



Climate Change Policy

Policy Position

The Australian agricultural sector has already reduced its net emissions more than any other sector and remains at the forefront of climate adaptation and action in Australia. Australia's climate policies must recognise producers for the role they play in managing Australia's landscapes, their contribution to food security, and must provide a pathway for a profitable, productive, and sustainable agricultural sector into the future.

The purpose of this policy is to provide a set of principles to reaffirm Australian agriculture's place in the global economy by positioning the sector to take advantage of the social, environmental, cultural, and economic opportunities presented by a low emissions future.

The National Farmers' Federation (NFF) supports Australia's efforts to address climate change. The agricultural sector is focused on ensuring we are contributing to a significant downward trajectory. The agriculture sector understands and expects other sectors across the economy will play their part in reducing emissions rather than expecting agriculture to be the source of significant offsets.

The NFF supports an economy-wide aspiration of net zero emissions by 2050 Provided that:

- There are identifiable and economically viable pathways to net neutrality, including impacts from inputs such as energy;
- Commonwealth and State legislation is effective, equitable and advantageous to deliver on ground programs that benefit agricultural interests and do not provide unnecessary regulatory impediment;
- No sector specific targets are imposed; and

- Global and local food security is considered in conjunction with overarching goals, not separately.

The NFF have not determined a position on a 2030 ambition and recognise many individual commodities have, or are in the process of, setting targets for reductions. However, we recognise that government policy is also a reasonable trajectory towards the 2050 ambition and that there is complexity of how this applies to the agricultural sector. It is best couched as looking for a positive set of outcomes that include a range of policy benchmarks, as outlined below.

Further, as we now move to operationalising climate policy in a productive and sustainable agriculture sector, there are a number of opportunities that we believe should be considered by government to make good on undertakings via the *Powering Australia* policy document and subsequently in government.

For agriculture, the scope 1 and 2 priorities will continue to reduce greenhouse gas (GHG) emissions and seek more efficient and cost-effective ways to address emissions of enteric methane and nitrous oxide. Carbon dioxide emissions in agriculture are already negligible, and where they exist, there will be change as renewable fuel sources become scalable, affordable, and widely available.

In line with trajectories from the Intergovernmental Panel on Climate Change (IPCC), agriculture recognises that the global targets to different GHG are not the same. NFF recognises the IPCC propose to achieve climate neutral outcomes: for methane a 50% reduction from 2005 levels is required and for nitrous oxide, 20% reductions by 2050. The transformation required to underpin these still has significant barriers and requires introducing technologies and innovation at scale to ensure no cost nor productivity impacts on the sector. Failure to support transition will result in unacceptable impacts on food and feed security both in Australia and globally. Government needs to ensure, should it seek to make international agreements, that agriculture is closely consulted on:

- How these agreements will translate;
- How and what assurances will be provided;
- How appropriate reporting metrics can be incorporated to better reflect agriculture's impact and achievement for example including dual reporting of emissions in both GWP* or another suitable metric and existing GWP100 for agriculture;
- Ensuring that they will not unfairly or unnecessarily target agriculture; and
- That the achievements that agriculture has already made are clearly recognised.

Continued investment, including by government, in assisting agriculture to innovate and adapt economically, transition justly and recognise the unique role that agriculture plays through both being an emitter, a sequestor and a food and fibre supplier to the world, are critical drivers and recognised by the Commonwealth Government investment and policy commitments including in *Powering Australia*. The Research and Development Corporations (RDCs) must continue to support industry to progress low emissions pathways which underpin \$100 billion growth, particularly as the impacts of climate change are already and very directly impacting farmers. Government should support coordinated research through RDCs and other research organisations to further the ability of Australian agriculture to continue to progress and promote the leading position in growing low emissions agricultural products it holds. This narrative should enable the government, in conjunction with industry, to ambitiously leverage the low emissions status to secure access to markets.

Governments and industry service providers must have the tools, systems and knowledge required to establish an industry baseline, and be able to communicate this to farm businesses.

As more is understood about the accuracy and viability of alternate reporting metrics, especially for methane from livestock and cropping systems, then ways to utilise those so that agriculture is treated equitably must be progressed.

The NFF will review its position regularly to ascertain if technological and economically credible pathways to achieve this target remain evident. The NFF's position will be informed by robust science from RDCs and other credible sources which allows producers, industry bodies and agriculture as a whole to establish credible baselines and assess the implications of the policy. This policy statement is complementary to the NFF policy positions on Natural Capital, Electricity, Climate-Related Financial Disclosure, Energy and Industry Engagement Guidelines for On Farm Activities.

Issue

Australian agriculture has always operated in a varied and challenging climate. The continued success of the Australian agriculture sector will depend on our ability to build on this foundation and continue to innovate and adapt to best manage future climatic risks and to further reduce the emissions intensity of our production systems. We note the important need for Australian agriculture to continue adapting into the future and welcome investments in technology adoption.

There is a great opportunity for Australian agriculture to contribute to our national emissions reduction goals. This opportunity requires innovation to reduce the

emissions intensity and to enable farmers to efficiently participate in emerging markets, including carbon and natural capital markets.

A transition to a low emissions economy will require transformation across a number of sectors, especially energy and transport. It is critical that the suite of government policies that seek to address the challenge of climate change are fully examined, to ensure that the policy levers of government work cohesively to achieve our national objectives, while minimising the risk of unintended or perverse outcomes. A just transition and equitable commitment for all sectors of the economy is critical. While emissions reduction is one goal in climate change policy, broader social, environmental and (particularly regional) community benefits should also be considered. There is a strong need for enhanced guidance on how to manage and incentivise new projects that have multiple co-benefits. This would facilitate a range of technology options and land-based activities which can deliver cost-effective outcomes for emissions reduction and broader economic, social, and environmental outcomes.

The NFF recognises that a number of agricultural sectors will be on a more rapid implementation trajectory. For example, the red meat sector is already substantially investing in its carbon neutral by 2030 (CN30) program and other sectors are committing to outcomes as early as 2030.

In meeting Australia's emissions reduction goals, Australian farmers expect a greater focus on industry and government investment in integrating climate change solutions for the sector. This can be delivered by:

- Focusing on carbon neutral technologies that provide a competitive advantage for existing products;
- Developing new markets, domestic and export, that benefit from innovative carbon neutral technology;
- Collaborating across all of industry to make the greatest gains from the adoption of the latest research and development;
- Adapting and adopting proven and defensible alternate metrics in the National Greenhouse Gas Inventory;
- Enhancing partnerships with private institutions, government, and other industries outside of agriculture; and
- Developing an Australian Agricultural Sustainability Framework to integrate strategies across the whole of agriculture.

Background

The NFF recognises that climate change presents both significant challenges and opportunities for Australian farmers.

The world's population is forecast to exceed 9 billion people by 2050, and demand for food and fibre is on track to increase by 60 per cent in that timeframe. There is no doubt meeting this demand in the context of a changing environment while at the same time contributing to global action to reduce emissions is a global challenge which requires a global response.

In December 2015, 195 countries including Australia, under the banner of the United Nations Framework Convention negotiated the "Paris Agreement" which aims to hold the increase in the global average temperature to well below 2°C and pursuing efforts to limit it to 1.5°C above pre-industrial levels and to increase the ability to adapt to climate change. There is bipartisan support for net zero by 2050 and there is a legislated ambition of 43% reduction from 2005 levels by 2030.

The Paris Agreement specified that to achieve the long-term temperature goal, countries should aim to reach global peaking of GHG emissions as soon as possible to achieve a balance between anthropogenic emissions by sources and removals by sinks in the second half of the century. In 2018, the IPCC issued a scientific report on the potential impacts of global warming and identified that global warming is likely to reach 1.5°C between 2030 and 2052 if it continues to increase at the current rate. The agriculture sector contributes to our national emissions profile by both sequestering carbon in soils and vegetation and the emissions of GHG from farming practices such as livestock production, cropping practices, the use of fertilisers and the burning of savanna grasslands. Combined, agriculture accounts for about 13 per cent of Australia's National Greenhouse Gas Inventory.

Australian agriculture has been the single biggest contributor to emissions reduction since the 1990s, primarily due to the land clearing legislation imposed on farmers to meet Kyoto Protocol emissions reduction targets and the role of land use, land-use change and forestry (LULUCF). As a result, Australia has a stock of Kyoto 'carryover credits' that are able to be used to contribute to meeting Australia's emissions reduction targets.

The sector continues to make significant voluntary industry led contributions to emissions reduction. Between 1996 and 2016, agriculture has reduced its GHG emissions intensity by 63 per cent.

The Emissions Reduction Fund (ERF) and methodologies under the Carbon Farming Initiative continues to be the primary mechanism under which farmers have reduced emissions. Australian farmers make up over half the projects, and carbon credits delivered through the ERF. Renewable energy technologies have also seen a significant reduction in price over the past decade and has been significant uptake on farms. Australian Carbon Credit Units (ACCUs) must be robust and internationally

recognised for their integrity. Should the Chubb *et al* review find technical concerns, they should be addressed and where farmers are impacted, they should be justly compensated including for the lost opportunity. Care must be taken to ensure that philosophical drivers do not compromise the scope and opportunity in delivering methodologies.

Australia is not only bound by its commitment to the Paris agreement, but by the growing expectations of our community and customers about Australia's environmental credentials. Australian agriculture has a role to play in meeting climate responsibilities and moving towards an economy-wide climate neutral goal by 2050 whilst maintaining productivity and profitability.

What the Industry Needs

Policy

Economic

- Clear assurances that targets and taxes will not be placed on agriculture. This will provide certainty around what we can expect from the government in the future;
- Appropriate restrictions are placed on the Safeguard Mechanism such that agricultural enterprises are not adversely impacted by offset purchases that substantially diminish agricultural productivity;
- Acknowledge that mandatory cap and trade policies are not suited to the farm sector, and specifically excluding the sector from such schemes;
- Recognise that more than 75% of Australian agriculture produce is exported, and that as a trade-exposed sector we must remain competitive within domestic and international markets;
- Reintroduce legislation that would see carbon and biodiversity income treated as primary production income for all typical farm business models to ensure that eligible business input deductions can be appropriately offset against farm income;
- Engage in or facilitate the review valuation methodologies at least to the extent that those methodologies are not adequately acknowledging the income or capital growth attributable to carbon and other non-core commodities;
- Ensure eligibility for the instant tax/asset write off includes climate action investments;
- Compensate farmers and/or give ongoing recognition for lost productive capacity due to land clearing legislation imposed on land managers;
- Recognise the significant contribution agriculture has made to emissions reduction since the 1990s, including acknowledging MLAs CN30 target and that the Australian red meat industry has already decreased annual emissions by 57% or 133.36-54.61 Mt; and

- Introduce a new Regional Investment Corporation (RIC) loan to assist farmers undertake emissions reduction activities.

Emissions Reduction Fund

- Acknowledge the role of vegetation and soil carbon in carbon sequestration and overall soil health via full commercial/compensation systems for agricultural land sequestration (both historical and current);
- Ensure that Australia's climate change strategies encourage economy wide action to reduce GHG emissions and impact on the climate;
- In consultation with the agricultural sector ensure that the most equitable, defensible and appropriate reporting mechanisms are used that recognise international reporting obligations, improved or more accurate measurement systems, and apply principles of equity and balance for the agricultural sector;
- Ensuring that vegetation management policies do not burden farmers with the cost of achieving emissions reduction goals, nor unreasonably restrict development;
- Prioritise development of ERF methodologies that encourage and provide ACCUs for adoption of methane reducing livestock feed technologies as soon as they are available. We recognise incentives in the Budget for this, but more needs to be done to support further innovation, methodology efficiency and adoption;
- More encouragement for the agricultural industry towards emissions reduction/efficiency. Models for adaptation should be an investment focus;
- Ensure that the Climate Active certification system is able to keep pace with technology developments coming from industry and ensure that the system rewards the work that producers have already done to make their land a valuable carbon sink;
- All market-based policies that seek to incentivise climate outcomes must have mechanisms such as standardised contract terms, dispute resolution processes, and clear pricing mechanisms; and
- Primary producers need harmonisation of methodologies, reporting frameworks, and schemes across all jurisdictions.

Education & Awareness

- Recognise it may be more beneficial for farmers to identify carbon and use this within their own business (insetting) rather than sell to other sectors (as offsets), and that care is needed to prevent market and regulatory distortions which have perverse impacts; and
- Recognise emissions of (the GHG) nitrous oxide are a specific area for the agricultural industry to address. The nature and impact of nitrous oxide are different to other GHGs, meaning that a net zero target is appropriate for carbon dioxide emissions but not to other GHGs.

Incentives

- Allocate a component of the Building Better Regions Fund to fast-track viability assessment of regional low emissions fertiliser manufacturing capability in regional Australia and ensure funding under the Modern Manufacturing Strategy is directly allocated to improving domestic manufacturing for critical agricultural inputs. We understand a portion from this Fund has been redirected to support economic growth and development across regional Australia, but more must be done regarding domestic low emissions manufacturing for critical agricultural inputs;
- Recognise that embedded emissions are significant and that low/no emission manufacturing technology and alternative inputs are needed as a priority and at a lower cost;
- Provide refundable tax offsets on equipment which reduces emissions such as that use in zero till and controlled traffic systems; and
- Ensure that biodiversity payments are accessible for all farmers, not just in pastoral settings. This could be achieved by incorporating agricultural specific criteria under the Carbon & Biodiversity scheme and future programs and publicly reporting the number of successful projects by farm type.

Coordination

- AGMIN and its Climate Change Task Group to engage with industry on its national action plan as a matter of urgency and commit to publicly reporting on progress;
- The Commonwealth must ensure that the complexity of agriculture's climate change interaction are considered in the development of all relevant sector plans especially the Agriculture and Land sector plan; and
- That the National Greenhouse and Energy Reporting Scheme continues to only focus on fugitive emissions and does not incorporate agriculture.

Operational

Economic

- Support adaptation and ensure that agricultural productivity and farm business profitability can be sustained with changing climatic conditions;
- Focus on innovation and investment in climate research and development that provides robust baseline information, drives innovation and builds resilience, and supports communication, adoption and extension;
- Embrace the opportunities for emissions reduction and sequestration in the farm and forestry sectors and facilitate participation of farmers and foresters in carbon markets and natural capital markets;

- Expand and fund practical on farm extension programs like the Victorian Government’s [On-Farm Action Plan Pilot](#), which aims to empower producers to understand, measure and reduce on-farm emissions and provides grants for implementation of the recommended actions; and
- Understand that Australian agriculture is on a trajectory towards climate neutrality. Support and fund programs or schemes to assist Australian agriculture in getting to this goal. Recognising that key areas of focus will be methane and nitrous oxide emissions through the development of for example, methane inhibitors and coating, and/or slow-release fertilisers.

Education & Awareness

- On-farm extension programs should be developed regarding the support of natural capital measurement and markets - as key facilitator of climate change mitigation. Support investment in education decision support tools and awareness programs to assist farmers’ understanding of carbon emissions, sequestration, offsets, insetting, and carbon markets. What we would like to see could include:
 - a) support for what producers at the farm level are currently doing;
 - b) support for navigating current articulating system of markets and incentives;
 - c) on farm support to engage in new and emerging practices to increase emissions reductions; and
 - d) the need for a positive, constructive and overarching climate policy for the agriculture sector, along with providing incentives and subsidies to farmers, including for batteries.

This needs to be supported in the short, medium, and longer term.

- Partner with industry to deliver public education initiatives that combat misinformation about livestock production and help people understand the most impactful ways they can reduce their impact on the climate.

Incentives

- Partner with industry to introduce initiatives which lower key on farm emissions and transition to low emissions inputs which are manufactured in Australia.

Coordination

- Ensure a consistent approach to carbon accounting and measurement across agricultural sectors to enable accurate measurement and assist with calculating mitigation efforts and offsets, including through the National Soils Strategy; and

- Develop a comprehensive strategy to address climate change which incorporates the AGMIN National Action Plan.

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