NEW ZEALAND

Submission to the Standing Committee on Finance:

2025 Forum on Accelerating Climate Action and Resilience through Financing Sustainable Food Systems and Agriculture

January 2025

Key points

1. New Zealand welcomes the opportunity to submit views on the issues to be addressed in the 2025 Forum on Accelerating Climate Action and Resilience through Financing Sustainable Food Systems and Agriculture.

2. Global emissions from agriculture are significant and projected to increase.[1] At the same time climate change is already having obvious impacts on farming systems, productivity, and food security. It is therefore critical to ensure that financial flows within and to this sector are consistent with a pathway to low emissions and climate resilient development. This Forum is a critical opportunity to explore and promote how we can do so. New Zealand recommends a focus on the following distinct topics:

Focus 1: Aligning economic signals – action on subsidies and pricing

3. Collectively governments provide support to the agriculture sector of more than USD $850 billion per year.[2] If current trends persist, this expenditure is expected to reach USD $2 trillion by 2030.[3] Agricultural support policies have fuelled the sector's growth, however, most of these policies discourage sustainable practices, hinder productivity growth and harm the environment. Around 87 percent of agricultural subsidies are estimated to be harmful to the environment or price distorting,[4] making their true negative impact far greater than the direct cost.

4. Agricultural production is both a major contributor to climate change and highly vulnerable to its effects. Harmful and inappropriate subsidies reinforce this relationship by incentivising overproduction, inefficient food production which generates high emissions, and climate-vulnerable food systems which threaten food security. Removing or reforming harmful subsidies, reduces this harm and frees up public finance for other purposes.

[1] IPCC SR-L&CC SPM A3.6
[2] For example, over the period 2021-2023 total support to the agricultural sector across 54 countries (OECD countries plus key agricultural producing countries) covered in the report averaged USD 842 billion per year. OECD (2024), *Agricultural Policy Monitoring and Evaluation 2024: Innovation for Sustainable Productivity Growth*, OECD Publishing, Paris,
[3] Food and Agriculture Organization of the United Nations (FAO), United Nations Development Programme (UNDP), & United Nations Environment Programme (UNEP). (2021). *A multi-billion-dollar opportunity: Repurposing agricultural support to transform food systems*. FAO.
[4] Ibid.

5. Redirecting funds towards research and development (R&D) can have a transformative impact. Innovation is critical to creating emissions reduction pathways for producers. Despite this, public spending on agricultural R&D has been slowing in OECD countries, representing only 0.5 percent of the value of agricultural production during the period 2021-23, down from 0.9 percent in the early 2000s.[5]

6. Modelling by the World Bank and the International Food and Policy Research Institute (IFPRI) indicates that redirecting just 10 percent of the most distortive public support towards green innovations instead could yield US$2.4 trillion in gains by 2040, while reducing emissions by 40 percent and returning 105 million hectares of land to natural habitats.[6] Despite this, environmentally harmful agricultural subsidies continue to grow.

7. New Zealand's experience of subsidy removal is a case study that demonstrates that targeted policy reforms can drive sustainability and productivity, while maintaining food security and the viability of agricultural production.

8. New Zealand removed its trade and production-distorting agricultural support in the mid-1980s as part of broader economy-wide reforms. Since these reforms, we have invested heavily in the infrastructure, technology, practices and broader operating environment to enable New Zealand to compete in the international market for agricultural goods. Our farmers pride themselves on their innovation and are some of the most efficient producers in the world, which has meant that our emissions per kg of product is low.

9. Alongside productivity growth, the environmental benefits of these reforms have been substantial. Removing subsidies eliminated the incentive to convert marginal land into pasture and encouraged diversification, both of which have contributed to adapting to and mitigating the effects of climate change. New Zealand's ability to reduce emissions from the agriculture sector following these reforms has been further enhanced through industry and government investment in technological innovation focused on emissions reductions. This has been made possible, in part, due to the funds being freed up form repurposed subsidies.

Recommendation 1

To explore and promote the alignment of financial flows with mitigation and adaptation action in the agricultural sector, New Zealand recommends that a focus of the forum be on alignment of economic signals – including specific workshops focused on removal/ repurposing of environmentally harmful subsidies. New Zealand's experiences could be a useful case study.

This focus on environmentally harmful subsidies could be complemented by workshops focusing on best practice in government investment to drive sustainable market outcomes, including R&D; experiences in (preparing for) pricing agricultural emissions and on economic signals for adaptation action.

Potential speakers:
- *Senior officials from New Zealand's Ministry for Primary Industries*
- *Agricultural subsidies experts from the OECD, World Bank, CGIAR and FAO.*

[5]OECD. 2024, *Agricultural Policy Monitoring and Evaluation 2024: Innovation for Sustainable Productivity Growth*, OECD Publishing, Paris.
[6] Gautam, M., D. Laborde, A. Mamun, W. Martin, and R. Vos. 2022. *Repurposing Agricultural Policies and Support: Options to Transform Agriculture and Food Systems to Better Serve the Health of People, Economies, and the Planet*. Washington, DC.: World Bank and IFPRI.

Focus 2: Attracting and making the most of public and private finance

10. A more resilient global food system requires a significant increase in the amount of capital available for climate-smart investments in agriculture. Achieving the temperature goals of the Paris Agreement requires reducing emissions across all sectors, including agriculture. 89 percent of Nationally Determined Contributions cover or refer to food production or nutrition security, yet only 4 percent of global climate finance went toward agriculture between 2019 and 2020.[7]

11. Globally, accessing adequate finance for climate action in agriculture has been a long-standing challenge due to perceptions of low profitability and high actual and perceived risks, leading financiers in most countries to seek more stable returns from other sectors of the economy.[8] Lack of robust, accurate data to measure emissions, track progress, and demonstrate the effectiveness of mitigation efforts in agriculture, and concerns about mitigation interventions reducing productivity also means the sector can miss out on financial incentives tied to emissions reductions. New Zealand has put significant effort into its ability to measure emissions at both national and farm levels; and this is also a focus of work in our international development cooperation with partners. New Zealand is happy to share this experience.

12. Effectiveness, efficiency and scale all benefit from understanding and leveraging best-practice expertise for agrifood systems and global collaboration, including through multilateral and regional networks and organisations. There are a range of institutions and networks that serve distinct purposes (such as the World Bank, Consultative Group on International Agricultural Research (CGIAR), International Fund Agricultural Development (IFAD), United Nations Development Programme (UNDP), the Global Research Alliance on Agriculture Greenhouse Gases (GRA), and, in the Pacific, SPC) and which have established frameworks, expertise and global networks that enable access to climate finance. These could be useful examples for this Forum. Strong, non-duplicative, and focused institutions foster coordination and trust among stakeholders, ensure accountability and provide a platform for using blended finance as a tool for investment in sustainable agriculture.

13. In its own international development funding for climate-smart and resilient agriculture, New Zealand is also guided by these principles of effectiveness, efficiency and scale. Our international development cooperation therefore includes activities that support developing countries to measure their agriculture emissions, enable them to count agriculture emissions reductions towards their NDCs, and leverage best practice science and policy to build government, farmer, and community capacity for climate-smart and sustainable agriculture practices.

Recommendation 2

To explore access to climate finance for agriculture, New Zealand recommends that this workshop facilitates collaboration between existing international climate finance providers, working with them to discuss the importance of their climate finance pathways being accessible for farmers and ensuring efficiency and scale. It should also explore blended finance initiatives with developed Parties.

The focus on collaboration could include presentations from the institutions stated above, inviting Parties and non-state actors to discuss how to align existing funding pathways with their agricultural climate priorities. In action, this could include facilitating a match-making

[7] Food and Agriculture Organization of the United Nations (FAO). (2023). *Climate-related Development Finance to Agrifood Systems*. Rome: FAO.
[8] World Bank Group. (2016). *Making Climate Finance Work in Agriculture*. Washington, DC: World Bank.

process between Parties, the private sector and funders to ensure the workshop grows the implementation of agricultural climate action.

Potential Speakers:

- *GRA Special Representative – Dr.Harry Clarke*
- *FAST Partnership, FAO*