

Paul Melville

International Emissions Policy and Agriculture

The Copenhagen climate conference is now history and there is presently some debate on what the conference achieved and what the events that occurred there will mean for the future of international climate change negotiations.

Most reflections on Copenhagen have focused on the apparent inability of the conference to make sufficient progress towards a legally binding treaty. These reflections perhaps do not recognise the efforts under way outside the main negotiating focus to address issues of importance to the pastoral sector.

It was hoped that the conference would establish a work programme on agriculture. Unfortunately this was not finalised despite widespread support. However, New Zealand was successful in launching a global research alliance on agricultural greenhouse gases.

Global alliance

The announcement of the global alliance was an important achievement from Copenhagen, albeit separate from the official UNFCCC (United Nations Framework Convention on Climate Change) negotiations. Formation of

the alliance will improve the global co-ordination of funds spent on agricultural emissions mitigation research. It is well recognised that, in order to reduce global emissions to levels recommended by the Intergovernmental Panel on Climate Change, global agricultural emissions must be managed. It is also well recognised that current mitigation options can only make a small dent in agricultural emissions. Meanwhile, world demand for food production continues to grow. To solve this challenge, there is an unquestionable need to research new methods to abate greenhouse gas emissions from agriculture.

Fonterra is supportive of the formation of the global research alliance and looks forward to continuing to work with the government in funding the existing Pastoral Greenhouse Gas Research Consortium.

Details of how the global alliance will function will be decided at the inaugural senior officials' working meeting of the alliance, to be held in Wellington in April 2010. New Zealand negotiators tell us there will be a number of research groups

which will co-ordinate research under different work streams, such as pastoral farming, rice farming and intensive livestock. We also understand that there will be no commitment to give money to a central pool, but rather members will have the ability to fund individual projects as they see fit. We support this proposal as it allows members to retain control over the projects they are financing. The end result should be a stronger flow of funds to agricultural mitigation research, and better use of those funds due to a greater level of co-ordination between nations.

Agricultural work programme

There are a number of issues that are unique to agriculture within international policy to reduce greenhouse gas emissions. For example, there is a crucial need to maintain food security while reducing emissions; limited mitigation options are currently available to farmers; and there is a need to develop tools that more accurately measure emissions at their source (rather than aggregating emissions at the food processor level).

The issues facing agriculture are

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evident by having a quick look at the domestic emissions trading schemes currently being developed in Australia and the United States, as well as the emissions trading scheme under way in

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Europe. None of these countries treat agricultural emissions in the same way that they treat smoke stack emissions.

By including agricultural emissions in a separate work programme, the international community can begin to address those issues that have led to the disconnect between the all-gases all-sectors approach of the Kyoto Protocol and the 'fossil gases only' approach of most governments.

In addition, it is important that a work programme quantifies food security concerns to ensure that, in attempting to address climate change, the global community does not negatively affect the world's most vulnerable people by reducing their access to food. While international agreements need to place

a cap on global emissions and reduce this over time, we cannot simply force agricultural producers to cut emissions at any cost. As the minister responsible for international climate change negotiations, Tim Groser, has said, 'If, in the area of livestock production, "mitigation" simply means "cut production" – we do not have a sustainable way forward.'¹

Some will argue that food security concerns are unavoidable once the reality of climate change is faced because, if agricultural emissions growth continues unabated, the negative effects on third world nations from climate change may be even greater than those from reduced food production. This is one of the reasons a work programme is needed: we cannot simply 'cut production', but we can equally not simply continue with 'business as usual'. Agriculture needs to be included in global emissions policy but it needs to be in a way that seeks to balance the twin global issues of food security and climate change.

Effect of delay on Fonterra

Many commentators have noted correctly that if the USA and China reach an agreement outside the UN process it will provide direction to the negotiations and increase the possibility that an international treaty will be agreed to. A USA-China agreement itself may hinge on the ability of the US to pass clean energy legislation currently being considered in the Senate. Until these things occur, it is hard for member nations to commit to reductions.

Fonterra recognises the global importance of this current phase of negotiations. However, this phase also raises many questions for Fonterra. Under the New Zealand emissions trading scheme (ETS) the price of emissions

units is capped until the end of the Kyoto period (December 31, 2012). After this time participants will need to source units from various market mechanisms. As limited direction has emerged about the characteristics of a post-Kyoto framework, this makes it difficult for participants to have any cost certainty for emissions liabilities post-2012. For example, beyond 2012 we do not know how many units our government will have to auction, or what international markets will be available to us to source units.

The New Zealand emissions trading scheme was largely designed assuming a Kyoto-type framework would operate. This may yet be a valid assumption. The ETS wisely allows for reviews every five years, with the first in 2011. If international negotiations for a second commitment period have not concluded by the time of the review, there may be a strong argument for conducting a second review of domestic policy once negotiations are finalised that can allow for emergent international developments to be reflected in the New Zealand ETS.

As we look back on Copenhagen, there remain many unanswered questions. Hopefully the path forward will become clearer in the coming months. Fonterra understands that New Zealand negotiators had little control over the events that led to the lack of progress towards agreement on a post-Kyoto framework at Copenhagen, but we recognise that inroads have been made on issues important to New Zealand and we commend our negotiators for this.

¹ Tim Groser, New Zealand statement to the UN climate change conference high-level segment, 12 December 2008.