



## **National Farmers' Federation**

### **Submission to the Productivity Commission Draft Report into Barriers to Effective Climate Change Adaptation**

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## NFF Member Organisations



CANEGROWERS



CORPORATE  
AGRICULTURAL  
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GrainCorp



*Ruralco*  
HOLDINGS LIMITED



*The Pastoralists'  
Association of  
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WOOLPRODUCERS  
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## 1. Introduction

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The National Farmers' Federation (NFF) welcomes the opportunity to make a submission on the Productivity Commission's Draft Report into Barriers to Effective Climate Change Adaptation (Draft Report). This submission should be read in conjunction with the NFF's earlier submission to the Productivity Commission's Barriers to Effective Climate Change Adaptation Discussion Paper (Discussion Paper).

Moreover, the NFF remains concerned that a substantial number of issues raised by the NFF in this earlier submission have failed to gain any traction within the Draft Report. For one of the most affected sectors for climate change, this is a major concern.

## 2. COAG Roles and Responsibilities Discussion Paper

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NFF notes that in addition to the Productivity Commission's Inquiry, the Council of Australian Governments (COAG) has released a community discussion paper on the Roles and Responsibilities for Climate Change Adaptation in Australia (COAG Discussion Paper). This document outlines the roles and responsibilities of the three levels of Government, as well as the private sector, in the adaptation policy space.

Moreover, the COAG Discussion Paper clearly notes that the private sector is responsible for managing the risks to private assets and incomes, while Governments are responsible for managing the risks to public goods and services. In iterating that the private is responsible for its assets and income, the COAG Discussion Paper also notes that this sector will be assisted by well functioning markets (e.g. insurance), regulations that promote adaptation, public good information, and the delivery of public goods and services (e.g. flood protection).

The COAG Discussion Paper makes it eminently clear that the role of governments, in relation to these private sector responsibilities, is:

- Providing information which has broad public benefit; and
- Ensuring the right regulatory and policy settings do not distort private incentives and market signals, and facilitates adaptation.

It is apparent that these themes are adopted in the Draft Report.

## 3. What did NFF seek in the Draft Report

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The NFF made a significant submission to the Productivity Commission's Discussion Paper.

The NFF identified a number of regulatory barriers:

- Environmental regulations on land use change and protection of the environment;
- Lack of harmonisation between jurisdictions in transport, environment, chemical use, mining and onshore petroleum approvals, and land use planning;
- Impacts of carbon tax on the price of fuel in rural and regional Australia which has very little access to public transport;

- Skills and labour;
- Taxation;
- Social and business infrastructure investment; and
- Insurance and drought.

Moreover, the NFF made a number of suggestions to resolve these issues such as:

- Investment in R,D&E particularly anticipating the research needs of the future and implement this today to ensure the results are available when required;
- Understanding the ability and capacity for communities to adapt, including those which are highly sensitive and vulnerable, and the transitional support options (financial, material, alternative livelihood options, retraining etc);
- New policies and institutions to enable the agricultural industry to support changes, particularly when farm assets are largely fixed – and further exploration of the regulatory and other impediments (such as entry and exit) preventing adoption of transformation relocation as a viable alternative;
- Implementing a national investment plan for reliable social and business infrastructure for the future;
- Options to achieve better environmental outcomes using all public land conservation areas (improving cost effectiveness by reducing regulatory red tape around risk and OHS) while avoiding cost shifting between governments or between governments and the private sector;
- Reducing inconsistent and conflicting regulation (e.g. the impact of the carbon tax on rural and regional transport and movement where there is little public transport) across the different levels of government by introducing consistent national legislation across a range of policy areas to increase flexibility and policy responsiveness;
- Improved data and knowledge (including accessibility) to underpin monitoring and decisions (costs, benefits and effects), including social and environment (e.g. the legacy lag effects when overlaid with adaptation impacts) and weather forecasting;
- Further investigation of products like multi-peril crop insurance to spread risk and the taxation system to support and enable change in rural and regional Australia;
- Review of criteria for a range of government assistance programs to help farmers manage climate risk (e.g. drought support and Natural Disaster Relief and Recovery Arrangements (NDRRA)), especially in the light of recent disasters and with a view on future circumstances and improved flexibility.

The following sections discuss the Draft Report in relation to the NFF's submission to the Discussion Paper to discern where the gaps remain that create barriers to the adoption of climate change adaptation in agriculture.

## 4. The Good

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The Draft Report notes that policy responses to address climate change barriers include:

- Taxes, e.g. state based taxes on insurance premiums;
- Transfers, e.g. Local Government capability, drought assistance;
- Regulations relating to building, planning, insurance and infrastructure; and
- Government provision of goods and services.

The NFF is pleased that the Draft Report suggests options to address the barriers to labour mobility, including the taxation system and impediments to the sale and purchase of family home (e.g. stamp duty and insurance premium taxes).

The Draft Report notes that there is significant capacity to improve hazard information to improve preparation and management of extreme events, such as flood, cyclones and bushfires. Such information would include the intensity, frequency, duration and location of such events. Further, the collection and dissemination of information to inform public policy and adaptation decisions ought to be pursued providing roles and responsibilities are clarified and there is better coordination (refer to section 2).

The NFF notes that highest priorities for reforms are those that impede adaptation, including drought support. The NFF advises that drought policy needs to find a balance between allowing farmers to build their own risk management and preparedness, while also ensuring that appropriate assistance remains available in the event that an exceptional drought disrupts their preparations.

The NFF agrees that reforming drought policy should remain a high priority for the Government. However, a new drought policy must provide a suitable alternative to the current Exceptional Circumstances system and needs to allow for an appropriate transition period. The recent Government announcement to phase out Exceptional Circumstances Interest Rate Subsidies was not consistent with this approach.

The Draft Report does include a discussion on the environment, particularly regarding the National Reserve System (NRS). The NFF notes that the suggestion to dispose NRS properties where such properties do not meet the environmental objectives is practical. However, of concern is that governments often fail to adequately fund these properties to deliver environmental outcomes. While Australia may be meeting its “hectare” target, this may not deliver any environmental outcome now let alone under climate change, i.e. reduced resilience. While the suggestion is pragmatic, it does not ensure there is government investment ahead of time to deliver the resilience required.

## 5. The Bad

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It is of interest that many of the suggestions in the NFF submission have been ignored in the Draft Report. NFF would expect this to change in the final report to Government.

Of particular interest to the NFF, is the premise that the provision of down scaled climate change projects is a lower priority barrier. The premise is that sectors such as agriculture would

be required to pay for detailed and localised climate trends, projections and impacts where it is deemed to be of no or little public good. While global and national scale climate change models are reasonably robust, such downscaled models are not. Without this information, all businesses will find it difficult to make informed decisions about adaptation options.

This is no more so than for agriculture, which is inherently reliant on climate information on a daily basis. As highlighted by a recent independent review<sup>1</sup> of the Bureau of Meteorology's capacity, it has been estimated that climate variability can account for as much as five percent of gross domestic product variability, which equates to about \$58 billion per year averaged over the last decade. Increasing climate change variability will inevitably lead to increased production variability and consequently increasing GDP volatility. The Commission must surely acknowledge that Australia's economic volatility is surely a whole of Government concern and therefore requires further consideration of agriculture and adaptation.

Increasing climate and production variability also demonstrates the importance of clear information (from seasonal forecasting through to localised predictions on climate change projections) to help avoid downside variation, for the benefit of not only individual farmers, but for the broader Australian economy.

The NFF views that while infrastructure has been identified as an area in the Draft Report, the impediments inhibiting the development of infrastructure into the future have not been addressed adequately. The global growth in food demand cannot be underestimated and Australia is in a good position to benefit from these opportunities. However, changing farm production systems and an ageing infrastructure means a sweeping strategic overhaul of Australia's freight transport infrastructure will be required for this to occur. Freight flows of agricultural production will change over time and to accurately prioritise and invest in infrastructure it will be important to understand how and why these freight flows may change.

## 6. And the Ugly

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While the Draft report seeks to take cross-sectoral policy approach, the NFF are of the view that this may not address specific barriers within certain industry sectors. While cross-sectoral may be pragmatic from a Government perspective, opportunities to facilitate climate change adaptation may be missed.

In identifying that a potential barrier may exist, the Draft Report notes that this may not necessarily require action by Governments, e.g. if the costs outweigh the benefits. However, the Productivity Commission does not attempt to address how or when this decision point may be revisited. This is surely a limitation of the Draft Report.

Furthermore, given the Draft Report's findings and the roles and responsibilities of local government espoused in the COAG Discussion Paper, it would appear that a significant responsibility would be devolved to Local Government – many of which do not have the resources to deal with existing issues let alone additional roles and responsibilities. It would appear that a rethink of the allocation of resources to each tier of government might be desirable.

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<sup>1</sup> Chloe Munro, December 2011, *Review of the Bureau of Meteorology's capacity to respond to future extreme weather and natural disaster events and to provide seasonal forecasting services*, An independent report commissioned by the Department of Sustainability, Environment, Water, Population and Communities.

In terms of the environment, the NFF notes the suggestion to “amend boundaries of some reserve areas” to aide climate change resilience. While this does need clarification, on the face of it the NFF rejects this notion if the premise is to “take” private land without properly acquiring it, e.g. by use of buffer zones or other measures. Any options must not result in any type of compulsory acquisition through the purchase or regulation of private land. Notably, this includes any private land participation in the proposed National Wildlife Corridors Plan.

Ultimately, however, the NFF are disappointed that the Draft Report does not identify any cases where transformational change may be facilitated by regulatory or policy change now or in the future. NFF is of the view, that for agriculture and possibly other sectors, governments have a role in the transformation climate change adaptation space. The Draft Report quotes the Garnaut Report that agriculture would be hardest hit industry (including industries, individuals and regions dependent on agriculture). Surely this reinforces the NFF position that governments have a role in transformational adaptation.

## **7. Where to from here**

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The Draft Report does not underestimate the challenge posed by climate change adaptation, but the Draft Report currently does not identify sufficient avenues for assisting Australian farmers to overcome the barriers faced to adapting to these changes.

The NFF has identified a number of opportunities in this submission and previous submissions that might better position the Australian community and agriculture for resilience to climate change adaptation. The NFF would suggest that the Productivity Commission considers the suggestions made in the NFF’s submission to the discussion paper in its final report to government.

Importantly, while the approach taken by the Productivity Commission is pragmatic, it does not itself to dealing with the age-old issue of policy silo approach of governments. The critical question for the Productivity Commission is what the role of the Department of Agriculture, Fisheries and Forestry (DAFF) in developing a sectoral specific agricultural adaptation strategy.

There is certainly a focus on research and development (e.g. the Climate Change Strategy for Primary Industries), however what is required now is the translation of such initiatives into an agricultural adaptation policy, consistent with the Productivity Commission and COAG framework around roles and responsibilities.

## **8. Conclusion**

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For agriculture, initial adaptation is likely to focus on adaptation in the existing location or region (e.g. purchasing a property nearby but with slightly different soils and climate). Therefore, adaptation measures must necessarily focus on appropriate policies for localised adaptation and transformational strategies – these will be need to be very diverse and flexible sot that the relative resilience inherent in any location can be supported by Government.

Government also need to develop in communities an understanding of the principles of common but differentiated responsibilities and liabilities as well as facilitate and understanding of the concept of vulnerability as some will need more and/or different support than others. Governments must acknowledge this requirement and be prepared for this.



The NFF seeks that the Productivity Commission more fully incorporates the range of suggestions included in the NFF submission to the Discussion Paper. In addition, the NFF suggests that the Productivity Commission recommends that an agricultural sector climate change adaptation policy outlining roles and responsibilities be implemented by DAFF.