

21 December 2023

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Agriculture and Land Sectoral Plan – The Australian Sustainable Finance Institute Submission

The Australian Sustainable Finance Institute (ASFI) welcomes the opportunity to provide input and feedback on how the agriculture and land sectors can play a part in the economy-wide Net Zero 2050 plan to the Department of Climate Change, Energy, the Environment and Water (DCCEEW) and the Department of Agriculture, Fisheries and Forestry (DAFF).

About ASFI

ASFI is a not-for-profit organisation committed to aligning the Australian financial system with a sustainable, resilient, and inclusive Australia. Our members are 44 of Australia's leading financial institutions – including major banks, superannuation funds, insurers, asset managers, and financial services firms. ASFI members collectively hold over AU\$18 trillion in assets under management and are committed to allocating capital in a way that creates positive social and environmental outcomes.

Summary of key recommendations

1.	<p>Holistic sustainable landscape management as the main pathway to net zero for the agriculture and land sectors</p> <p>ASFI recommends the implementation of the Agriculture and Land Sectoral Plan' through policies that encourage a holistic approach to sustainable management of Australia's landscapes. Reducing emissions, and the actions needed to achieve this, cannot be considered in isolation from broader impacts and contributions of the sectors on nature and society.</p>
2.	<p>Opportunities and barriers to uptake of sustainable land practices</p> <p>Lack of understanding, information, and support for land managers on the operationalisation and benefits of key sustainability land management practices that increase natural capital is a major barrier to uptake.</p> <p>ASFI recommends the Government leverage existing extension networks, including peer-peer farmer learning, and applied research initiatives to continue to inform, educate and support landholders to understand the relationship between sustainable land management</p>

	practices that generate increased natural capital and the multiple sustainable outcomes and benefits it provides.
3.	<p>Opportunities and barriers to funding sustainable land management practices</p> <p>The lack of reliable market information on sustainable land management practices is currently a barrier to investment and funding in the sectors. There is a strong market need for standardised sustainability criteria for the agricultural sector, to assist the finance sector to set decarbonisation targets for that sector, manage both climate and nature risk and increase lending and investment.</p> <p>ASFI proposes developing sustainability criteria in the Australian Sustainable Finance Taxonomy for the agriculture and land sectors that covers management activities across all environmental objectives, not just climate mitigation.</p>
4.	<p>Opportunities to drive investment in sustainable land management practices</p> <p>Even where the business case for investment in sustainable land management practices that increase natural capital is well understood, there are still financial barriers to investment, especially for smaller land managers.</p> <p>ASFI recommends incentivising land managers to invest in sustainable land management practices through discounted blended financing options facilitated by the Clean Energy Finance Corporation (CEFC). This would require expanding the mandate of the CEFC to explicitly invest in and provide funding for natural capital co-benefits and landscape adaptation and resilience alongside emissions reductions outcomes in the agriculture and land sectors.</p>
5.	<p>The need for better data and information</p> <p>Facilitating better data and information for the agriculture and land sectors, particularly regarding their GHG emissions. For this purpose, ASFI recommends:</p> <ul style="list-style-type: none"> • Expanding reporting obligations under NGERs to the agricultural and land sectors aligned to the reporting obligations in the new climate disclosures regime. Accordingly, produce the regulatory guidance on methods for calculating agricultural emissions under NGERs, which should include an agreed “whole of farm”/ “insetting method” as one option for calculating emissions. • Ensuring there is an equitable cost distribution across the value chain of providing data and information. Particularly for small producers that fall outside reporting thresholds, Government should consider the effectiveness of providing incentives and support to assist them with GHG emissions measurement and reporting. • Investing in the management and dissemination of robust and credible environmental information and data – integrated into one source from local and federal level data sets – that is consistently collected across all jurisdictions to inform sound policymaking, market comparability, climate and nature risk and opportunity disclosures. • Providing clarity around key areas of nature risk for investors in the agriculture and land sectors Including: <ul style="list-style-type: none"> ○ a harmonisation of Australia’s land clearing laws and clear and consistent definitions and standards on deforestation in the sectors, ○ guidance and definitions of what ‘sensitive locations’ or ‘areas deemed to be ecologically sensitive’ are for Australia.

6.	<p>Achieving broader social and environmental policy outcomes</p> <p>Exploring resourcing First Nations-based programmes, incubators or accelerators that support the goals of the 'Agriculture and Land Sectoral Plan' and the Net Zero 2050 plan. This should be informed by First Nations peoples at the design of such programs.</p> <p>Consider specific funding support to enable economic self-determination of First Nations peoples on their land through economic participation in agriculture and other sustainable market opportunities.</p>
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Holistic sustainable landscape management as the main pathway to net zero for the agriculture and land sectors

ASFI supports the development of the 'Agriculture and Land Sectoral Plan' and the implementation of the Plan through policies that encourage a holistic approach to sustainable management of Australia's landscapes.

ASFI notes that the main objective of the 'Agriculture and Land Sectoral Plan' is reaching net zero emissions by 2050; however, reducing emissions, and the actions needed to achieve this, cannot be considered in isolation from broader impacts and contributions of the sectors on nature and society. ASFI proposes that the approach to agricultural and land sectors decarbonisation should not only enable GHG emissions reduction and encourage carbon sequestration but have as complementary goals repairing nature and biodiversity and increasing the adaptation and resilience of our landscapes in the face of a changing climate.

Capital markets increasingly see lending and investment in the agriculture and land sectors through both a climate and nature lens. Accordingly, investors and funders are seeking to mitigate climate and nature risks and invest in opportunities that will deliver multiple environmental outcomes and social co-benefits. Sustainable investment opportunities and outcomes in agriculture and land sectors are significantly greater when the sectors are classified and assessed across multiple sustainable objectives, which sustainable land management practices provide, rather than viewing sustainable investment through a narrow climate mitigation lens.

In Australia there are several types of investible activities in the agriculture and land sectors that benefit climate mitigation as well as other environmental objectives, and that have clear adaptation and resilience co-benefits such as the reduction of business costs, improvements in ecological services and biodiversity, building business resilience from climate change, enhancing profitability and the strengthening of sustainable farming credentials. Other non-agricultural land management activities including carbon-and-environmental plantings are estimated to grow substantially in the coming years and will play an important role in Australia's transition to net zero.¹ This has the potential to also create new opportunities for self-determined economic participation for First Nations who have ownership, management, co-management or other special rights to a significant portion of Australia's land.²

A holistic approach to agriculture and land decarbonisation that includes both decarbonisation and environmental sustainability through investment in natural capital provides an opportunity for

¹ Climate Change Authority "Reduce, remove and restore: The role of carbon sequestration in accelerating Australia's decarbonisation (2023), available at <https://www.climatechangeauthority.gov.au/publications/reduce-remove-and-store-role-carbon-sequestration-accelerating-australias-decarbonisation> (accessed 29 November 2023).

² Department of Agriculture, Fisheries and Forestry, "Australia's Indigenous land and forest estate" available at <https://www.agriculture.gov.au/abares/forestsaustralia/forest-data-maps-and-tools/spatial-data/indigenous-land-and-forest> (accessed 29 November 2023).

Australia to position itself globally as a premier producer of sustainable agricultural products and become a global destination of choice for investment in abatement and sequestration opportunities in the sectors. It would also complement and support investment in the Government's newly legislated Nature Repair Market.

Opportunities and barriers to reduce emissions and build carbon stores in agriculture and the land sectors

The Australian agricultural sector is a large export sector for Australia and is highly dependent on and has a substantial impact on nature. According to ABARES data³, agriculture accounts for 55 per cent of Australian land use (427 million hectares), 24 per cent of all water extractions and 13 per cent of Australia's GHG emissions. Currently there are limited direct emissions reductions options available to the agriculture and land sectors. These include:

- electrification of farms using renewable energy,
- fuel switching away from diesel to more sustainable alternatives,
- changes in fertiliser use,
- changes in animal husbandry practices such as use of feed supplements and dietary changes for animals,
- management of farm effluent,
- emissions avoidance through halting deforestation and undertaking sequestration activities including reforestation.

Sustainable and regenerative land management practices that utilise nature-based approaches and increase natural capital, including soils and vegetation, on productive landscapes can also play an important role in reducing emissions and sequestering carbon while improving profitability. It can lead to more profitable outcomes for land managers due to increased economic resilience through reduced variability in production during extreme weather cycles and reduced reliance on inputs. Increasing natural capital through sustainable land management practices also facilitates carbon sequestration and other environmental outcomes.

Lack of understanding, information, and support for land managers on the operationalisation and benefits of key sustainability land management practices that increase natural capital is a major barrier to uptake. The improvement in farmers' ability to understand the business case for investment in natural capital in agricultural landscapes, combined with targeted support for change, would unlock significant private investment in natural capital.

Initiatives like the [Farming for the Future \(FtF\)](#) work program are helping to close that knowledge gap. This program is designed using and supporting the existing extension networks (farm advisors, accountants, NRM and Landcare groups and peer-peer farmer led groups) to collect data and accelerate and scale the transfer of science-based evidence of successful and profitable innovations communicated at the local/farm-scale.

ASFI recommends the Government leverage existing extension networks, including peer-peer farmer learning, and applied research initiatives to continue to inform, educate and support landholders to understand the relationship between sustainable land management practices that generate increased natural capital and the multiple sustainable outcomes and benefits it provides.

³ Department of Agriculture, Fisheries and Forestry, "Snapshot of Australian Agriculture 2023", available at <https://www.agriculture.gov.au/abares/products/insights/snapshot-of-australian-agriculture> (accessed 25 November 2023).

Opportunities to drive investment in sustainable land management practices

The lack of reliable market information on sustainable land management practices is currently also a barrier to investment and funding in the sectors. This is why the outcomes of the research program of FftF are of equal interest to the finance sector, in helping the sector to understand, define, standardise, and invest in sustainable land management practices. [ASFI in partnership with FftF](#) has established a natural capital advisory group comprised of Australia's leading agricultural financiers and investors to:

- Define investible sustainable land management practices through identifying key natural capital indicators derived from the research produced by FftF and understanding their linkages with: increased agricultural productivity and profitability, climate adaptation and resilience, nature risk dependencies, and carbon mitigation and sequestration benefits.
- Identify and link natural capital indicators to key financial indicators utilising FftF research project outputs to enable financial institutions to incentivise sustainable outcomes through lending and investment.

There is a strong market need for standardised sustainability criteria for the agricultural sector, to assist the finance sector to set decarbonisation targets for that sector, manage both climate and nature risk and increase lending and investment to identifiable opportunities that will contribute to climate mitigation, adaptation and resilience and Australia's broader environmental objectives.

ASFI, in partnership with the Australian Government, is currently developing an Australian [sustainable finance taxonomy](#) that defines economic activities and assets that contribute to Paris-aligned climate mitigation objectives and do not undermine other key environmental and social objectives. A sustainable finance taxonomy will make it easier to identify opportunities, to create sustainable assets and activities and guide capital to support the achievement of Australia's climate, environmental and social objectives. The taxonomy will cover activities and assets in up to six priority sectors. The priority sectors are aligned with the six sector decarbonisation plans the Government is developing, including the agriculture and land sectors.

Climate change mitigation has been identified as the priority objective in the Australian taxonomy's initial development phase. This is due to the market's urgent need for credible and usable guidance on the types of activities that align with an Australian net zero transition pathway, and to support interoperability with international taxonomies that also prioritise mitigation. However, sustainable investment opportunities and outcomes in agriculture and land sectors are significantly greater when the sector is classified and assessed holistically across multiple sustainable objectives. Accordingly, ASFI proposes that in developing sustainability criteria for the agriculture and land sectors, it develops criteria for all the environmental objectives, not just climate mitigation. The development of taxonomy technical criteria for agriculture and land management activities across the other environmental objectives, in addition to climate mitigation, could accelerate investment in multiple sustainable objectives and place Australia at the forefront of defining sustainable agricultural production and land management, given most other taxonomies have not developed criteria for these sectors.

Even where the business case for investment in sustainable land management practices that increase natural capital is well understood, there are still financial barriers to investment, especially for smaller land managers. Government could incentivise land managers to invest in sustainable land management practices through discounted blended financing options facilitated by the CEFC. This would require expanding the mandate of the CEFC to explicitly invest in and provide funding

for natural capital co-benefits and nature-based solutions for landscape adaptation and resilience alongside emissions reductions outcomes in the agriculture and land sectors.

The need for better data and information

The lack of GHG emissions information in the sectors is likely to lead to the sectors being assessed as high risk and discourage much needed capital flows. GHG emissions data is also necessary to build robust investment standards over time and to be able to track progress. ASFI therefore recommends:

- Expanding reporting obligations under NGERs to the agricultural and land sectors aligned to the reporting obligations in the new climate disclosures regime. Greenhouse gas emissions information for the agricultural and land sectors is crucial to attracting long-term investment in the sectors. Accordingly, the current NGERs exemption of emissions reporting from the agriculture, land use, land use change and forestry sectors should be removed and aligned with reporting emissions under the new mandatory climate disclosure framework. ASFI supports the Climate Change Authority's recent recommendations in their review of the NGER legislation that the Government should work with stakeholders to include agriculture and land under the NGER scheme in a manner that meets private and public sector requirements for robust, comparable data and minimises unnecessary reporting costs.⁴ Although individual emitters in the agriculture and land sectors will often be well below the reporting threshold, their emissions will need to be reported as scope 3 emissions by larger entities.
- That regulatory guidance on methods for calculating agricultural emissions under NGERs be produced including an agreed "whole of farm"/ "insetting method" as one option for calculating emissions. This will reduce costs for all parties and help provide land managers with more decarbonisation options and pathways, which better suit their land management strategies and provide clarity and guidance to the market.
- Government should invest in the management and dissemination of robust and credible environmental information and data – integrated into one source from local and federal level data sets – that is consistently collected across all jurisdictions to inform sound policymaking, market comparability, climate and nature risk and opportunity disclosures. This should include the underlying data used for Australia's LULUCF (i.e. land use change) emissions in a geospatial format that makes a distinction between agriculture, forestry and land data. The newly established Environment Information Australia could provide this service which could operate on a cost recovery basis with a fee for service charged for curated information and baseline information freely accessible.

It should be noted that primary producers are at the beginning of the agricultural value chain, which includes logistics, processing, retailing and financing activities. While there is often a strong focus on decarbonisation and sustainability in primary production, all parts of the value chain stand to benefit from these efforts and the information and data that are generated from primary producers. There is a role for Government in ensuring there is an equitable cost distribution across the value chain of providing data and information.

- ASFI recommends that the Government consider the effectiveness of providing incentives and support to primary producers that fall outside reporting thresholds to assist them with GHG emissions measurement and reporting.

⁴ Climate Change Authority "2023 Review of the National Greenhouse And Energy Reporting Legislation", available at [2023 NGER Review - for publication.pdf \(climatechangeauthority.gov.au\)](https://www.climatechangeauthority.gov.au/2023-NGER-Review-for-publication.pdf) (accessed 19 December 2023)

ASFI also supports the publication of clear, science-based Australian emissions reduction pathways for the agriculture and land sectors – at the sectoral and sub-sectoral level – that are aligned with the Paris agreement and cover a range of economic climate change mitigation scenarios. This is a critical piece of the information architecture to inform target setting, transition planning and capital allocation decisions for the finance sector.

Given the interconnectedness of climate and nature considerations for investors, clarity is needed around key areas of nature risk for investors in the agriculture and land sectors. This includes:

- A harmonisation of Australia's land clearing laws and clear and consistent definitions and standards on deforestation in the sectors,
- Guidance and definitions of what 'sensitive locations' or 'areas deemed to be ecologically sensitive' are for Australia to support better understanding of Australian businesses and investors' interactions with nature.

Achieving broader social and environmental policy outcomes

ASFI welcomes the recognition in the 'Agriculture, land and emissions' discussion paper of the importance of engaging with First Nations people to incorporate their perspectives, knowledge, and expertise in caring for Country across the sectors.

ASFI recommends the Australian Government explores resourcing First Nations-based programmes, incubators or accelerators that support the goals of the 'Agriculture and Land Sectoral Plan' and the Net Zero 2050 plan and consider specific funding support to enable economic self-determination of First Nations peoples on their land through economic participation in agriculture and other market opportunities. This should be informed by First Nations peoples at the design of such programs.

Concluding remarks

Australia has recently committed to the Emirates Declaration on Sustainable Agricultural, Resilient Food Systems, and Climate Action, which aims to "*accelerate and scale science and evidence-based innovations – including local and indigenous knowledge – which increase sustainable productivity and production of agriculture and related emerging domains, promote ecosystem resilience and improve livelihoods, including for rural communities, smallholders, family farmers and other producers*". Supporting policies and investments that drive sustainable land management practices to reduce emissions as well as increase natural capital, as set out above, is key to achieve these ambitions and pledges.

Thank you for the opportunity to provide this feedback. We would be happy to discuss any of our comments in more detail with you. [REDACTED]

Yours sincerely,

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Date: 21 December 2023