

## **Agriculture and Emission Trading – Summit Communiqué**

A Summit convened by the Australian Farm Institute and held on 21-22 April 2008, involving participants from a wide cross-section of organisations involved in and with the Australian agriculture sector, considered the challenges and opportunities presented to agriculture by a national greenhouse emissions trading scheme. The following recommendations arose from the Summit. Participants urge individuals and organisations involved in Australian agriculture to consider these recommendations, and to work together to ensure Australian agriculture can continue to deliver economic and environmental outcomes that benefit the entire community.

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### **Preamble.**

Participants at the Australian Farm Institute Summit recommend that the Australian agriculture sector should recognise the significant challenges and costs presented by climate change, and be willing to make a major future contribution to help reduce Australia's net greenhouse gas emissions. This will be in addition to the contribution the sector has already made, being the only sector of the economy that has substantially reduced net greenhouse emissions since 1990.

The Summit participants believe Australian agriculture has enormous potential for continued growth which will further expand its role as a major efficient supplier of food and fibre to world and domestic markets, generating wealth and jobs for Australia, and in particular regional Australia. Reconciling the task of reducing agricultural greenhouse emissions while responding to growing world demand for agricultural products will be a major future challenge for government and the agricultural sector in developing the role agriculture will play in the national emissions trading scheme.

### **Agriculture's commitment to involvement in emissions trading.**

The participants recommend that Australian farmers, the agriculture sector and governments should jointly commit to providing the resources and taking the necessary actions that will be required to enable farm businesses to become direct participants in a national emissions trading scheme, at an appropriate time when the impacts and implications of this action are more clearly identified.

These actions and resources should be coordinated through the establishment of a joint industry/government task force, consisting of Australian government representatives at a Ministerial level, and leaders of industry bodies and organisations involved in the entire agribusiness chain, including farm input and service providers, farmers, researchers, processors, marketers, exporters and retailers.

The taskforce should determine the terms and conditions for agriculture's entry into the national emissions trading scheme in collaboration with industry, focusing in particular on the challenges posed by Australian agriculture's trade exposure and international greenhouse accounting rules, and recognising the cost this will impose on the profitability, sustainability and competitiveness of the sector.

### **Transitional arrangements for agriculture.**

As a transitional measure to encourage farm business managers to take early action to mitigate emissions (prior to the agriculture sector fully participating in emissions trading as a covered sector), governments and industry should cooperate in the development of voluntary greenhouse mitigation standards for specific agricultural production systems.

Once accredited, the implementation of these greenhouse standards by farmers should be encouraged by industry organisations, and supported by a range of incentives based on greenhouse gas abatement and other services delivered as a consequence of the adoption of the standard, and the need to limit international emission leakage. These accredited greenhouse mitigation standards should be progressively refined on a no-regrets basis as new information becomes available.

Agricultural greenhouse mitigation standards should incorporate recognition of the widest possible range of actions available to farmers to mitigate greenhouse emissions, including management of pastures, soils, farm inputs, livestock, and plant and animal wastes.

The net emission advantages derived from the adoption of suitable accredited greenhouse mitigation standards should reduce Australia's annual greenhouse emissions inventory, and reduce the costs associated with the nation meeting its emission target under the Kyoto Protocol.

### **Measures to limit international economic and emission leakage.**

A major challenge which arises as a consequence of Australia adopting greenhouse emission reduction policies in advance of all developing-nation agricultural exporters is the potential for these policies to result in economic and emission leakage to developing nation competitors, resulting in no net benefit to global greenhouse emission levels and a likely significant reduction in economic activity in Australia.

To limit international leakage and retain Australian agricultural competitiveness, it is recommended that a range of measures be implemented including;

- Incentives provided to farmers who have implemented an accredited greenhouse mitigation standard. The incentive payments should incorporate the following components;
  - greenhouse gas sequestration or mitigation,
  - an emission leakage adjustment, and
  - other environmental services (such as biodiversity or water quality enhancement).
- Other measures to encourage the adoption of technologies that reduce net farm greenhouse emissions
- Support and funding for the development of systems that will enable consumers and the community to recognise the contribution of Australian agricultural systems to reducing Australia's net greenhouse gas emissions.
- Targeted adjustment assistance measures where appropriate.

### **Science to underpin greenhouse emission accounting rules.**

A critical action is for governments and industry to jointly pursue the adoption, domestically and internationally, of greenhouse emission accounting rules, definitions and monitoring processes that properly reflect the complete lifecycle of greenhouse gases in agricultural systems, particularly methane and nitrous oxide.

This will require a commitment of significant financial resources in order to carry out the necessary scientific analysis to provide accurate estimates of greenhouse emission fluxes through agricultural systems under Australian conditions.

### **Research, development and extension to support mitigation and abatement.**

There will need to be a considerable, long-term commitment by government and industry to research and development activities supporting innovation and the development of technologies that enable farm business managers to mitigate and abate greenhouse emissions. This research and development effort will need to be in addition to existing industry research and development activities. The recently developed Climate Change Research Strategy for Primary Industries (CCRSPI) provides an appropriate research and development framework, and should be supported and urgently implemented.

Research will also be needed to inform farmers and the agriculture sector of the potential economic impacts of different greenhouse mitigation and abatement strategies, and a sustained extension program will be necessary to encourage the uptake of appropriate innovations by farmers.

### **Point of responsibility for recognition of emissions.**

Participants at the conference recommended that responsibility for farm-generated greenhouse emissions should be at the point of their generation, and not upstream with farm input providers, or downstream at the point of processing or sale. Recognition of emissions at the farm level provides farmers with the greatest amount of control and incentive to act. Adoption of this principle will best ensure that greenhouse emissions arising from agriculture are mitigated in a most efficient manner, without unduly limiting farm adaptability. In reaching this conclusion, participants recognised the challenge presented by transaction and administration costs, which will necessitate further research into innovative accreditation, administration and verification systems.

### **Funds arising from the sale of emission permits.**

Summit participants were firmly of the view that any government funds generated by the sale of emission permits or instrument associated with the emissions trading scheme must be transparently quarantined from government consolidated revenue and used only for specific measures associated with greenhouse emissions abatement, and that trade in emission permits or offsets should not be subject to any state government charges or duties.

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