



**CLIMATE CHANGE: LAND USE – AGRICULTURE AND
FORESTRY**

AGFORCE QUEENSLAND SUBMISSION

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CONTENTS

Introduction	1
Baseline Year Determinations	1
Need to determine net position	3
Offsets	4
Research and Development	4
Inputs	5
Conclusion	6

Attachments:

- 1 Letter to Premier Beattie from John Howard MP
- 2 7:30 Report transcript
- 3 Queensland Country Life Article

SUBMISSION:

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Introduction

Australian agriculture is at the forefront of climate change and has already played a significant role in reducing its emissions. There are significant challenges ahead in not only recognising the significant contribution by agriculture (particularly Queensland producers) in emissions reduction, but also in the interaction of agriculture in providing offsets and any national emissions trading framework. The diversity of climatic and biological systems which agriculture operates within provides an additional level of complexity to this issue. In designing a national emissions trading framework, it will be essential that the Federal Government considers what impact this will have on a sector such as agriculture and its efforts to adapt to climate change.

In its submission, AgForce has concentrated on what it believes to be the major factors impacting on Queensland's broad acre agricultural industries. These include the contribution that has already been made, vital issues surrounding baseline year determinations, the need to determine the net position of agriculture in relation to greenhouse gas emissions and sequestration, the ability to provide offsets, the vital role of research and development and the impact of high input costs.

Contribution of Agriculture

Australian agriculture has made the largest contribution of any sector in the economy towards Australia meeting its greenhouse gas reduction targets under the Kyoto agreement. Australian agriculture has reduced its emissions by 73% since 1990. At the same time the stationary energy and transport sectors have increased their emissions by 42.6% and 29.9% respectively (see Figure 1). This reduction has been primarily achieved as a result of land clearing restrictions implemented in Queensland as collaboration between State and Federal Governments. The role of the Federal Government in providing the impetus for this legislation has been publicly recognised by the former Prime Minister and Treasurer (see attachments 1,2 & 3).

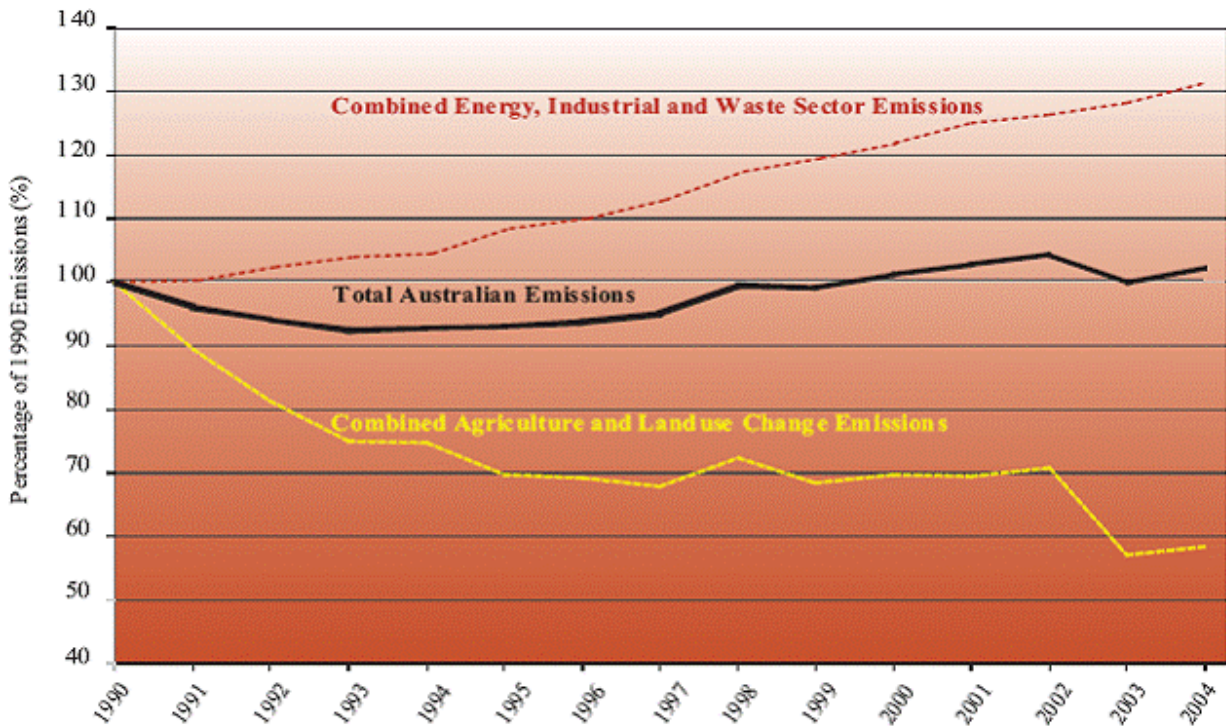


Figure 1: Trends in Australian greenhouse gas emissions: 1990 –2004.

Source: adapted from data in AGO 2006a

Australian agriculture (and Queensland producers in particular) is the only sector of the Australian economy which has been subject to a legislative response of this magnitude to reduce Australia’s greenhouse emissions. Any other significant reductions in greenhouse emissions or abatement in the Australian economy have been driven either by R & D or by government/market incentives. There is a serious social justice issue whereby agriculture via land clearing restrictions was deliberately targeted by government as the cheapest way for Australia to meet its greenhouse gas targets. This statement is demonstrated by a social economic impact study conducted by ABARE for the Federal Government which made the following as one of its key conclusions;

“The cost of abatement would be less than \$1 per tonne of CO₂, much less than other identified greenhouse emissions abatements options”

This was based on the assumption that the Federal Government would be providing \$75 million to assist affected landholders and that it would deliver up to 25Mt CO₂. However, in the end the Federal Government did not contribute any funds and the final legislation is estimated to have delivered up to 45 Mt per annum during the first reporting period.

Therefore in designing a national emissions trading framework, there is a heavy burden on the Federal Government to account for the impact of this legislation on agriculture



and Queensland landholders as it has paid such a significant role in allowing Australia to meet its targets at no cost to the rest of the economy or the Federal Government. It is the position of AgForce that affected producers should be provided with an offset which could either be traded or retained for use if necessary under a future emissions trading program.

Baseline Year Determinations –

The determination of a baseline for a national emissions trading framework has significant implications for those producers impacted on by the Queensland land clearing legislation. The timeframes of this legislation in being implemented before January 2007, were carefully constructed to ensure that they complied with the first reporting period under Kyoto so that reductions could be counted towards the national reduction targets. AgForce contends that the baseline year for a national emissions framework should be 1990 in accordance with the Kyoto framework and that forced voluntary early action (such as through land clearing reductions) should be credited as a bankable or tradeable offset. Most voluntary reductions in other sectors were driven by specific incentives, yet Queensland landholders were forced to do this legislatively, unlike other sectors of the economy.

If the baseline year is post 2007, then no recognition of the impost of land clearing legislation on Queensland landholders is achieved and those sectors which have not been subject to early intervention by government are unfairly advantaged in that not only have they had the last 15 years to increase their baseline position without penalty, but they are also potentially able to use reductions from a higher base as tradeable offsets. Yet this opportunity has been removed from Queensland landholders. As Figure 1 demonstrates, agriculture has already made a massive contribution towards greenhouse gas reduction and if this is not recognised in being able to trade an offset, then it will be severely disadvantaged under any national emissions trading framework.

Australian agriculture and Queensland producers in particular would be severely disadvantaged as a covered sector if the baseline for a national emissions trading framework was drawn some time between 2007 and 2010 in that not only has the scope for significant reduction in emissions been reduced via land clearing controls, but also because the current drought has significantly reduced production, thus lowering the level from which the baseline is drawn. This is in stark contrast to the resources sector which has significantly increased its emissions profile over this time.

Need to Determine Net Position –

The position of agriculture under a future national emissions trading framework needs to be carefully considered in that it has characteristics that differentiate it from other sectors in the economy in addition to the significant greenhouse gas reductions that it has already undertaken. As agriculture operates within a biological system, it cycles carbon through a complex and interrelated system of emission and sequestration of carbon. Unlike the energy and transport sectors, agriculture (particularly the broad acre industries) operates with significant carbon sinks in soil and vegetation which is cycled as part of their production systems. There is a significant capital cost associated with

these sinks which is not accounted for under the National Carbon Accounting Scheme (NCAS) and cover the majority of the Australian landmass. The NCAS methodology not only fails to account for the sequestration which occurs as part of the agricultural production cycle, but is only a partial accounting system in relation to emissions, particularly in relation to the energy sector as it fails to account for final offshore emissions from coal.

A further deficiency in the current accounting mythology is that it has little application to Australian agricultural systems, particularly those in Queensland and the interaction with native vegetation and rangelands and cropping systems.

Offsets –

As outlined above, agriculture currently provides significant carbon sinks which are not adequately accounted for and has the greatest short term potential to provide carbon sequestration of any sector. However, failure to account for these existing sinks which exist in native vegetation and rangelands could result in perverse environmental outcomes. This has been demonstrated under the current Kyoto Protocol which does not recognise existing sinks – such as in old growth forests and remnant vegetation. As the carbon currently sequester essentially has no value placed on it, we continue to see no incentive for its retention. It is therefore essential that any national framework also recognises the current carbon store and applies some value to this which is also consistent with the push from many developing countries such as Brazil and Indonesia. Australian landholders could be severely disadvantaged if producers in other countries are provided with incentives to retain native vegetation, but Australian producers are subject to legislative controls with no recognition of value. This scenario was already demonstrated by the previous Federal Government which provided over \$200m to Indonesian landholders to retain forests, yet which supported subjecting Queensland landholders to legislative controls.

Precious little work has been undertaken by Federal agencies to understand the long-term sequestration offsets played by our native vegetation and rangelands or the shorter term sequestration opportunities provided by our cropping systems over a range of soil types. Instead most activity has been concentrated on offset pathways provided by plantations, which have only limited application across much of Queensland and the rest of the country.

Research & Development –

Australian agriculture is made up of over 100,000 mostly small family businesses, operating across a range of diverse biological systems and also provides significant carbon sinks. The imposition of a direct emissions tax on agriculture would bring with it significant administrative costs due to the large number of small and diverse businesses and because no accurate accounting methodology currently exists that could track the net emissions for the large number of geographic and biologically diverse production systems which make up Australian agriculture. Instead a coordinated and focused R & D approach has a much greater potential to reduce agricultural greenhouse gas emissions

in the near future then the introduction of an emissions tax. AgForce contends that agriculture should not be included as a covered sector by an emissions tax.

For example any emissions tax on livestock is likely to simply result in raising revenue and have no impact on methane emissions as the only way to currently reduce methane emissions for Australian producers would be to stop production. This is obviously not a viable option for most producers or in the national interest given that they will already be bearing the brunt of the impact of climate change which is primarily being driven by other sectors. Research and development therefore provides the best opportunity to achieve sustainable reductions in agricultural emissions while at the same time providing agriculture with the tools necessary to adapt to climate change. This will be an extremely important issue as agriculture is the sector most exposed to climate change and has obvious ramifications as global food prices are predicted to come under pressure as a result.

AgForce supports a coordinated approach through research and development to reduce emissions in areas such as methane as part of an existing carbon cycle. Reductions in methane emissions through R & D would not only have benefits for greenhouse gas emissions, but could also lead to significant productivity gains and environmental benefits as feed conversion efficiencies would increase and grazing pressure decreases. However the current research activities in this area are fragmented and need to be given greater focus through government agencies and industry bodies.

While government policy has actively encouraged research in reducing emissions in other sectors, it has directly and indirectly obstructed this approach in agriculture, particularly in relation to the use of GMO's. GMO's represent a significant opportunity for not only reducing emissions in agriculture, but also in climate change adaptation. The lack of a coordinated national approach to GMO's (largely as a result of State based moratoriums) mean that progress in research in this area has been limited. The same applies to R & D in general in this area as we see a fragmented approach between the Federal Government, State Departments and Industry R & D organisations in many cases conducting work in isolation with little or no coordinated direction or efficiencies of scale. If real progress is to be made, the Federal Government has a major role to play in bringing the resources together to achieve focus and investing new resources as necessary to accelerate outcomes. This approach should also be conducted in conjunction with other countries that have commonality in this area.

Inputs –

Agriculture, due to its geographic spread across the country, will undoubtedly be exposed under a national emissions trading framework via increased energy costs. This applies not only to agriculture as an industry but also their communities. Agriculture and the communities which depend on them, will face a disproportionately higher price in this area as a result of their transport requirements for the production and transport of their commodities, but also in relation to inputs into their communities and distance from major centres. This is an important socio – economic factor which needs to be taken into consideration when determining if agriculture is to be a covered sector via the introduction of an emissions tax.

Conclusion

Agriculture must play a central role in any climate change response and it has already made the most significant reductions of any sector so far. Agriculture can play a major role in the provision of emissions offsets and is the only likely source of significant offsets in the short to medium term. However, AgForce does not support the continued use of agriculture as a low cost source of offsets through regulatory processes – such as those which have already been implemented in Queensland. It is inequitable to have one sector subject to such controls while other sectors are able to utilise voluntary or market based mechanisms.

However AgForce does support the provision of agriculture in any national emissions trading framework through the provision of offsets, it does not support the inclusion of agriculture as a covered sector via an emissions tax. As illustrated above, agriculture operates within a range of diverse carbon cycles and is already highly exposed as a result of the emissions of other sectors and their inability to make reductions over the last 15 years. Agriculture will also face the greatest challenges to the impacts of climate changes of any sector and progress towards adaptation and emissions reductions are best achieved in the agricultural sector through a greater national and international focus on research and development. This is the only avenue which can maintain and increase production in the face of climate change on national and global food production, while at the same time making substantive progress towards reduction emissions.

AgForce appreciates the opportunity to provide this submission and looks forward to continued engagement with the Federal Government on this vital issue.