will need to consider how to fund mandatory reporting in the longer term if decisions on pricing are delayed;
- 5        **noted** that this approach will require a Bill to be introduced in 2024 to legislate for mandatory reporting;
- 6        **noted** that regulations will need to be developed and be in force prior to Q4 2024, for example, prescribed methodologies;

#### Rewarding on-farm sequestration

- 7        **noted** that the intention is that all scientifically valid forms of on-farm sequestration be rewarded through the New Zealand Emissions Trading Scheme (NZ ETS) (or alternative mechanism for rewarding carbon removals, if one is developed, following the NZ ETS review);
- 8        **noted** that regardless of decisions on the agricultural emissions pricing policy, work is progressing to increase recognition of non-forest carbon removals, in accordance with Cabinet's prior decision to invite the Minister of Climate Change to develop options for legislative change on this [ENV-23-MIN-0031];
- 9        **noted** that a further report will be submitted to Cabinet in 2024, following initial decisions on the NZ ETS review, seeking policy decisions on NZ ETS legislative change;

- 10 **agreed** to develop and implement an innovation pathway – with the aim of having this in place by 2025 – that includes:
- 10.1 legislation to enable new removals activities to be included in the NZ ETS or other mechanisms;
  - 10.2 the criteria and expectations for the research and evidence required for market entry, to provide certainty for investors;
  - 10.3 the process and operational system to test and verify this evidence;
- 11 **noted** that in December 2023, officials will provide a progress update to the Minister of Agriculture and the Minister of Climate Change (the Ministers) on the development and implementation of an innovation pathway;
- 12 **invited** the Ministers to report back to Cabinet by June 2024 on the development and implementation of an innovation pathway;

### Agricultural emissions pricing

- 13 **agreed** to seek final policy decisions, before the 2023 general election, on the establishment and implementation of a farm-level, split-gas levy system (levy system) for agricultural emissions pricing from Q4 2025;
- 14 **noted** that the Minister of Climate Change does not support the levy system as proposed in paragraph 13 as he considers it will not achieve adequate emissions reductions;
- 15 **invited** the Ministers to provide a detailed Cabinet paper before the 2023 general election on a farm level system, described in the December 2022 section 215 report, that includes the following features:
- 15.1 price emissions from biogenic methane and long-lived gases (nitrous oxide and carbon dioxide) separately, set at low levels initially;
  - 15.2 levy prices, to be set in 2024, with the primary consideration being to achieve emissions reductions in line with legislated targets and emissions budgets, taking into account additional factors such as availability and cost of on-farm mitigations, and social, cultural and economic impacts on farmers, growers and communities;
  - 15.3 revenue raised from the levy would be recycled back in the system, in line with a strategy outlining spending priorities to mitigate agricultural emissions and operate the system. Levy revenue may also need to be used for sequestration payments if an interim mechanism to the NZ ETS is required;
  - 15.4 incentive payments will be available to recognise the uptake of mitigation technologies that reduce emissions;
  - 15.5 the Ministry for Primary Industries (MPI), the Ministry for the Environment (MfE) and Inland Revenue (IR) will be responsible for implementing the system;
  - 15.6 s9(2)(j) [REDACTED]  
[REDACTED] From Q4 2025, the levy would be fiscally sustainable and meet all ongoing administration and levy offset expenses;

16 **noted** that:

- 16.1 this approach will require policy decisions before the 2023 general election and a Bill introduced in 2024 to legislate for mandatory reporting and pricing to provide the highest likelihood that a Q4 2025 date for implementing pricing can be achieved;
- 16.2 supporting regulations will also need to be developed and be in force before Q4 2024;

### Progressing the Order in Council

- 17 **noted** that NZ ETS reporting obligations for animals-farmer activities will commence from 1 January 2024, unless deferred by an Order in Council;
- 18 **agreed** that the Minister of Climate Change will progress an Order in Council under sections 2A(5D) and 2B of the Climate Change Response Act 2002 in August 2023 to defer animal-farmers becoming NZ ETS participants from 1 January 2024, subject to consultation;
- 19 **agreed** to consult on progressing an Order in Council to defer obligations for animals-farmers under the NZ ETS under sections 2A(5D) and 2B of the Climate Change Response Act 2002;
- 20 **agreed** that the discussion document *Deferral of NZ ETS Reporting Obligations for Animals-Farmer Activities* (the discussion document), attached to the paper under CAB-23-SUB-0370, be released for public consultation in August 2023;
- 21 **authorised** the Ministers to make decisions on any subsequent minor amendments to the discussion document, not inconsistent with Cabinet's decisions, before its release;
- 22 **authorised**:
  - 22.1 the Prime Minister, the Minister of Agriculture, and the Minister of Climate Change to make final policy decisions on progressing the Order in Council;
  - 22.2 the Minister of Climate Change to issue drafting instructions to the Parliamentary Counsel Office for the Order in Council following the consultation;
- 23 **agreed** that the Minister of Climate Change recommend to Cabinet the making of the Order in Council before the 2023 general election, subject to the outcome of the consultation.

Rachel Hayward  
Secretary of the Cabinet