

New Zealand

New Zealand Proposes World-First Agriculture Emissions Pricing Levy

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On 11 October 2022, the government released its [pricing agricultural emissions consultation document](#), announcing world-first proposals to impose a farm-level split-gas pricing system on farmers' agricultural emissions. Agriculture contributes over half of New Zealand's total emissions, including most of its nitrous oxide and methane emissions.

The government proposes that:

- responsibility for reporting and paying for emissions annually will fall upon farmers and growers that are GST-registered and meet certain livestock and fertilizer-use thresholds;
- to determine their individual emissions levy, farmers and growers are to provide to a centralized calculator their:
 - farm area;
 - livestock numbers;
 - livestock production; and
 - nitrogen fertilizer use;
- separate levy prices will be set for long-lived gases (i.e. carbon dioxide and nitrous oxide) and biogenic methane;
- long-lived gas prices are to be set annually and linked to the New Zealand emissions unit price, which will be discounted and phased down over time;
- the biogenic methane levy will be reviewed annually or every 3 years and adjusted based on progress towards domestic methane targets;
- levy revenue will fund research and development of tools and technology to lower on-farm emissions and sequestration payments; and
- incentive payments will be made to encourage the uptake of approved emissions-reduction technologies.

With respect to emissions from synthetic nitrogen fertilizer, the government is considering two options:

- pricing emissions from the fertilizer at farm level and including them in a farmer or grower's emissions bill; or
- requiring manufacturers and importers of the fertilizer to pay for emissions via the New Zealand Emissions Trading Scheme (NZETS).

If the levy system is not implemented by 1 January 2025, the Climate Change Response Act 2002 requires that agricultural emissions be priced under the NZETS. However, if the 2025 deadline cannot be met, the government contemplates introducing an interim, processor-level levy in 2025, whereby agricultural processors and importers and manufacturers of fertilizers would pay for the emissions based on volumes that they process, import or manufacture. In 2023, the government is expected to determine whether this interim measure will be adopted.

The government believes that pricing agricultural emissions at farm level using a split-level levy with a low methane price could achieve its target of a 10% reduction in biogenic methane emissions by 2030 (cf. 2017).

Farming advocacy groups have been vocal in their opposition to various aspects of the proposals, which will have adverse effects on the economy and rural communities, the sheep and beef sector being the most affected. By 2030, the proposals have been estimated to reduce sheep and beef farming land by 20%, and dairy farming land by 5%.

Submissions on the proposals close on 18 November 2022. The government will then publish a further report by 31 December 2022, introduce an implementation Bill into Parliament in 2023 and develop statutory regulations in 2024.

See also

[New Zealand – Country Analyses – Corporate Taxation sections 12.6., 12.10.](#)