IN THE MATTER	of the Resource Management Act 1991
AND	
IN THE MATTER	**Proposed Change 1 to the Regional Policy Statement for the Wellington Region**
BETWEEN	DairyNZ Limited
AND	Greater Wellington Regional Council (Te Pane Matua Taiao)

Hearing Statement of David Cooper

For DairyNZ Ltd.

14 August 2023

DairyNZ

Submitter S136

Proposed Change 1 to the Greater Wellington Regional Policy Statement

Hearing Stream Three: Climate Change Report Topics

I. INTRODUCTION

1. My name is David John Cooper. I am a Principal Regional Policy Advisor for DairyNZ, an industry good body working on behalf of all New Zealand dairy farmers. I have over 16 years' experience working in the field of resource management, with most of this time working within and on behalf the primary sector. I hold a Master of Arts in Politics and a Bachelor of Commerce in Economics, both from the University of Otago.

2. This hearing statement represents DairyNZ's views on the topics covered in Hearing Stream Three (HS3) of Proposed Change 1 (PC1). The focus of this hearing statement is to provide an outline of the relief sought by DairyNZ and the justifications for this, and to provide perspectives on the Section 32 report Evaluation of provisions under PC1 (s32 report).

3. In preparing this hearing statement I have reviewed the section 42a reports prepared on behalf of the Wellington Regional Council (s42a) and reviewed the technical evidence which has been prepared on behalf of the Council. In this statement I draw upon the planning evidence of Claire Hunter of Mitchell Daysh, and the technical evidence of Roger Lincoln of DairyNZ.

4. In this statement I address the following matters:
    a. DairyNZ's positions in relation to climate change.
    b. An overview of the relief sought by DairyNZ.
    c. Distinguishing between short lived and long-lived gasses.
    d. The s32 assessment of costs and benefits.
    e. The proposed targets as they relate to agricultural emissions.
    f. The need for further engagement with the primary sector.

II. DAIRYNZ'S POSITIONS IN RELATION TO CLIMATE CHANGE

5. DairyNZ's positions on the climate change matters covered in HS3, and the wider sector's efforts, provide important context to the matters considered in HS3.

6. DairyNZ is committed to dairy farming playing its part in transitioning to a low emissions economy alongside the rest of New Zealand. The sector has active programmes designed to support farmers as they transition to lower greenhouse gas emissions and build their resilience to a changing climate.

7. This will require a combination of changes to on-farm practices and land use, as well as advancements in research and technology. As outlined in the evidence provided by Mr Lincoln, many of these changes are already advancing, whether through industry organisations, processing companies, or government - supporting farmers through this period will be paramount.

8. Regulation has a role to play in supporting emissions reductions, but it needs to be practical, pragmatic, fair, underpinned by sound science and focused on achieving the desired outcomes in an efficient manner.

9. Legislated methane reduction targets should be the floor, not the ceiling, for climate action and ambition. Individual farmers, and the companies they supply, can then choose to go further or faster if they wish, including in response to market expectations.

10. Because New Zealand farmers are already among the world's most emission efficient producers of milk, they will need new technology and tools to support further reductions. We need to continue investing and working hard to develop those options. This includes providing sufficient time to invest in, develop and implement scientific and technical responses.

11. Both DairyNZ's national perspective and an assessment of the provisions proposed through PC1 inform our relief sought in HS3. Our perspectives on the specific provisions of PC1 are outlined below. In terms of our national positioning, DairyNZ believes and observes that:
    a. Local government does not need its own specific targets for agricultural greenhouse gas emissions as there are already national targets in place. Any sub national targets may lead to carbon leakage and be inefficient.

    b. Local government has a role to help support farmers with local climate change adaptation challenges.

c. National level mitigation policies, New Zealand's Emissions Reduction Plan and farmer and market initiatives will sufficiently address agricultural greenhouse gases.

d. Legislative milestones for dairy farmers to know their greenhouse gas numbers and document their management plans are on track.

e. Dairy processing companies are actively working with farmers to address greenhouse gases because customers and markets are also demanding action on climate change – this is a big and significant driver for change.

f. Recent science investments (including $339m in Budget 21/22) to accelerate technologies and improve regulatory pathways are a recent step change to advance agricultural solutions.

g. The Environmental Protection Authority (EPA) announced on 10 August 2023 its widely anticipated decision to approve a feed additive designed to reduce methane emissions in livestock. This provides a pathway for the development of a mitigation option with significant potential.

h. Sound science must prevail, including the separate reporting, measurement, and policy responses for short (methane) and long-lived (CO_2 and nitrous oxide) greenhouse gases.

III. OVERVIEW OF THE RELIEF SOUGHT BY DAIRYNZ

12. DairyNZ's submission to PC1 sought to exclude those parts relating to freshwater, biodiversity[1] and climate change. Our view has been that these matters should removed from the scope of PC1 and instead covered in future plan changes. In doing so, regulatory frameworks yet to be settled at a national level (in the case of climate change emissions) or regional level, (in the case of freshwater) can be considered when assessing the roles that regional and local government can play in respect of these matters.

13. This is particularly important in respect of the roles of regional and local government in the management of agricultural emissions. This topic has been a priority focus for DairyNZ's submissions on PC1.

[1] We recognize the National Policy Statement for Indigenous Biodiversity 2023 has now been gazetted.

14. Waiting on the further development of a national framework for the management of agricultural emissions prior to addressing these matters at a regional level is important for the following reasons:
    a. Once a national policy framework is in place, GWRC can appropriately consider the optimal role it may play in the management of agricultural emissions.
    b. Until this occurs, GWRC is not able to, with the necessary degree of accuracy, assess the costs and implications of any emissions targets, or define optimal roles in the management of agricultural emissions. This is particularly the case in instances where PC1 seeks to go beyond national targets.
    c. The need to separate short lived and long lived gasses, and the benefits of doing so, requires further consideration.
    d. Further engagement is required to establish GWRC's role in respect of the management of agricultural emissions.

15. If these provisions are to be retained, the recommendations made in the planning evidence of Ms Hunter should be adopted.

IV. DISTINGUISHING BETWEEN SHORT LIVED AND LONG LIVED GASSES

16. It is DairyNZ's view that both short lived and long lived gases need to be managed. How they are managed, the targets set for each and any assessment of the costs of managing each should reflect the differences between the two.

17. In his evidence, Mr Lincoln outlines the importance of distinguishing between short lived (methane) and long lived CO2 and nitrous oxide) greenhouse gas emissions. These emissions have different impacts on the climate, and reducing a short lived gas like methane will have a different effect on climate change, compared to reducing a long lived gas like CO2.

18. NZ has recognised these differences in the domestic targets set out in the Climate Change Response Act, where the country has committed to:
    a. Net zero emissions of all greenhouse gas emissions other than biogenic methane by 2050.
    b. 24 to 47 per cent reduction below 2017 biogenic methane emissions by 2050, including 10 per cent reduction below 2017 biogenic methane emissions by 2030.

19. In his statement of technical evidence, Mr Jake Roos concludes that the GWP100 'all gases' method is "widely used", "straightforward to use and understand", and in his opinion "its use for Change 1 presents no practical issues or disparities for the foreseeable future" (para 68).

20. However, in his evidence, Mr Lincoln outlines the inaccuracies that result from using GWP100 for methane, relative to another method, GWP*. This includes '*overstating the warming impact of methane emissions by three to four times when emissions are stable*' (at para 44).

21. The failure of PC1 to differentiate between short term and long term emissions and manage each in an appropriate manner, is both a flaw in the PC1 approach and a concern in relation to the s32 assessment, as outlined below.

V. S32 ASSESSMENT OF COSTS AND BENEFITS

22. DairyNZ, and other submitters, have raised concerns with the s32 report accompanying PC1, including because, among other concerns:

    a. There is no sufficient justification as to why regulatory intervention in the form proposed by PC1 is justified now, prior to national policy settings being settled. While there is discussion to this end, the basis for the assessment of associated costs and benefits is in some respects flawed.
    b. There is a failure to appropriately assess the economic and social costs associated with specific provisions, in a way that reflects the significance of the provisions.

23. The s32 asserts that the policy approach proposed through PC1 is "primarily a non-regulatory one" with a

    "…regulatory component to the proposed policy approach to set a clear expectation there shall be no increase in gross agricultural greenhouse gas emissions and that these should be reduced where practicable, which will be primarily implemented through a future regional plan change (Policy CC.5) along with some immediate consideration through consenting and plan change processes (Policy CC.15)".[2]

[2] Page 134

24. The section 32 further asserts that:

> *"By the time these provisions are developed, it is expected that the national approach to agricultural greenhouse gas emissions will be adopted by central government, which will enable the regional plan provisions to be aligned and ensure there is not unnecessary duplication and associated compliance costs".*[3]

25. The s32 appears to take the perspective there is no need for a more robust cost benefit analysis, as this can be undertaken as part of the plan change process to come. This appears to be supported in the s42a General report where My Hyeth states (at para 69):

> *"… I not the climate change provisions in Change 1 are primarily aimed at setting the direction on the outcomes to be achieved in the region (objectives), policies that are to be given effect to through regional and district plans, and non-regulatory policies and methods. It is not practicable, nor efficient or particularly useful in my opinion, to undertake a detailed cost-benefit assessment of objectives aimed at long-term climate change outcomes that will be given effect to though future plan changes".*

26. In DairyNZ's view this is not sufficient, given the strength and significance of the provisions proposed in PC1. There is significant potential for inconsistencies between these provisions and a yet to be confirmed national policy framework. The costs associated with the targets proposed at Objective CC.3 are significant, yet not sufficiently quantified. PC1 proposes that these targets are set now.

27. Based on the evidence provided by Mr Lincoln, the implications of key technical questions will in turn have a significant impact on the costs associated with the provisions under consideration through PC1. These key technical questions include decisions around how to measure and set targets for short lived and long lived gases and whether to set targets on the basis of net or gross emissions. The provisions proposed through PC1 have in effect decided on these fundamental questions. By the time any future plan change is considered, these critical factors will have already been decided. This will in turn have a significant impact on the associated costs.

[3] Ibid

28. The s42a General report inaccurately paints DairyNZ's argument that withdrawing the climate change provisions from PC1 due to the lack of detailed cost benefit analysis is an example of 'kicking the can down the road' (at para 70). As Mr Lincoln's evidence outlines, the primary sector is not kicking the can down the road. Efforts are already underway to both define targets and drive reductions in agricultural emissions. It is DairyNZ's view that, by setting targets through PC1 and indicating how this will be implemented will be a question for a future plan change process, it is the assessment of costs and benefits required under s32 of the Act that is the can being kicked down the road.

29. In his evidence, Mr Lincoln explains the 'moving pieces' that have not yet been settled. This leaves questions around whether regional planning processes should seek to manage agricultural emissions and, if so, how. These questions include:
    a. Will (and which of) the recommendations from the He Waka Eke Noa (HWEN) partnership be adopted, or will agricultural emissions be included in the Emissions Trading Scheme?
    b. Dependent on this, which pricing mechanisms (and as a result, which incentives) will farmers face in terms of reducing emissions?
    c. How far will national regulatory efforts and market expectations drive down agricultural emissions, and what does this mean for any role regional councils may play?

30. The way agricultural emissions will be priced heavily influences the incentives and the motivations farmers will face. If dairy farming was included in the ETS, the incentives and costs they will face will differ to those they would face if the HWEN recommendations were adopted. This lack of clarity extends into farmer adaptation, given HWEN takes a strong focus on farmers knowing, managing, and being supported to reduce their emissions. These factors will drive the support farmers will need from their regional council to adapt.

31. Similarly, the s32 states (at page 139) that there will be long term costs to agricultural landowners of "not reducing methane at a faster rate in terms of failing to meet the expectations of international markets". This is mirrored as a qualification to an assessment of the benefits of the status quo to the agricultural sector at page 143.

32. This perspective assumes GWRC's regulatory responses are aligned with international market expectations. As outlined in Mr Lincoln's evidence, there are several market driven

initiatives underway. Based on Mr Lincoln's assessment, none of these currently align with the targets set out in Objective CC.3. The market driven targets outlined by Mr Lincoln have their own incentive mechanisms, with markets setting out expectations which are directly communicated to farmers through signals from processors or retailers. Regulations need play no part in these signals.

33. The s32 underestimates the benefits associated with time. The s32 states (page 139) that:

> *"At a general level, greenhouse gas emission mitigation actions tend to become more expensive the longer they are delayed, given the scale of change/action required (in compressed timeframes) and the interim increases in emissions which then also need to be reduced".*

34. This appears a key argument for the urgency to address agricultural emissions through PC1. While the costs of 'winding back' emissions can be expensive, as outlined by Mr Lincoln, significant investments in science solutions have occurred as recently as 2022, with a 4-year focus. This investment will enable more effective mitigation and implementing mitigation measures identified because of this investment will take time. As noted at page 139 of the s32 analysis, existing NRP freshwater provisions already place controls on more intensive land uses. More specifically, the National Environmental Standards for Freshwater Regulations 2020 regulates conversions to dairy farmland. These existing measures will play a role in restricting intensification and restricting the extent to which intensification will need to be 'wound back'.

35. Both the national agricultural emission management framework and the response will also guide an important consideration – the potential for leakage between regions. Should regional targets be developed, national targets would still provide a 'bottom line' for reductions within every region. However, the differences between regional targets would be undermined by those in neighbouring regions through leakage, while imposing costs on regional employment and economic growth within the regions with tighter targets.

36. As noted in Mr Lincoln's evidence, short lived (including methane) and long-lived gasses have different warming impacts. Consequentially, reducing one unit of methane will have a different impact on the climate than reducing one unit of carbon dioxide or nitrous oxide. Similarly, a specific farm may face higher marginal costs in reducing a unit of methane at a lower marginal cost relative to the marginal cost of reducing a unit of CO2, depending on the

nature of that land use and the baseline used. For this reason, both international and national frameworks for managing emissions include a pricing mechanism to provide for economically efficient reduction. The matters covered by HS3 do not differentiate between the two, and do not accurately consider the costs and benefits associated.

37. Neither the technical reports nor the s32 analysis appear to assess how far away the Wellington region is from achieving national targets. This is an important component of assessing the costs and benefits of the provisions under consideration in HS3. The distance between national and regional targets will drive the costs associated with achieving regional targets. The strong direction of the provisions proposed through PC1, particularly the targets proposed through Objective CC.3, mean that this assessment would ideally take place now.

VI. ENGAGEMENT WITH THE PRIMARY SECTOR

38. As outlined in Mr Lincoln's evidence, there are several 'moving pieces' in relation to the management of agricultural emissions. These include targets and timeframes and market and customer driven initiatives, and the need for a 'split gas' approach ('where we need to get to') as well as research into how the sector can best meet its obligations and existing mitigation efforts ('how we will get there').

39. Further engagement with the primary sector, processors, suppliers and farmers is needed to inform decisions around what an optimal role for GWRC may be in terms of reducing emissions to an appropriate level, in the most efficient and effective manner.

CONCLUSION

40. DairyNZ believe the climate change matters under consideration in HS3 should be deferred until the scheduled upcoming review of the RPS.
41. To the extent these provisions are retained, DairyNZ seeks amendments to the provisions under consideration in HS3 as recommended by Claire Hunter.