



INQUIRY INTO CARBON POLLUTION REDUCTION SCHEME BILL 2009

SUBMISSION

To

Senate Standing Committee on Economics

Prepared by:-

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Summary

The Western Australian Farmers Federation (Inc) (WAFarmers) is the State's largest and most influential rural lobby and service organisation.

WAFarmers welcomes the opportunity to comment on the Inquiry into Carbon Pollution Reduction Scheme Bill 2009.

WAFarmers' climate change policy is:

- That WAFarmers recognises the reality of climate change.
- WAFarmers acknowledges the Federal government's "Carbon Pollution Reduction Scheme" and the proposed earliest date for agriculture's entry into the scheme of 2015.
- In the interim period, WAFarmers seeks to be involved at the highest levels of consultation to identify practical methods for entry including revisiting relevant Kyoto rules to recognise the Australian agricultural environment.
- WAFarmers will lobby Federal and State governments to increase research funding into agriculture's role in greenhouse gas mitigation and abatement.

In this submission, WAFarmers:

- Supports emissions trading as an effective method in reducing total greenhouse emissions however does not support the proposed Carbon Pollution Reduction Scheme its current form, as we believe the agricultural industry will incur significant direct and indirect costs without having the capacity to play a role in carbon mitigation.
- Seeks the Australian government to lobby for alterations to the Kyoto Protocol to deliver a framework to Australian agriculture that enables farmers to participate in reducing the total greenhouse emissions whilst remaining sustainable and profitable.
- Calls for funding support for the recommendations of the Standing Committee on Rural and Regional Affairs and Transport's Final Report on Climate Change.

Background

The Western Australian Farmers Federation (Inc) (WAFarmers) is the State's largest and most influential rural lobby and service organisation.

WAFarmers represents approximately 4,000 Western Australian farmers from a range of primary industries including grain growers, meat and wool producers, horticulturalists, dairy farmers, commercial egg producers and beekeepers.

Collectively our members are major contributors to the \$5.5 billion gross value of production that agriculture in its various forms contributes annually to Western Australia's economy.

Additionally, through differing forms of land tenure, our members own, control and capably manage many millions of hectares of the State's land mass and as such are responsible for maintaining the productive capacity and environmental well being of that land.

Introduction

WAFarmers welcomes the opportunity to comment on the Inquiry into Carbon Pollution Reduction Scheme Bill 2009.

WAFarmers' climate change policy is:

- That WAFarmers recognises the reality of climate change.
- WAFarmers acknowledges the Federal government's 'Carbon Pollution Reduction Scheme' and the proposed earliest date for agriculture's entry into the scheme of 2015.
- In the interim period, WAFarmers seeks to be involved at the highest levels of consultation to identify practical methods for entry including revisiting relevant Kyoto rules to recognise the Australian agricultural environment.
- WAFarmers will lobby Federal and State governments to increase research funding into agriculture's role in greenhouse gas mitigation and abatement.

WAFarmers has previously completed a submission into the Inquiry into the exposure drafts of the legislation to implement the Carbon Pollution Reduction Scheme (March 2009). The final report of that inquiry was released in April 2009, and contained five recommendations, being:

R1. The Committee recommends that the bills should be passed without delay.

R2. The Committee recommends that the Government coordinates and advances a whole of government approach to jobs and skills in emerging low pollution industries.

The Committee further recommends that a process be developed which ensures effective implementation of all Government programs and policies which support green jobs and skill development throughout all sectors of the economy.

The Government should also develop Australia's current and future skills base to ensure it has sufficient skills to take advantage of emerging employment opportunities driven through the CPRS and other complementary climate change policies.

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- R3. *The Committee recommends that the government develop policies complementary to the CPRS to encourage voluntary action.*
- R4. *The Committee recommends that the wording of section 14(5) of the CPRS Bill 2009 be amended so that in making recommendations on emissions caps the Minister "shall have regard" rather than "may have regard" to "voluntary action".*
- R5. *The Committee recommends that the Government continues to seek ways to assist the commercial scale development of renewable energy sources and sequestration technology as a priority.*

WAFarmers notes R5 relating to the commercial development of sequestration technology. Unfortunately, this focuses on the Renewable Energy Demonstration Program, and much like the broader Carbon Pollution Reduction Scheme (CPRS) debate, has chosen to overlook the opportunities which exist in agriculture.

There was clearly a range of opinion, and subsequent support for the report's recommendations from within the committee. In their dissenting report, the coalition senators reference the impact of the proposed CPRS on agriculture, noting that there has been 'insufficient policy debate on the impact the CPRS will have upon agriculture and the regional economy.' Further, they found that 'when viewing the impact of the CPRS in terms of a cost/benefit analysis for the agricultural industry it becomes clearly apparent that for the billions of dollars lost in production and export we gain little in the global reduction of carbon pollution. The Coalition is of the opinion that the introduction of the CPRS is detrimental to competitiveness in agricultural trade, the sustainability of farming and food security. From an agricultural perspective and the perspective of those rural and regional areas based on the agricultural economies the risk is too great for the small reward.'

Submission

WAFarmers position on the CPRS remains one of agriculture having the potential to be a greater contributor to climate change solutions than it is a contributor to its causes. WAFarmers is broadly supportive of an emissions trading scheme as an effective method in reducing the total level of carbon emissions however does not support the proposed scheme in its current form, as the Australian agricultural industry will incur significant direct and indirect cost without the capacity to play a role in carbon mitigation.

WAFarmers is disappointed that the final report of the Inquiry into the exposure drafts of the CPRS did not emphasise the penalty to Australian agricultural businesses that will be imposed by the CPRS, despite taking evidence on this. As far back as the Garnaut Climate Change Review – Final Report (the Garnaut Report) it was recognised that *'from the commencement of an emissions trading scheme, costs of agricultural inputs—electricity, liquid fuel and fertiliser—will rise'*. As such more than half of agriculture's obligations will be included upon introduction in 2011. Further to these direct costs, WAFarmers discussions with supply chain participants have revealed their intention to push their increased CPRS costs back onto the producer, rather than to see an increase in the price to at the retail level. Downstream producers have this luxury, agricultural businesses however do not. WAFarmers notes the levels of support provided in the CPRS to both identified large greenhouse gas contributors, and to consumers. What we fail to see is the equivalent levels of support to agriculture.

WAFarmers is seeking an environment where food and fibre producers are able to participate in reducing total greenhouse contributions whilst remaining sustainable and profitable. Food production is under pressure at present, with the need to increase production to meet increasing global demand from a reducing area of arable land. The CPRS White Paper sets out an effective framework, with the key variable being in the level of emissions. It is the political will which can then identify the greenhouse gas emission targets and to set in place strategies which determine our success in achieving them. In this, WAFarmers requests consideration of the need to ensure the strategies do not have an adverse effect on Australian farmers, who are amongst the most efficient in the world (agriculture has achieved annual productivity growth approaching 2% over the last three decades under already highly variable conditions) and have to compete with are able to content with very high relative costs of production.

WAFarmers has previously commented that the development of guidelines for the inclusion of agriculture under the CPRS should include consideration of full carbon cycle i.e. the emission and sequestration across all agricultural sectors. WAFarmers believes it is essential that a CPRS outcome for agriculture is a balanced equation. Agriculture should not be penalised for its emissions until such time as offsets are established which enable farmers to balance the cost of their emissions with income derived from on-farm carbon sequestration activities.

The Garnaut Report notes that *‘there is significant global potential for emissions removal (or carbon sequestration) through revegetation of previously cleared land and increasing the stock of carbon in forests, wooded land and soils’*. Agriculture manages an estimated 60% of the Australian landmass, and WAFarmers believes that it is reasonable, in seeking a contribution from the sector, to utilize this large land area. The most likely area of large scale agricultural contribution to a reduction in greenhouse gasses is through the involvement of Australian farmers in carbon sequestration.

This process will however need a change to current policy and to the Kyoto Protocol. The Garnaut Report noted *‘inclusion of forestry, agriculture and land management on the earliest possible timetable is also desirable. The treatment of these sectors is of large consequence for the Australian and global mitigation efforts. There is considerable potential for sequestering carbon through change in land and forest management and agricultural practices. However, their full inclusion in an emissions trading scheme will require issues to be resolved regarding: (1) measurement or estimation and monitoring of greenhouse gas emissions and removals, and (2) consideration of changes to current emissions accounting provisions for these sectors under the Kyoto Protocol.’* Without this opportunity, WAFarmers believes Australia’s agricultural regions will suffer through the introduction of the CPRS.

It should be noted that farmers and rural communities continue to pay an unfair price in ensuring that Australia is on target to meet its Kyoto Protocol target. The Garnaut Report notes that *‘Australia’s energy sector emissions grew rapidly between 1990 and 2005. Total emissions growth was moderated, and kept more or less within our Kyoto Protocol target, by a one-off reduction in land clearing.’* The blanket ban on land clearing occurred without any recognition of the financial impost these bans have had on farming operations and occurred at a time when total emissions from the agricultural sector remained constant, in contrast to other industries. The nation wide clearing bans have already restricted agricultural productivity as farmers have been expected to meet the ‘public good expectation.’

WAFarmers would not like the burden of the CPRS to add to this cost.

WAFarmers notes the final report of the exposure drafts of the CPRS focuses on the development of ‘green jobs’. Whilst a well intentioned initiative we remind the committee of the significant

contribution which agriculture makes to the Australian economy, and of the need to invest in ensuring this remains. In this submission we again raise the Standing Committee on Rural and Regional Affairs and Transport, who in their Final Report on Climate Change and the Australian Agricultural Sector (December 2008) made three recommendations, being;

- The Government should significantly increase the research effort in relation to the potential of soil carbon as a climate mitigation measure, as a means of reducing the capital input costs to agriculture as a means of increasing resilience in agricultural systems.
- The committee recommends that the Government should provide for a full carbon accounting framework in relation to agricultural and forestry sectors in a domestic emissions trading scheme.
- DAFF should prioritise strategic planning for climate change mitigation and adaptation in agriculture and rural communities and play a greater leadership role than is currently the case.

WAFarmers supports these recommendations and believes that they are the basis for future government involvement in agriculture's response to climate change. If agriculture is to be included in the CPRS then clarification is needed on a number of areas of uncertainty. This commences with a valid and agreed process for estimating and measuring emissions, supported by the development of practical and cost-effective management practices and technologies that will reduce agricultural emissions.

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