

ACIL Tasman - Independent Study into Agriculture and GHG mitigation policy: options in addition to the CPRS

Key propositions

Greenhouse gas policy for agriculture should add to the net value of the Australian Government's overall climate response strategy and support international engagement while efficiently managing costs and risks.

Policy should emphasise a credible contribution to global abatement rather than just compliance with currently restrictive accounting rules that may, and should, change.

For agriculture, the science is uncertain, institutional arrangements are biased in ways that limit access to abatement options in agriculture, and there is uncertainty about future arrangements. Precise measurements or estimates of GHG emissions and sequestration from individual activities are either missing or prohibitively expensive.

What ultimately matters from Australia's perspective is the level of abatement and sequestration delivered in aggregate and the associated cost – not emissions from individual farms. This should be inclusive of any leverage of additional international abatement or sequestration.

A sound policy framework needs to be flexible, adaptable and capable of investing in better and earlier information and of anticipating the value of new information. It also needs to pre-emptively signal clear policy intentions and assignment of risk.

The policy purpose strongly favours delivering improved behaviour change incentives on-farm rather than focusing just on charging the sector for its emissions.

Agriculture offers substantial opportunities to lower the costs of meeting Australia's GHG policy and international engagement objectives. This potential would largely be unrealised using a CPRS mechanism with downstream points of obligation based only on output.

The opportunities offered by agriculture need an approach that encourages input as well as output changes. Without these, abatement by agriculture will be based heavily on reduced production – especially livestock – in ways that are likely to be unnecessarily high cost to the economy.

Particular policy and program approaches to be considered include:

- Reviewing the impact on agricultural emissions of existing policy settings, i.e., drought, water, biodiversity and salinity;
- Maintaining a strong position on separating anthropogenic from non-anthropogenic elements of Article 3.4;

- Considering a 2-part national target consisting of a lower bound on compliant abatement and an additional lower bound on total abatement, inclusive of anthropogenic soil carbon effects;
- Reassessing current emphasis on individually verifiable abatement effects vs. verifiable aggregate abatement. Consider the role of (statistical) portfolio risk management.
- Developing trading mechanisms (eg. CCX-like voluntary exchange) which incorporate systems for establishing farm-level baselines. This could, in time, merge with an evolving CPRS;
- Considering upstream inclusion of selected inputs – possibly including nitrogenous fertilisers, studs and plant breeding;
- Considering using a range of complementary regulatory and transitional assistance measures, recognising the export exposure of the sector; and
- Undertaking strategic investments to extract maximum value from R&D processes.

These approaches also appear to have significant potential to support analogous efforts in a range of other countries.