

17 November 2022

Agricultural Emissions Pricing Consultation  
Manatū Mō Te Taiao | Ministry for the Environment

Submitted via email



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### **FMG SUBMISSION - CONSULTATION: PRICING AGRICULTURAL EMISSIONS**

Farmers' Mutual Group (*FMG*) is New Zealand's largest rural insurer with around 55% of farmers and growers choosing to trust FMG with their insurance and advice needs. In addition to being 100% New Zealand owned, we're also a mutual, which means our Members are both our owners and our clients. This structure forms the base of our Vision which is to help build strong and prosperous rural communities.

As a trusted brand across the sector, we've experienced a strong reaction from our Membership on the Government's proposal arising out of the He Waka Eke Noa process – a reaction unlike any experienced with other legislative proposals. This reaction, in short, expresses significant concern regarding the wide-ranging impact these proposals could have on both the sector and rural communities. Given this level of sentiment, and in the interests of our Vision to help build strong and prosperous rural communities, we feel it appropriate to share that sentiment – which is detailed below.

FMG recognises the vital importance of addressing climate change and reducing New Zealand's carbon emissions. As an insurer we are acutely aware of the impacts of climate change, with two of the last three years having historically high levels of severe weather-related damage at a total industry level. Accordingly, FMG supports the adoption of mitigation and adaptation methods to address climate change.

Additionally, FMG's firm view is that any emissions-pricing scheme should not compromise the rural sector and rural communities. Areas of particular concern from FMG's perspective - and the perspective of our Members - are:

- *Potential unintended consequences.* If the current proposal is implemented as it stands, there is a real risk that extensive productive pastoral land will be converted to a use which does not contribute to food production. If that risk is realised, it will compromise New Zealand's ability to produce sufficient quality food for our population and reduce our capability to maintain export markets. The ripple effects of these shifts will fundamentally change the fabric and viability of New Zealand's rural communities.
- *Inequitable recognition for on-farm sequestration.* The fact that the proposal does not fully recognise on-farm sequestration is inequitable, given the considerable efforts many Farmers and Growers have made to date to proactively address climate change and enhance biodiversity through on-farm planting and retirement of land. Not recognising farmers' and growers' significant commitment to sequestration (that sit outside the strict thresholds of the ETS) would undermine efforts by those who have chosen to do the right thing on their land.
- *Methane Targets.* Any target to reduce methane emissions must be based on solid evidence.

- *Inconsistent with Paris Agreement.* Should the proposal ultimately lead to a reduction in New Zealand's food production capacity, that would be inconsistent with the commitment New Zealand made, as a signatory to the Paris Agreement, to address climate change "*in a manner than does not threaten food production*"<sup>1</sup> – potentially threatening New Zealand's global reputation and markets as a producer of high-quality food products.

FMG's view is that it is critical that the above matters are addressed in the next iteration of the proposal, to ensure that the finalised scheme for pricing agricultural emissions achieves the important goal of reducing emissions while enabling New Zealand's rural sector to continue to be world leading producers of food within thriving rural communities. FMG backs its farmer and grower Members to be a part of the movement that can achieve both these outcomes and seeks the Government's support to do the same.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'T Cleland', written in a cursive style.

**T Cleland**  
Chairman of the Board of Directors  
FMG

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<sup>1</sup> Article 2(b), Paris Agreement.