growcom

together we grow

Submission to

The Senate Finance and Public Administration Committee Inquiry into Native Vegetation Laws, Greenhouse Gas Abatement and Climate Change Measures

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About Growcom

Growcom is the peak representative body for the fruit and vegetable growing industry in Queensland, providing a range of advocacy, research and industry development services. We are the only organisation in Australia to deliver services across the entire horticulture industry to businesses and organisations of all commodities, sizes and regions, as well as to associated industries in the supply chain. We are constantly in contact with growers and other horticultural business operators. As a result, we are well aware of the outlook, expectations and practical needs of our industry.

The organisation was established in 1923 as a statutory body to represent and provide services to the fruit and vegetable growing industry. As a voluntary organisation since 2003, Growcom now has grower members throughout the state and works alongside other industry organisations, local producer associations and corporate members. To provide services and networks to growers, Growcom has about thirty-five staff located in Brisbane, Bundaberg, Ayr, Townsville, Toowoomba and Tully. We are a member of a number of state and national industry organisations and use these networks to promote our members' interests and to work on issues of common interest.

The Senate Finance and Public Administration Committee Inquiry into Native Vegetation Laws, Greenhouse Gas Abatement and Climate Change Measures

Terms of reference I:

> The impact of native vegetation laws and legislated greenhouse gas abatement measures on landholders, including:
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> (a) any diminution of land asset value and productivity as a result of such laws;
> (b) compensation arrangements to landholders resulting from the imposition of such laws;
> (c) the appropriateness of the method of calculation of asset value in the determination of compensation arrangements; and
> (d) any other related matter.

The issues

Access to the natural resources of soil, water and air are critical for a viable fruit and vegetable industry. Natural resource management is an important issue for growers, with much of Queensland's fruit and vegetable industry located close to sensitive environments such as the Great Barrier Reef, Ramsar wetlands and the Murray-Darling basin.

The community, industry and government recognise the importance of maintaining a healthy environment. Across Australia there is a high level of concern about major environmental issues such as salinity, water quality and the loss of natural ecosystems.

Major issues such as climate change and resource security are the subjects of hot debate.

Fruit and vegetable growers in Queensland aim to be responsible custodians of natural resources. However, highly complex regulatory, policy and planning systems make natural resource management a major challenge for growers. The native vegetation laws in Queensland, and the proposed climate-change legislation are but two current examples.

Growcom – natural resource management (NRM) policy framework

Growcom supports the sustainable development of the horticulture industry in Queensland. This requires horticultural enterprises to be profitable, socially viable and environmentally responsible. Growcom and its members aim to work in partnership with government, research organisations, regional natural resource and catchment management bodies, the community and other stakeholders to address natural resource management issues.

Growcom believes an overarching framework is needed to encourage and coordinate sustainable natural resource management at local, regional, state and national levels.

We also believe that Government's continued commitment to natural resource management is essential for maintaining the role of protecting and enhancing Australia's unique biodiversity, the future productive capacity of agricultural industries and viability of rural and regional communities. Growcom is fully supportive of enhancing direct industry engagement in natural resource management programmes through industry organisations to improve outcomes.

Through a cooperative and holistic approach, we aim to deliver workable and balanced outcomes for the industry that also benefit the broader community.

Growcom is committed to maintaining and establishing partnerships with Government and other stakeholders to support the sustainable development of the horticulture industry. The industry has a long history in natural resource management and has made a commitment to the *Farmcare Code of Practice for Sustainable Fruit and Vegetable*

Production in Queensland[1], which outlines good environmental management practices such as:

- Efficient and careful use of natural resources, particularly water, soils and vegetation.
- Minimising environmental impacts caused by horticultural land use, particularly run-off of sediments, fertilisers and pesticides into waterways.
- Minimising waste and pollution from horticultural land use.
- Careful use of pesticides.
- Minimising impacts on biodiversity. Growcom maintains an environment program designed to assist its members to continually improve their environmental performance and achieve ecological sustainability. We believe a 'triple bottom line' approach would be an appropriate measure of the industry's performance.

Growcom is also committed to developing and subsequently implementing our Farm Management System (FMS) program within horticulture enterprises throughout the state. The FMS is in modular format with each module focusing on the potential risk areas and opportunities for improvement. Each module will generate an action plan with target dates for the grower to work towards in order to minimise their risks.

Growcom – native vegetation laws and climate change legislation

When drafting and implementing legislation, Growcom seeks recognition and commitment from government and the community that the industry requires support to achieve its goals in natural resource management. In particular, the industry requires:

- *The opportunity to apply voluntary, workable, industry-led initiatives wherever possible to address natural resource management issues.*

- *Planning and management of natural resources to be based on sound science.*

- *If necessary, negotiated transition phases of an appropriate, planned, and agreed timeframe that allow industry members time to adapt or restructure to legislative or policy changes, implement changes to practices or develop solutions to issues.*

- *Financial and other support for industry based programs such as stewardship and ecosystem services, when the public benefits of natural resource management outweigh private benefits, and when the community's expectations of natural resource management or biodiversity conservation restrict growers' farm management beyond current recommended practices.*

[1] The Farmcare Code has been endorsed by the Queensland Government as an approved Code of Practice under Section 219 of the *Environmental Protection Act 1994*. It constitutes an industry standard giving guidance to growers in meeting their 'General Environmental Duty' under the Act. This Code was originally developed in 1998 and was reviewed and updated in 2007 by Growcom.

- *A range of financial and market-based incentives be explored and used as much as possible to encourage the adoption of improved natural resource management practices.*

- *Institutional, economic and other barriers to the adoption of sustainable management practices be identified and addressed.*

Growcom supports the provision of financial compensation to landholders whose properties become subject to any newly introduced laws that prohibit them from clearing vegetation, including regrowth, on areas that were able to be cleared and used for growing crops previously. As removing areas from production reduces the value of that property to any future buyer, we see it as a matter of equity that landowners be compensated for any such government policy.

Queensland Vegetation Management Acts

Under the following Queensland *Vegetation Management Act 1999*, *Sustainable Planning Act 2009* and the *Sustainable Planning Regulation 2009*, vegetation in Queensland has been mapped from the air and the resulting maps used to demonstrate where native vegetation currently exists.

In many cases, orchards and crops are being identified as natural vegetation in these maps. The State Government has placed the onus on the landholder to inspect the aerial map of their property and apply to have any incorrectly labelled orchards or crops corrected on the map.

If the landholder fails to do this and later removes his orchard or crop, it is then up to the landholder to prove they didn't knock down native vegetation as the map suggests. Growcom has serious concerns about the denial of natural justice in this process, which amounts effectively to guilty until proven innocent.

Terms of reference II:

> In conducting this inquiry, the committee must also examine the impact of the Government's proposed Carbon Pollution Reduction Scheme and the range of measures related to climate change announced by the Leader of the Opposition.

Growcom and climate change legislation

The Government's *Carbon Pollution Reduction Scheme (CPRS)*:

Growcom has been monitoring and evaluating the CPRS legislation throughout its long development phase. Initially, there was huge opposition to the CPRS from agricultural industries driven by the uncertainty over how agriculture would be treated and the estimated cost impacts. Growcom and other peak industry bodies in the agriculture sector campaigned for major changes to the *CPRS* legislation (for example, Growcom's submissions on the Green Paper and to the *House of Representatives Standing*

Committee on Primary Industries and Resources' Inquiry into Australian farmers and climate change).

Subsequent modifications have improved the outlook for the agriculture sector. For example, the suite of changes in November 2009 includes a decision to exclude agriculture from the scheme while including provisions for agricultural offsets. While these changes are undoubtedly an improvement over earlier iterations of the scheme, there are still concerns over the impacts the scheme will have on small horticulture businesses. Farm businesses will still face increased input costs (electricity, fuel and fertiliser) as a result of the scheme, but there could be opportunities to recoup these costs in a regulated carbon offset market. Economic modelling on the costs and benefits for horticulture incorporating the latest policy changes is required to assess the economic impacts with any sort of precision.

Emissions trading is actually quite a simple concept, but the Government's "enhanced" model incorporates many additional complexities in response to political pressure applied by affected industries. With each new version, the *CPRS* has become simultaneously more complex and less effective (from an emissions reduction perspective). For example, the *Emissions-Intensive Trade-Exposed* (EITE) assistance package has been modified to provide even more protection for polluting industries that may suffer in international competition, and the compensation for affected households has also been increased. Complementary legislation, such as the *Renewable Energy Target*, bring additional complications.

One area of climate policy for agriculture that remains unclear is the possible development of alternatives to the *CPRS*. Growcom has been engaged with the *Technical Options Development Group* to explore alternative climate policies that may apply to agriculture in the event that it was excluded from the *CPRS*. The latest policy changes announced in November 2009 do not refer to the Technical Options Development Group (TODG), but instead point to a review by the Productivity Commission in 2015. The options the Government and Productivity Commission may consider for agriculture to "contribute to the transition to a low-pollution economy" remain unknown, and this longer-term uncertainty over climate policy and the economic implications is a concern for the industry.

The Coalition's *Emissions Reduction Fund*:

The Coalition announced their alternative climate change policy based on the concept of *Direct Action* in February 2010. The centrepiece of this policy is the *Emissions Reduction Fund* that will provide financial rewards to businesses that reduce their emissions intensity below business-as-usual or baseline levels. However, the Coalition's plan lacks clearly defined regulations, and it is impossible to tell exactly how it will work, what it will cost and who will pay. For example, the rules governing the calculation of baseline levels are unclear. The policy states that there will be penalties for increasing greenhouse emissions intensity but doesn't mention how big these penalties will be nor how they will be applied. In comparison to the *CPRS* which establishes a regulated market to decide who pays how much for greenhouse pollution, under this policy the Coalition will simply decide who gets how much money.

The Coalition's policy puts the spotlight on the role agriculture could play to sequester carbon, especially in soils, and provides incentives for farmers to increase soil carbon levels. In fact, the Coalition expects soil carbon to contribute most of the emissions reductions. This recognition of the potential role of agriculture is welcome, but there are limitations that may reduce the effectiveness of this scheme. Because carbon sequestration in soils is not recognised in the international accounting rules (at least not yet), soil sequestration cannot be counted towards our national emissions reductions under global climate change agreements. This is also a short-term solution – there are limits to how much carbon you can sequester in soils. While it is possible, even probable, that the international rules will be adjusted to include soil carbon sequestration at some point in the future, the Coalition is taking a considerable gamble on this rule change. And of course, unless other aspects of the rules also change (e.g. those involving natural disasters, inter-annual variation and harvested wood products) including carbon in soils and forestry may include a risk of significant future liabilities following fire or drought.

In terms of the broader economic impacts of this policy, the Coalition admits that they are yet to find money in the budget to fully fund the program. Frontier Economics have conceded that it is a short-term solution and that a more robust option such as emissions trading will be required in the longer term. With the proposed incentive of $8-10 per tonne of sequestered carbon, the plan may not be cost-effective for farmers (that is, it may cost farmers more to boost soil carbon levels than they are paid in incentives). Some proponents of soil carbon sequestration have suggested that $25-$30 per tonne is a more realistic level reflecting the true cost to farmers. Sequestration via the use of *biochar* will cost many times this amount.

We also have concerns about the impacts this policy will have on the international trade competitiveness of our industries. It is not clear whether our international trading partners will accept the *Direct Action* approach as an effective policy for emissions reductions (as opposed to an ETS or carbon tax that imposes a cost on emissions). Many of our trading partners have flagged the possibility of border emissions tax adjustments for products originating from countries without a cost of greenhouse emissions. If these border adjustments are adopted, our export industries would face additional costs under *Direct Action* than they would under the *CPRS*.

Similarities and differences:

Both the Government's and Opposition's schemes aim for a reduction of emissions of 5% (relative to 1990 levels) by 2020. However, only the *CPRS* has an effective mechanism to actually set this target (by setting the cap) and guarantee that it can be met (because of penalties). Both policies allow for the use of agricultural offsets in trees or soil carbon, although the mechanisms and financial return vary. Both include plans to boost the use of renewable energy, although by different means. Neither policy promotes the use of nuclear energy, but this should be part of the debate about Australia's long-term energy security.

The *CPRS* is a genuine market-based scheme (although the concessions and transitional measures dampen the market effect) while the Opposition's is based on handouts. The *CPRS* is based on a polluter-pays principle (but because the polluters will pass the costs on, it's the consumers of energy-intensive products that will pay the most) while the Opposition's plan is based on a taxpayer-pays principle (everyone pays either through increased tax or reduced services).

From the perspective of effectively reducing greenhouse emissions, we believe that both options from the major parties are fairly ordinary because of the low reduction target. We believe that the *CPRS* is most likely to actually achieve that target because it has a clearly defined mechanism to do so.

For the small horticultural businesses we represent, the Coalition's plan may be more appealing because there's no up-front increase in input costs and apparently easier access to incentives. The downsides are that someone will have to pay for the incentives and the rewards for agricultural offsets, while probably easier to get, will most likely be lower than under the *CPRS*. From an industry perspective, it is impossible to pick the best policy at this point. The *CPRS* has seen extensive development and the regulations are clearly defined, but the complicated nature of the scheme and related legislation makes it difficult to analyse the economic impacts on horticulture with any sort of precision. While the Coalition's scheme appears "simpler and cheaper", it achieves this appearance through omission of details and implications. We believe that the Coalition may have underestimated the complexity of the international agreements and the implications for domestic policy options. As a result, we have doubts that the Coalition's scheme can deliver the emissions reductions at less cost.

Further information on the finer details and supporting regulations for *Direct Action* is required before we can make a meaningful comparison between the two alternatives for the horticulture industry.