



## **National Farmers' Federation**

### **Submission to National Energy Guarantee Draft Detailed Design for Consultation Commonwealth Elements**

6 July 2018

# NFF Member Organisations



Australian Chicken Growers' Council Ltd



CANEGROWERS





The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

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## **Introduction**

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The National Farmers' Federation (NFF) welcomes the opportunity to make a submission to the *National Energy Guarantee Draft Detailed Design for Commonwealth Elements*. Access to affordable and reliability electricity is paramount to maintaining the international competitiveness of Australian agriculture.

The NFF is the peak national body representing farmers and, more broadly, agriculture across Australia. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. Agriculture is a source of strength in the Australian economy, providing stable employment and income to rural communities. To achieve continued growth, the sector needs regulatory and public policy settings that foster growth and productivity; innovation and ambition.

The NFF supports the National Energy Guarantee (NEG) as the most achievable mechanism to resolve the affordability and reliability issues currently being experienced from the electricity market. The NFF also supports the NEG as the best mechanism to achieve certainty and acknowledges it will continue to facilitate investment in lower emissions technologies. This has been a comprehensive consultation process and NFF looks forward to reaching final resolution and then implementation in the near future.

## **Emissions Reduction Target**

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The NFF agrees that the Commonwealth should have sole responsibility for setting the national emissions reduction targets.

The NFF recognises that climate change poses a significant challenge for Australian farmers. The Government must ensure that the economy is well placed to efficiently reduce its national greenhouse gas emissions profile without increasing energy costs for agriculture and small business.

The NFF acknowledges Australia's Paris Agreement minimum emissions reduction target, 26% decrease on 2005 levels by 2030. Current and expected developments indicate the emission reductions in the electricity sector will be larger than 26% by 2020 and that further reductions in the electricity sector are likely between 2020 and 2030. The NFF urges Governments to be guided by the many credible and independent studies on what is likely in the electricity sector.

Given the current trajectory of the electricity sector, opportunities for further emission reduction are available, provided they continue to meet the reliability and affordability thresholds that headline the NEG. These are the most cost-effective ways to reduce our emissions. The Paris Agreement targets, paired with the NEG, can be expected to make substantial inroads into meeting the national commitment.

A robust NEG target is about fairness. All electricity businesses and users will have to contribute their fair share to the cost of the NEG. Other sectors of the economy, such as farmers and small

businesses, are price takers and would not be able to pass on the cost of an imposed emissions reductions scheme.

Measures under consideration by the COAG Energy Ministerial Council to monitor and maintain reliability and ensure affordability does not further diminish will be relied upon to ensure an effective NEG.

The Government should appreciate that the agricultural sector has taken significant steps in reducing its carbon emissions footprint. This includes Meat and Livestock Australia's plan to be carbon neutral by 2030 and the Australian Forest Products Association pledge to mitigate an additional 18 megatonnes of CO<sub>2</sub>e every year from 2030.

Both reliability and affordability are key for agricultural producers – wholesale price spikes and outages can undermine annual returns for some farmers. However, overinvestment to enhance reliability comes at the expense of affordability. Efficient investment in, combined with efficient operation and use of, electricity services is crucial for farmers, other consumers and the wider economy.

**RECOMMENDATION:** The 26% target should be the minimum target for the electricity sector. Any measures that achieve greater reduction in the sector must be consistent with resolving the trilemma of affordability, reliability and sustainability (moving towards lower emissions technologies).

## External Offsets

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The NFF welcomes the consideration of external offsets as a flexible compliance option in the NEG that allows retailers to partially meet NEG emissions requirements. However, there are a number of considerations in developing an offsets policy within the NEG.

The NFF agrees with considering a cap on domestic offsets in order to preserve the investment signal provided by the NEG. It would also be a mechanism to ensure perverse socio economic outcomes are not evident in regional communities. The cap needs to be set at a level that ensures that other technologies in the renewable energy sector are also able to participate. Again this is to avoid a potential perverse outcome (though not seen in the investment pipeline) that might encourage targets to be completely met by one option (offsets).

It is critical that Government ensures that the settings of offset markets facilitate efficient participation by farmers. NFF has long argued that there are fundamental barriers to farmers participating in the carbon market, including:

- There is no easy way for a farmer to bundle up and sell all the different sequestration and emission reduction strategies that suit their farm system and business model. This creates very high administrative costs and reduces efficiency;

- There are a very limited number of methods available that are relevant to the majority of farmers. The reality is that for most Australian farmers cost-effective methods are not yet available;
- Understanding the legal and financial risks to participating in the carbon market is difficult, and sourcing trusted and independent advice is challenging. Emissions reduction projects are long term commitments of at least 7 years or, in the case of sequestration projects, 25 to 100 years.

In approaching offsets, the NFF prefers that Australian Carbon Credit Units (ACCUs) be used to contribute towards meeting the emissions requirement for the NEG. They are familiar and is currently used in other schemes including the Emissions Reduction Fund (ERF).

The NFF believes that there is an opportunity for International Units (IUs) to be used for the NEG. However if this mechanism is used the units must be regarded as credible, NFF notes that there is still international debate relating to the credibility definition of international emissions units.

**RECOMMENDATION:** Establish a credible and high quality emissions offset and credit scheme that includes pathways for Australian agriculture to generate and trade emissions credits.