

## Detailed response to Federated Farmers concerns outlined in letter dated 10 July, 2025 on the NZ Taxonomy

### Prepared by the Centre for Sustainable Finance

The Federated Farmers concerns spanned both technical and process concerns related to specific criteria, and concerns of a conceptual/ideological nature. Responses below have been grouped by the two types of concern.

#### Technical and process-based concerns

**None of the Technical Advisory Group (TAG) agriculture members actively work in agriculture. A framework that purports to set financial sustainability standards for agriculture must be developed with real, practical input from working farmers. The absence of working farmers or land managers on the TEG or TAG is more than an oversight - it is a governance failure.**

- The Federated Farmers are incorrect in this assertion. The TAG included several former “working” farmers. As well as experts who have and continue to work as operations managers, trustees, advisors and providing supporting functions for farmers.
- The design of the TAG gave careful consideration to protecting the development process from undue industry influence. Taxonomy processes in other jurisdictions have broken down, in part due to perceived industry capture. (see Canada).
- The TAG was formed through an open EoI process, with careful consideration to balance of expertise and preventing undue influence, and with Government oversight.
- Feedback that the TAG includes too many Agricultural experts and interests has also been received.
- We believe a balance has been struck in the makeup of the TAG and we are confident in the TAG members' expertise and their expressed commitment to creating an NZ Taxonomy that has a positive impact for farms, farmers, and land managers.
- Confidence in the TAG members has also been expressed to CSF during stakeholder engagement conversations, including from the agriculture sector, who stated they were confident that specific TAG members would represent their views.
- Additionally, extensive efforts have been made to engage with the wider industry, including through stakeholder roundtables and requests to industry body organisations to engage their memberships (including requests to Federated Farmers to engage their membership to respond to the consultation).
- This engagement continues in the public consultation process. A range of substantive feedback on the draft mitigation criteria has been received from the agricultural sector.
- The Technical Experts Group (TEG) is not the appropriate working group for sector specific expertise to sit, as per the governance structure. The Sector-specific Technical Advisory Group (TAG) is the appropriate place for this expertise.
- We intend to continue to seek input from and work collaboratively with the agricultural sector through revising the draft NZ Taxonomy and supporting future use.



**The threshold of 1 tonne CO<sub>2</sub>e per hectare per year to be considered "green" is not achievable by any operating New Zealand farm - despite New Zealand being home to the world's most emissions-efficient food producers.**

- We are actively seeking feedback on the proposed definition for green activities, as well as the proposed threshold for the whole-farm farm green activity (A.0.0), via public consultation.
- All feedback submitted through the consultation process will be given due consideration by the TEG/TAG, which will result in changes to the next iteration of the draft criteria.
- We welcome the Federated Farmers to make a consultation submission so that their views can be considered appropriately in this process.

*Rationale for the current draft criteria:*

- Both green and transition activities under the NZ Taxonomy achieve 'taxonomy-alignment'.
- The NZ Taxonomy draft criteria for mitigation defines green activities as already aligned with net-zero objectives. The NZ Taxonomy also classifies transition activities, which are on a credible pathway to alignment. The green/transition classification definitions are in line with the global finance standard for definitions of green/transition.
- A 'green' whole-farm activity that could meet these definitions was suggested by wine and horticulture representatives, and the threshold was determined to be achievable by woody perennial and regenerative farmers.
- A 'transition' whole-farm activity has been proposed in the draft NZ Taxonomy for climate change mitigation activities – to support farmers who cannot meet the threshold but are demonstrating emissions reductions over time. The effective design of this measure is a key part of the current public consultation, and we welcome views, including from the Federated Farmers, on its design.
- This draft only contains criteria for substantial contributions to climate change mitigation – i.e. to lowering emissions. Adaptation and resilience criteria currently in development provide for NZ Taxonomy alignment for activities which are increasing resilience of NZ farms and businesses without requiring emissions reductions.
- Inter-country relative efficiencies of production are not a consideration for NZ Taxonomy alignment, as they cannot determine alignment with a net-zero future. This is internationally consistent.

**Productive farmland is disqualified from eligibility if it was a natural ecosystem at any point since 2008. This ignores decades of sustainable stewardship and penalises farms that have long been operating responsibly.**

- This criterion only applies as eligibility criteria for the 'green' whole-farm activity (A0.0). We are seeking feedback on the design of this activity, including the cut-off-date for natural ecosystem conversion via public consultation.
- All feedback submitted through the consultation process will be given due consideration by the TEG/TAG, which will result in changes to the next iteration of the draft criteria.
- We welcome the Federated Farmers to make a consultation submission so that their views can be considered appropriately in this process.



*The Federated Farmers statement is misrepresentative:*

- Productive farmland is not disqualified from NZ Taxonomy alignment if it was a natural ecosystem at any point since 2008.
- Activities on land that was high-carbon stock (e.g. wetlands or peatlands) at any point since 2008, are ineligible for alignment specifically with the draft green whole-farm activity (A0.0).
- There are a range of other NZ Taxonomy aligned activities and measures that farmers might undertake which do not have this restriction.
- Additionally, it is yet to be determined if the 'transition' whole-farm activity will carry similar restrictions. Feedback is actively being sought on the design of this activity via the public consultation.
- It is at the discretion of any farmer whether they wish to seek NZ Taxonomy alignment under this activity (A0.0), and likewise at the discretion of any lender or investor to determine whether such an activity aligns with their lending criteria or investment products.

*Rationale for this criterion:*

- This cut-off-date was initially drawn from the SAFI guidance, which the NZ Taxonomy has included as an important input throughout the development.
- Across the NZ Taxonomy, the cut-off-date for forestry conversion is December 2020. However, for high-carbon stock land a greater level of stringency is required due to the significant carbon storage capacity and the release of large volumes of GHG in conversion of this land. Leniency here was viewed as inconsistent with a climate change mitigation taxonomy.
- Additionally, these criteria (A0.0) were being developed for the green whole-farm activity and therefore the highest bar criteria to meet in the draft NZ Taxonomy.

**Requiring 80% of fertiliser to be low-emission within three years is not feasible. Alternatives are not yet economically viable or widely available in New Zealand, making this requirement unattainable in practice.**

- This statement relates to criteria A1.1 Nutrient Management and A2.1 Crop nutrient management. We are seeking feedback on all proposed substantial contribution criteria, including thresholds for performance, via the public consultation.
- All feedback submitted through the consultation process will be given due consideration by the TEG/TAG, which will result in changes to the next iteration of the draft criteria.
- We welcome the Federated Farmers to make a consultation submission so that their views can be considered appropriately in this process.

*The Federated Farmers statement is misrepresentative:*

- The NZ Taxonomy does not create requirements or restrictions on fertiliser use, nor timeframes for fertiliser use change.
- The criteria (A1.1 and A2.1) support the purchase of enhanced efficiency fertilisers (EEFs), or other low-emissions fertilisers, or practices that support low emissions nutrient use.
- To demonstrate eligibility for NZ Taxonomy alignment, under the current draft, proponents must:
  - Have a robust nutrient management plan (specifics of "robust" are outlined in the criteria).
  - EITHER move to 80% low-emission fertiliser use within three years from the point of up-take of this measure (which was deemed feasible by the TAG and CBI) OR show a reduction of NO<sub>2</sub> of at least 1.5% per annum relative to its baseline.



- Comply with existing Agricultural Compounds and Veterinary Medicine (ACVM) requirements.
- It is at the discretion of any farmer whether they wish to take such measures, and likewise at the discretion of any lender or investor to determine whether such actions align with their lending criteria or investment products.

**The mandatory requirement for Farm Environment Plans to include extensive biophysical documentation creates an administrative nightmare. It imposes a significant compliance burden with unclear benefit - especially for small and medium-sized farms.**

- This statement relates to the guidance to use Farm Environment Plans (FEPs) as the verification mechanism for several measures across the substantial contribution criteria.
- We are seeking feedback on all proposed verification measures via public consultation.
- All feedback submitted through the consultation process will be given due consideration by the TEG/TAG, which will result in changes to the next iteration of the draft criteria.
- We welcome the Federated Farmers to make a consultation submission so that their views can be considered appropriately in this process.

*Rationale for use of FEPs in the draft criteria:*

- Verification of the performance of criteria or adherence to practices is an important part of the credibility and usability of the NZ Taxonomy.
- The NZ Taxonomy draft has sought to use existing legislative or best-practice requirements, as far as possible, for financial users to verify performance, with the intent of reducing burden on farmers and increasing usability for small and medium-sized farms.
- It was intended that work already undertaken to develop and maintain FEPs could be leveraged to also serve as verification for NZ Taxonomy activities, minimising additional efforts.
- The current draft suggests FEPs should include factors such as soil condition, climate, water availability and pest management related to investable activities and measures. The TAG determined these to be standard inclusions in most FEPs and verification.
- Specific information in FEPs is only required if farmers are seeking funding aligned with the NZ Taxonomy under those relevant measures e.g. if farmers are seeking alignment with the nutrient management activity, a nutrient management plan will need to be part of their FEP.
- We are open to feedback and suggestions for how financial users of the NZ Taxonomy can credibly verify performance of the criteria with minimum burden added to farmers.

**Many of the practices required by the taxonomy already exist under national regulation or industry programmes. This adds unnecessary compliance without delivering extra environmental or financial gains.**

- The NZ Taxonomy is not a compliance framework.
- It is correct that several of the practices outlined in the NZ Taxonomy reflect activities already undertaken by farmers, voluntarily or through following regulation or voluntary industry programmes. This is deliberate.
- By formally recognising these existing practices as “taxonomy-aligned,” it enables capital providers, especially international investors, to confidently support them. It also acknowledges and validates the work already being done by New Zealand farmers, landowners, and businesses.



- Special care has been taken to review both national regulation and industry programmes to ensure relevant practices ARE included in the NZ Taxonomy, so as to maximise the benefit to NZ farmers.

**By defining sustainability through a fixed list of approved practices, such as specific fertilisers or methane inhibitors, the taxonomy risks excluding emerging technologies still under development. This discourages innovation and adaptation, as only today's solutions are rewarded - not tomorrows.**

- We are seeking feedback on all proposed substantial contribution criteria, including those related to emerging technologies via the public consultation.
- All feedback submitted through the consultation process will be given due consideration by the TEG/TAG, which will result in changes to the next iteration of the draft criteria.
- We welcome the Federated Farmers to make a consultation submission so that their views can be considered appropriately in this process.

*The Federated Farmers statement is incorrect:*

- The NZ Taxonomy does include investable measures specifically for the research and development of emerging technologies. See criterion A3.1 Agricultural support services - which includes:
  - A3.1 A. Research and Development (R&D) of mitigation options: Conducting research and development of mitigation strategies and practices that align with activities and measures outlined in the Taxonomy, including the development of alternative methane inhibitors and lower-carbon protein sources.
  - A3.1 B. On-farm testing of technologies at TRL levels 5, 6 or 7 to test the mitigation impact, practicality and commercial implications of near-ready technologies.
  - And the flexibility contained A3.2 Precision agriculture support measures: The use of advanced technologies and data to optimise the management of agricultural activities, with the primary focus on reducing emissions while improving resource utilisation, enhancing efficiency, and promoting sustainability.
- International best-practice for taxonomies is to exclude unproven technologies as their own activity classifications, as the scope for possible inclusions quickly becomes unwieldy.
- The TEG and TAG devised considerations for when emerging technologies could be included in the NZ Taxonomy – agreeing primarily that this would be when they were approved by relevant regulatory bodies and commercially available, with relevant efficacy thresholds to be developed depending on the technology. We welcome feedback on this threshold in public consultation.
- Technologies which met this threshold were included using generic descriptors e.g. “Methane reduction technology, supplements or feed additives” to ensure the Taxonomy remains flexible and agnostic to specific solutions. We welcome feedback on the best language to use to achieve this.
- The intent is for regular review and updates of the NZ Taxonomy – as both climate science and technology evolve. We are actively seeking feedback on considerations for the process, timeframes and triggers of such reviews, in the public consultation.

## Conceptual/ Ideological concerns

**This initiative is being led by the Ministry for the Environment. Financial system settings, if needed, should sit with central financial institutions such as the Reserve Bank of New Zealand - not an environmental regulator.**



- The NZ Taxonomy governance structure includes the Council of Financial Regulators (CoFR), made up of the Reserve Bank of New Zealand (RBNZ), Financial Markets Authority, Commerce Commission, Ministry for Business, Innovation and Employment, and the New Zealand Treasury.
- CoFR provide oversight and review of the development process.
- CoFR has reviewed the process and engagement for the development of the draft criteria at two key points thus far:
  - April 2025 – Review of the process to develop the methodological approach for defining green and transition activities.
  - June 2025 – Review of the process to arrive at the first draft technical screening criteria for public consultation.
- The CoFR raised no concerns with the process and engagement for the development of the draft criteria at either review point.
- Two more CoFR reviews are planned before the final report is delivered at the end of 2025.
- Additionally, a RBNZ, while a prudential regulator, representative is a member of the TEG, and a New Zealand Treasury representative is an observer of the TAG.

**New Zealand's agricultural sector is globally acknowledged as emissions efficient. This taxonomy fails to reflect that reality and instead punishes one of the world's most sustainable farming systems.**

- The NZ Taxonomy climate change mitigation criteria does not aim to rank or classify farm entities or the sector but classify specific activities/measures that may be undertaken on farms for climate change mitigation.
- This draft *only* contains criteria for substantial contributions to climate change mitigation – i.e. to lowering emissions. Adaptation and resilience criteria currently in development provide for NZ Taxonomy alignment for activities which are increasing resilience of NZ farms and businesses without requiring emissions reductions.
- The NZ Taxonomy includes both low-emissions “green” agricultural classification for the most efficient farms, as well as the transition classification, to support hard-to-abate industries take measures to decarbonise.
- Noting that despite sunset dates being a principle generally for taxonomy transition categories, the TEG has agreed not to require a sunset date for transition agricultural activities, which may never reach net-zero, and hence allowing support to flow to this sector that might always be in transition.
- The NZ Taxonomy's intent is to maintain efficient access to global markets, customers and capital for NZ businesses.
- Inter-country relative efficiencies of production are not a consideration for NZ Taxonomy alignment, as they cannot determine alignment with a net-zero future. This is internationally consistent.

**No economic impact assessment has been conducted on the financial effects for farmers, landowners, or rural lenders - an unacceptable omission given the policy's potential impact on rural capital flows.**

- The NZ Taxonomy is not a policy tool nor a funding instrument.



- It is a voluntary classification system designed to provide decision-useful information for financial institutions related to environmental performance. It does not, by itself, drive investment or divestment decisions.
- Requiring a detailed economic impact assessment at this stage would require large assumptions about the use and adoption of the voluntary Taxonomy and misconstrues the nature of the Taxonomy and its intended application.

**Two Members' Bills, one currently under debate would prevent banks from withdrawing services based on ideological or reputational grounds. The taxonomy's intent to become mandatory directly conflicts with this direction.**

- The NZ Taxonomy is voluntary.
- Federated Farmers is incorrect in the assertion that the intent is for the NZ Taxonomy to become mandatory:
  - CSF has received no information from the Government to support this assertion.
  - There has been no recommendation from CSF or the market for a mandatory reporting regime using the NZ Taxonomy.

Federated Farmers are also incorrect in the interpretation of a mandatory taxonomy as mandating or restricting capital allocations. Where taxonomies are part of mandatory frameworks, the mandatory aspect applies to reporting on alignment for financial institutions. The NZ Taxonomy does not require or dictate capital allocation decisions.

**While currently voluntary, the taxonomy is designed to become mandatory. This creates a risk of financial exclusion for lawful, productive farm businesses.**

- The NZ Taxonomy is and has been designed to be voluntary.
- Most taxonomies globally (70%) are voluntary.
- As above, Federated Farmers are also incorrect in the interpretation of a mandatory taxonomy mandating or restricting capital allocation. Where taxonomies are part of mandatory frameworks, the mandatory aspect applies to reporting on alignment. NZ Taxonomy does not require or dictate capital allocation decisions.