



## **INQUIRY ON CLIMATE POLICY**

### **SUBMISSION**

**To**

**Senate Select Committee on Climate Policy**

**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 organization, representing approximately 4,000 Western Australian farmers.

WAFarmers welcomes the opportunity to provide comment to the Senate Select Committee on Climate Policy.

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.

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## **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 provide comment to the Senate Select Committee on Climate Policy.

WAFarmers climate change policy has been clearly articulated in previous submissions on the broader area of climate change and in media and other public comments on this important issue.

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.

## **Submission**

In our submission to the Carbon Pollution Reduction Scheme (the CPRS) Green Paper '*WAFarmers has long held the position that agriculture has the potential to be a greater contributor to the solutions to climate change than it is a contributor to the causes of climate change.*'

As a component of this, WAFarmers is therefore supportive of an emissions trading scheme as an effective method in reducing the total level of emissions however WAFarmers 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.

Our opposition is based on a combination of the CPRS's cost, level of support and isolation of Australian agriculture.

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## The costs to agriculture in the Carbon Pollution Reduction Scheme

In its current form, Australian agricultural businesses will be penalised by the proposed CPRS, as more than half of agriculture's obligations will be included upon introduction in 2011. The Garnaut Climate Change Review – Final Report (the Garnaut Report) found that *'from the commencement of an emissions trading scheme, costs of agricultural inputs—electricity, liquid fuel and fertiliser—will rise'*.

Early analysis by the State's Department of Agriculture and Food has estimated that a typical broad acre farm in Western Australia is likely to experience a reduction of five to seven per cent in farm profit at a projected carbon price of \$20. The Australian Farm Institute found that the 'imposition of the Carbon Pollution Reduction Scheme in Australia will result in a decline in national agricultural output, a subsequent increase in agricultural output from nations without equivalent greenhouse emission policies, and no net global environmental benefits.'

Further to 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. Whilst it is proposed that 50% of revenue from permit sales is to be allocated as payments to households to offset their CPRS-related costs, WAFarmers sees no direct support to agriculture.

## Carbon Pollution Reduction Scheme and the reduction of greenhouse gasses

The CPRS White Paper identifies *'Australia's net greenhouse gas emissions across all sectors totaled 576.0 million tonnes of carbon dioxide equivalent (Mt CO<sub>2</sub>-e) in 2006' and of this 'the energy sector was the largest source of greenhouse gas emissions comprising 69.6% of emissions followed by agriculture (15.6%) and land use, land use change and forestry sectors (6.9%). The industrial processes (4.9%) and the waste sectors contributed (2.9%).'*

Australia's contribution on a 'per head basis' has been a focus in highlighting the need for action through the CPRS, with the Garnaut report finding that *'Australia's per capita greenhouse gas emissions are the highest of any OECD country and are among the highest in the world. In 2006 our per capita emissions (including emissions from land use, land-use change and forestry) were 28.1 tonnes carbon dioxide equivalent (CO<sub>2</sub>-e) per person.'*

## Agriculture as a trade exposed industry

Australian agriculture is a trade exposed industry. The Department of Climate Change notes that agriculture's farm gate value is about 3% of GDP. In contrast, agriculture has contributed 35% of Australia's merchandise exports over the past 5 years (average \$30.8 billion/annum). Western Australia has a greater level of exposure, exporting 80% of its agricultural production.

## Required action

Australia's politicians are facing a decision on the future of agriculture in this country.

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. The Garnaut Report commented *'in making their choices, Australians will have to decide whether and how much they value many aspects of the natural order and its social*

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*manifestations that have been part of their idea of their country. In the discussion of the costs of climate change, much is made of damage to natural wonders—to the Great Barrier and Ningaloo reefs, the wetlands of Kakadu, the karri forests of the south-west. We know that we value them highly, and now we will need to think about whether we are prepared to pay for their preservation. As a changed future approaches, Australians will find themselves thinking about how much they care about other dimensions of our national life that have always been taken for granted. As we will see, with unmitigated climate change, the risks are high that there will be change beyond recognition in the heartlands of old, rural Australia, in Victoria, Western Australia, South Australia, and in the Murray-Darling Basin, which features prominently in our analysis of the possible impacts of climate change. The loss of these heartlands of old Australian identity would be mourned.'*

WAFarmers is not lamenting the loss of 'old Australia' but rather is seeking an environment when its food and fibre producers are able to participate in reducing our 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 land. An indication of the size of the challenge can be taken from recent comments by Western Australian Minister for Agriculture and Food, Terry Redman. In launching his Priority Plan for Agriculture and Food in Western Australia on March 19<sup>th</sup> 2009, the Minister noted that global food production will need to double by the mid-21st century, just to keep pace with expected increases in population.

Whilst an increase in global food demand has been predicted, there is significant uncertainty in the global response to climate change. The largest contributing countries are behind Australia's level of planning and in some cases have indicated that their production-based contributions should be at least part met by their trading partners. A global agreement seems to be some way off. In looking to make a lead contribution to remedying the effects of greenhouse output, Australia's response should consider this and provide a model which can be adapted on a global basis. WAFarmers believes that, whilst not in the current CPRS, consideration should be given to the incorporation of a carbon accounting process which puts a carbon cost on our imports but does not consider the issue on our exports, although we recognise that there will be significant long-term difficulties to overcome in having this adopted at a global level, and we note recent comments from China and the United States in this area.

In looking for a more immediate response, 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.

Agriculture however presents a particular problem in framing a response through the CPRS, with the CPRS White Paper noting that *'the agricultural sector is characterised by thousands of small emitters and the calculation of emissions is complex, so it would not be practical at this stage to cover those emissions directly.'* In looking to work as part of a global solution however, the Australian government needs to review its CPRS position on agriculture.

In previous submissions, WAFarmers has 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 composition of agriculture’s greenhouse outputs has been estimated as being composed of 60% of enteric fermentation and 19% from loss through the soil. The Garnaut Report notes that Australia’s production of meat far exceeds that of its fellow OECD countries, and the global average (Table 1). This level of production appears unlikely to change in the near-medium term and whilst there is research in plan to reduce methane production from ruminant animals, WAFarmers believes that 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.

<b>Production (average kg/person/year)</b>	<b>Beef</b>	<b>Sheep meat</b>
Australia	>100	29
OECD Countries	22	2
All countries	>9	1

Table 1: A comparison of meat production (adapted from Garnaut)

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 that the Standing Committee on Rural and Regional Affairs and Transport, in its Final Report on Climate Change and the Australian Agricultural Sector (December 2008) made three recommendations, being;

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- 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. These however will require significant research for agricultural emissions and for the inclusion of other reduction opportunities, most notably with the incorporation of soil carbon.

WAFarmers recognises that to be included in a CPRS soil mitigation processes will require the full support of Government to lobby for the alteration of the Kyoto agreement. A range of research is essential in aiding this justification for this change, including soil management practices to develop a better understanding of carbon sequestration, the impacts of management practices on soil carbon, the role Australian soils could play in sequestering carbon dioxide from the atmosphere and analysis of the carbon life cycle in this environment. Investment in this research will be greatly enhanced by an early announcement of the Government's support for a change to the Kyoto rules.

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