Australian Land
Conservation Alliance

28 November 2019

Mr Rick Wilson MP
Chair. Standing Committee on Agriculture and Water Resources
PO Box 6021, Parliament House
Canberra ACT 2600

Dear Chairperson,

**Standing Committee on Agriculture and Water Resources: Inquiry into growing Australian agriculture to $100 billion by 2030**

Thank you for the opportunity to contribute to this important inquiry considering the opportunities and impediments to growing the primary production sector to $100 billion by 2030. The alignment of this target with the vision in the National Farmer's Federation (NFF) 2030 Roadmap is noted.

The Australian Land Conservation Alliance (ALCA) recognises farmers as stewards of more than half of Australia's landmass with vast natural assets existing in areas used for food and fibre production. ALCA members work with many farm businesses across Australia; we support the vital role of farmers as land managers and stewards of many of Australia's environmental assets.

**About the Australian Land Conservation Alliance**

ALCA represents a substantial collective of land restoration and conservation organisations working with landholders on privately owned and managed land. Our members are non-advocacy organisations and together represent a substantial and growing voice in Australia's land management sector. ALCA members are:

- Australian Wildlife Conservancy
- Biodiversity Conservation Trust NSW
- Bush Heritage Australia
- Greening Australia
- Landcare Australia
- Nature Foundation SA
- Queensland Trust for Nature
- South Endeavour Trust
- Tasmanian Land Conservancy
- The Nature Conservancy Australia
- Trust for Nature (Victoria)

Together ALCA members work across over 3 million square kilometres, with more than 3000 landholders. We have over 50,000 supporters and combined annual turnover exceeds $200 million.

**Looking towards 2030**

In looking to 2030, ALCA supports the NFF's commitment to diversifying income streams to achieve benefits from on-farm ecosystem services equal to 5% of farm revenue.

ALCA also notes and supports the important second pillar of the NFF's 2030 Roadmap - "Growing Sustainably." This pillar looks to a future where "Australia's farms lead the world in environmentally friendly practices" and "farmers are recognised by the community as trusted and proactive stewards of Australia's landmass."

Health of Australia's environmental assets directly underpins the condition and potential profitability of agriculture and it is increasingly apparent that Australia's farm businesses are experiencing significant environmental and climate pressures. Long-term improvements in agricultural productivity can only be achieved through development and implementation of a coordinated national framework built on enduring regeneration and protection of our biodiversity and other environmental assets.

In this submission, ALCA proposes four key enablers as critical to the success of a national framework driving productivity and encouraging world leading land management practices and environmental stewardship. ALCA sees these enablers as central to the success of the "co-ordinated national framework" set out in Aspiration 2.1 of the NFF Roadmap.

**Key enablers of a National Framework**

1. Accelerating private sector investment in environmentally friendly practices like sustainable agriculture, land and system restoration and emerging environmental markets through a government-backed investment vehicle akin to the Clean Energy Finance Corporation (CEFC).
2. Directly enabling the critical contribution of farmers and other landholders to improve and protect landscape function, reducing Australia's rate of extinction and meeting Australia's biodiversity targets by building a $1 billion National Biodiversity Conservation Fund.
3. Implementing an accessible and comparable natural capital measurement and accounting framework to improve on-farm decision making and provide information about natural capital stocks and flows to farm businesses, financiers and government.
4. Undertaking a cross-jurisdictional process to identify and reduce barriers blocking landholders wanting to engage in environmental markets like carbon, biodiversity and water quality offsets or credits.

Further detail in relation to these Key Enablers are set out in Attachment 1.

ALCA believes that, in order to drive long-term improvement in the productivity of Australian agricultural businesses, it is essential to squarely address the underlying issues putting those businesses at risk: the health and function of our landscapes and natural systems.

ALCA members have extensive, relevant expertise in relation to each of the key enablers described in this submission. We are committed and look forward to working collaboratively with farm businesses, government and others to deliver these.

We would be pleased to meet with the Committee to discuss this submission at any time. Please contact me at nerida@alca.org.au or 0414 496 129.

Yours sincerely,

Nerida Bradley
CEO, Australian Land Conservation Alliance

australian wildlife conservancy | Nature Foundation SA | Landcare Australia | Trust for Nature | Bush Heritage Australia | Tasmanian Land Conservancy | Greening Australia | NSW Government Biodiversity Conservation Trust | The Nature Conservancy Australia | QTFN | South Endeavour Trust

**KEY ENABLER # 1:**

**Accelerating private sector investment in environmentally friendly practices like sustainable agriculture, land and system restoration and emerging environmental markets through a government-backed investment vehicle akin to the Clean Energy Finance Corporation (CEFC).**

There are already many farm businesses and other investors across Australia who have financially committed to substantial projects in land and system restoration, sustainable agriculture and emerging environmental markets. However, even where there is both evidence and commitment, farmers can often face prohibitive costs and structural barriers to transitioning practices or products.

By deploying financial products aimed at addressing investment impediments, a CEFC style investment vehicle could catalyse market interest and mobilise untapped sources of capital.

Similar to the CEFC, the investment vehicle proposed would the seek to overcome financial impediments and make investment in these activities available to many more farm businesses across Australia, growing productivity and supporting practice change through adoption of more sustainable environmental practices.

Potential options available to the investment vehicle to support transitioning practices or products include (but are not limited to):

- Providing concessional or bridge financing.[i]
- Investing with capped returns, de-risking investment.
- Building investor confidence by loss leading.
- Developing open source due diligence frameworks and checklists for project evaluations.[ii]
- Providing aggregated investment opportunities to support investment by fund managers into smaller scale projects.[iii] Aggregation is a common feature of the carbon offset market.
- Scoping and building opportunities for impact investment.

The investment vehicle would be provided with an "Investment Mandate" in the same manner as the CEFC. This mandate would guide the function of the vehicle. In addition to deploying financial products, the vehicle could also support project pilots, technical innovation and knowledge development. As market awareness and take-up of products gains momentum, knowledge and capacity building becomes increasingly important.[iv]

Design elements could be included to ensure current market players and early adopters can demonstrate expertise to the market where both investors and consumers are increasingly demanding environmentally friendly products.

As demonstrated through the Australian Renewable Energy Agency (ARENA) and CEFC, government backed investment vehicles can intersect with government regulation and policy to accelerate transition, develop of new solutions and grow private investment.

ALCA supports development and launch of a CEFC-style investment vehicle to build market interest and mobilise untapped sources of capital. It is an immediate and substantial opportunity for farming businesses to access capital to deliver on both Pillars 2 and 5 of the NFF Roadmap, growing productivity and leading land management and environmentally friendly practices.

**KEY ENABLER # 2**

**Directly enabling the critical contribution of farmers and other landholders to improve and protect landscape function, reducing Australia's rate of extinction and meeting Australia's biodiversity targets by building a $1 billion National Biodiversity Conservation Trust Fund.**

This enabler follows Recommendation 21 identified by Wendy Craik in her 2018 "Review of interactions between the EPBC Act and the agriculture sector" which states:

*"It is recommended that an initial allocation of $1 billion over four years be provided to establish a National Biodiversity Conservation Trust fund explicitly tied to the EPBC Act to support the public benefits of protection, including by farmers, of matters of national environmental significance through the adoption of a market-based approach that incentivises farmers (and others) to protect and actively manage matters of national environmental significance outside of legislated requirements."*

The National Biodiversity Conservation Trust Fund described in the Craik Review would (among other things):

- Provide independent decision-making regarding investment in biodiversity conservation generating a public benefit on private land.
- Hold environmental offset contributions from referrals under the EPBC Act for investment in private land and public land to achieve strategic (rather than reactive) offsetting outcomes.
- Provide strategic advice to, and negotiate on behalf of, the Australian Government on the purchase of land under the National Reserve System
- Establish a philanthropic fund to deliver better coordinated private land biodiversity agreements.
- Work cooperatively with state Trusts (e.g. New South Wales Biodiversity Conservation Trust) to achieve national environmental outcomes.[v]

The Craik Review recognised the value of looking to existing models in order to grow the National Biodiversity Conservation Trust Fund. At a state level, stewardship programs delivered by State based agencies and NGOs have demonstrated that there is interest and engagement from private landholders in such an approach.

For example:

➢ In NSW, the Biodiversity Conservation Trust is demonstrating the viability of Ms Craik's proposal. The NSW BCT has received strong interest from landholders in funded conservation stewardship. In just 18 months of operations, 159 landholders have signed or plan to sign a conservation agreement with the NSW BCT, creating conservation areas across 36,000 hectares. The BCT is investing more than $101 million to support these agreements. More than two-thirds (68%) of the BCT's investment in funded conservation agreements is flowing to graziers, farmers or mixed farming enterprises. These farmers are being paid by the BCT to manage parts of their properties for conservation. Notably, more than 80% of the BCT's investment is flowing to in-perpetuity conservation agreements

➢ By the end of 2019 the Tasmanian Midlands Conservation Fund will have paid agreements protecting over 7,000 ha of land (>90% of its target for 8,000ha). Reporting from the MCF due to be completed this year demonstrates that:
  - Landholder uptake has continued to increase, and may only be limited by funds available.
  - Landholder satisfaction in the programs has consistently (since 2014) sat at >90% of landholders being satisfied or very satisfied with the program.
  - Ecological monitoring is showing that, despite dry conditions in some years, three of four ecological indicators have been maintained at good condition or improved.

- Areas under Stewardship Agreements have been protected from complete conversion to irrigated cropping, protecting critically endangered habitats that would otherwise have been lost and still supporting grazing income, in some cases at market premiums. This raises the importance of the link between environmental stewardship programs and the potential for farm businesses to access premium pricing and markets demanding environmental certifications.

- In South Australia, the Marshall Liberal Government recently committed $3 million of funding over the next two years to State's Heritage Agreement program. Over 1,600 SA landholders have Heritage Agreements, protecting more than 1.8 million hectares across the State. The injection of funding was celebrated by the coalition of farming and conservation organisations including Primary Producers SA and Livestock SA who worked collaboratively on the original proposal. In making the announcement, the State Environment Minister David Spiers noted the Heritage Agreement program provided a way for the State Government to work with private landowners to deliver practical environmental outcomes such as active management of key conservation threats such as feral animals, weeds and wildfire. Delivery of the program will be co-designed with landholders, primary producers and the conservation sector to maximise outcomes.

These are just some of the many examples of stewardship programs delivered by State based agencies and NGOs which could be dramatically expanded via the National Biodiversity Conservation Trust Fund as set out in Recommendation 21 of the Craik Report. The Fund would provide a means of recognising and supporting the contribution of farmers and other landholders to improving and protecting landscape function, reducing Australia's rate of extinction and meeting Australia's biodiversity targets.

ALCA strongly supports a model which builds on the knowledge and experience of existing programs across the country. Targeted and, where appropriate, ongoing payments to landholders for delivering measurable biodiversity improvements on their land, including through protection of key environmental assets.

Long term, the Fund will grow Australia's wealth of environmental assets at both an enterprise and national level. This will be central to underpinning long term agricultural productivity as well as restoration, care and protection of threatened species, particularly those which are under immediate threat or which cannot directly generate returns through environmental markets.

We note and support piloting and development of the National Biodiversity Conservation Trust Fund by way of the recently announced Australian Government $34m agriculture stewardship program. We encourage and hope to work closely with Government and others through the piloting stage towards full implementation of National Biodiversity Conservation Trust Fund as set out in Recommendation 21 of the Craik Report.

Design and implementation of the Fund is clearly something ALCA and its members are well placed to support or, where appropriate, lead in conjunction with industry.

**KEY ENABLER # 3**

**Implementing an accessible and comparable natural capital measurement and accounting framework to improve on-farm decision making and provide information about natural capital stocks and flows to farm businesses, financiers and government.**

Finding an agreed means of assessing natural capital stocks and flows will assist farm businesses, financiers and governments to better understand natural capital wealth as well as natural capital risks and opportunities at enterprise or broader scale. In turn, this understanding will provide a truer picture of the costs of production as well as a providing a framework for diversification of farm revenue streams based on increasing income from flows from ecosystems services.

ALCA sees the implementation of accessible and comparable natural capital measurement and accounting framework as a critical enabler to delivering on the 2030 target of 5% of farm revenue (equivalent to $5 billion) being generated by way of benefits from ecosystem services (being flows of natural capital).

Catalysing investment in environmental stewardship and environmental practices like sustainable agriculture and landscape restoration depends upon accurate economic and environmental valuation systems. These systems ensure meaningful data can be collected and used to support return-on-investment metrics.

ALCA endorses the need for a natural capital accounting framework to drive valuation of natural capital and its incorporation into the national accounts. ALCA further endorses the position put by the NFF in its Natural Capital Policy of "the need to capture the value of natural capital in a market-based system that is integrated with the Australian economy and recognises that the best environmental outcomes are achieved by empowering and incentivising landholders to manage their landscapes."

In April 2018, Commonwealth, State and Territory environment ministers endorsed a Strategy and Action Plan for a common national approach to environmental-economic accounting. The Strategy commits to adoption of the United Nations System of Environmental-Economic Accounting (SEEA), agreement on consistent standards and methods for accounting within the framework of the SEEA. The private sector is also taking steps at an institutional level through the Natural Capital Protocol.

**KEY ENABLER # 4:**

Undertaking a cross-jurisdictional process to identify and reduce barriers blocking landholders wanting to engage in environmental markets like carbon, biodiversity and water quality offsets or credits.

Removing regulatory barriers to landholders engaging in emerging markets like carbon, biodiversity and water quality offsets or credits is central to scaling up investment and diversifying income streams available to farm businesses and other landholders.

Emerging environmental markets present substantial opportunities to diversity and grow farm income. Analysis and, where possible, removal of barriers to entry into these markets will be critical to the success of Key Enablers 1, 2 and 3 above.

Currently there are various policy and regulatory barriers to landholders engaging in some markets. For example, in some States and Territories, the remains uncertainty or regulatory barriers preventing pastoral leaseholders engaging in production and sale of ecosystems services as these are not clearly recognised as being for pastoral purposes.

There are also barriers to ‘income stacking’ opportunities where farmers could sell more than one ecosystem services onto different markets (eg. carbon and biodiversity). In some instances, this may be by way of premium pricing for “co-benefits” in other instances, the ecosystem services may be stand alone “products” which can be valued and sold.

The opening up of the carbon sequestration market under the Climate Solutions Fund, to enable farmers to participate, particularly where linked to co-benefits such as biodiversity, could also provide a substantial opportunity to grow investment in the agriculture sector. In addition, this would provide a direct contribution to the target in the NFF’s 2030 Roadmap of “trending towards carbon neutrality by 2030.”

Similarly, emerging opportunities under development in Queensland include water quality market which has the potential to provide improvements to land and water quality and generate income for farmers and landholders.

ALCA strongly endorses and would be pleased to lead and/or participate in a review considering barriers to farm businesses and other landholders presented by State and Federal regulatory frameworks and policy positions.

Notes:

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[i] Bridge finance is used extensively in Australia by government, and even sometimes the private sector, to support mainstream investment in real estate, infrastructure and other real assets. For example, governments in Australia commonly provide concessional loans as a form of bridging finance to infrastructure projects (e.g. road) while they are being constructed, with repayment to occur when the project becomes operational and starts generating revenue e.g. when tolls are being paid by users. Similar bridging finance structures have been provided for renewable energy projects (via the Australian Renewable Energy Agency and the Clean Energy Finance Corporation). (Refer 2018 "Scoping Paper: Expanding Finance Opportunities to Support Private Land Conservation in Australia" at 4.4.3 available here)

[ii] Such procedures help investors quickly remove unfeasible projects from their pipelines, so they can allocate more resources to evaluate those with more promise24 . Project templates, such as Encourage Capital's blueprints for investing in sustainable fisheries, the Coalition for Private Investment in Conservation's (CPIC) investment blueprints and California's standardised conservation covenant template, can also help accelerate the process of developing and structuring projects while helping investors avoid high-risk projects. These types of procedures and templates are common in some markets in Australia, e.g. the carbon offset sector where Emissions Reduction Purchase Agreements have made it easier and cheaper for private sector investors to purchase carbon offsets. (Refer 2018 "Scoping Paper: Expanding Finance Opportunities to Support Private Land Conservation in Australia" at 4.4.2 available here)

[iii] Conservation and sustainable land management focused investments are often relatively small compared to other private investment opportunities, creating a significant disincentive for fund managers to invest. Face-to-face interviews with several of Australia's largest fund managers suggested that deals need to be in the realm of at least AUD 50 million to AUD 100 million to be worth considering144 . This is partly because transaction costs tend to cut significantly into small scale investment opportunities. Associated with this challenge is that conservation-based revenue streams are often considered less competitive compared to competing market opportunities (2018 Scoping Paper at 4.4.1 available here)

[iv] Both financial support, market development and capacity building (e.g. networks, training, technical assistance) are important at this stage of development, and present a vital role for government and NGOs to work with investors to establish, for example, innovation incubators and incentives to aid start-ups and the formation of networks e.g. NAB's business and technology incubator programs, Impact Investing Australia's Impact Investment Ready Growth Grant, and the US-based Conservation Finance Network and CPIC. Such efforts can play a critical part in this regard whereby potential investors are connected with conservation and sustainable land management projects that suit their risk appetite and their expectations for environmental impact and financial returns. Incubators have been shown to be an effective proving ground for new conservation financing ideas such as environmental impact bonds and insurance products which serve to mitigate risk. (2018 Scoping Paper at 4.4.2 available here)

[v] Craik, W. 2018. Review of interactions between the EPBC Act and the agriculture sector. Independent report prepared for the Commonwealth Department of the Environment and Energy at section 7.4