

Agriculture and Land Sector Plan

KPMG submission

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Executive summary

We are pleased to provide KPMG Australia's (KPMG) submission to the Department of Agriculture, Fisheries and Forestry's (DAFF) Agriculture, Land and Emissions Discussion Paper.

KPMG welcomes the Commonwealth Government's intention to develop six sectoral emission reduction pathways. Early consultation on the agriculture and land sectoral plan is a welcome step and opens the opportunities for primary producers, land managers and other stakeholders to shape a meaningful contribution to Australia's national 2050 net zero ambition. A credible sectoral decarbonisation plan is needed to ensure the sector is well placed to meet growing expectations on the part of consumers, export markets and providers of finance.

KPMG acknowledges that many agricultural industry and private sector organisations are already taking action on climate change and broader sustainable development goals.

In this context a sectoral plan that encompasses agricultural value chains and integrates these plans has the potential to be transformative. KPMG suggests the following elements should be a key part of any sectoral plan:

- any sectoral plan needs to be co-designed between farmers and other land managers, including First Nations peoples, and food and fibre value chain participants including providers of finance;
- near-term opportunities with respect to carbon sequestration and sectoral energy emissions should be fully captured while longer-term technologies are developed and deployed;
- the sectoral plan should identify clear goals and ambition, to drive and align action amongst the different stakeholders and governments around technology and deployment;
- the sectoral plan should include a data strategy to ensure all parts of the supply chain can better understand and manage emissions, and consideration should be given to developing a trusted farm-level reporting platform;
- the sectoral pathway should have a strong focus on building producer and supplier capability and skills to ensure deployment can meet potential.

KPMG is proud to support Australia's primary industries, agribusiness and the emerging carbon farming industry, and our response to the questions in the attached flows from our work with clients in the sector.

If you would like to discuss the contents of this submission further, please do not hesitate to contact us.

Yours sincerely,

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Background

About KPMG

KPMG is a global organisation of independent professional firms, providing a full range of services to organisations across a wide range of industries, governments and not-for-profit sectors. We operate in 146 countries and territories and have more than 227,000 people working in member firms around the world. In Australia, KPMG has a long tradition of professionalism and integrity combined with our dynamic approach to advising clients in a digital-driven world.

KPMG believes in a fair and just transition to net zero. In 2017, we embarked on our own climate action journey, with our most recent Climate Action Plan (2023-30) outlining our commitment to achieving net zero emissions by 2030. We are also committed to actively support and accelerating our clients' unique decarbonisation journeys – including those in carbon-intensive and hard-to-abate sectors. This is reflected in our investment into emerging solutions, services and capabilities to help support Australia's transition to a low carbon and nature positive future.

KPMG is also deeply committed to Australia's primary and rural industries, with a dedicated Food and Agribusiness Practice that has a sound reputation of delivering consultancy, advisory, audit and tax services to public and private sector clients across agricultural value chains. Our team have specialist sectoral experience, with deep experience working with government, research and development corporations, peak industry bodies and rural businesses to navigate headwinds and maximise opportunity.

We believe our multidisciplinary model is the best way to serve our clients, our people and society. Decarbonisation in the agriculture and land sector is complex, integrated thinking is required to mitigate risks, capture opportunities and ensure the productivity and profitability of our agricultural businesses. We have applied our multidisciplinary model to ensure we can bring the breadth of experience and specialist skills to consider and respond to the Agriculture and Land Sectoral Plan.

Recommendations

Recommendations

RECOMMENDATION 1: THE NEED FOR HIGHER AMBITION

- The sectoral plan needs to position the agriculture and land sector to meaningfully contribute to national emissions reduction by including specific goals and actions to achieve progress on prospective abatement opportunities, and a clear technology roadmap with stretch goals for hard-to-abate areas.
- Any plan needs to integrate practices and solutions to deliver productivity, resilience, nature and emissions reduction outcomes, which will enable synergies to be exploited in achieving these goals, and any trade-offs to be explicitly addressed.

RECOMMENDATION 2: BUILDING ON EXISTING EFFORT AND KNOWLEDGE

- The sectoral plan should take into account the existing ambition of the food and fibre value chain and look for opportunities to build on this from additional cooperation between parts of this supply chain, finance providers and governments.
- The sectoral plan should be co-designed between producers, parts of the supply chain, including sources of finance, and governments.
- The sectoral plan should leverage the emerging interest in supply chain sustainability to encourage co-investment in, and support toward, farm-level emission reduction opportunities.
- The plan should coordinate overall sectoral action, whilst reflecting the inherent diversity of the sector. Sub-plans for industry sectors and regions will play an important role.
- Agriculture and land sector stakeholders should coordinate with other sectors as they build their plans. It will also be important to avoid inconsistencies or unhelpful overlap between sectoral plans.

RECOMMENDATION 3: OPPORTUNITIES TO REDUCE EMISSIONS

- The sectoral plan should have a strong focus on areas where near-term emissions reduction and abatement are prospective, for example, on-farm energy use and further building sustainable carbon farming opportunities.
- There should remain a strong focus on developing technological solutions to address the significant hard-to-abate emissions in the sector.
- The sectoral plan should focus on the development, scaling and commercialisation of low emissions technologies and solutions that are practical and suitable in a range of agricultural contexts.

RECOMMENDATION 4: DEVELOPING EMISSIONS PATHWAYS

- The plan should include interim goals or indicators against which to assess progress, such as emissions intensity, specific 'missions' to accelerate abatement in specified areas and goals around methane reduction.

RECOMMENDATION 5: SUPPORTING AND ENABLING CHANGE

- Capacity development at farm-level and throughout the supply chain should be a key element of the plan.

- Carbon farming capabilities will also require attention, to enable the scale-up of sustainable solutions that are appropriate to local farming systems.
- The sectoral plan should include a data strategy to facilitate the measurement, reporting and validation taking account of existing information capture in the supply chain.
- This data strategy should consider ways to improve farm-level emissions data, for management and reporting of emissions, including consideration of a consistent and nationally supported platform.

KPMG insights

KPMG insights

1. The need for higher ambition

Climate change is already affecting Australia's producers and the environment. Reducing emissions is critical for reducing future climate risk for the agriculture and land sector.

Discussion Paper Questions 1-2:

- 1. What are the opportunities to reduce emissions and build carbon stores in agriculture and the land? What are the main barriers to action?***
- 2. How can we progress emission reduction efforts whilst also building resilience and adapting to climate change?***

The sectoral plan needs to position the agriculture and land sector to meaningfully contribute to national emissions reduction by including specific goals and actions to achieve progress on prospective abatement opportunities, and a clear technology roadmap with stretch goals for hard-to-abate areas. There is a need for decisive action to reduce emissions from the agriculture and land sector to ensure Australia's industries and communities are well placed to be productive, resilient and competitive in local and global markets.

In our work with National Farmers' Federation (NFF) on [The time Is Now: The Australian Agriculture Sustainability Framework and its role in sustainable supply chains](#) (AASF Report), we noted the need for a strong focus on sectoral sustainability given rapidly changing buyer, financier and regulator demands. Businesses, including those in the agriculture sector, who do not act are at risk of loss of access to both physical and capital markets.

Many countries are progressing with stronger ambition to reduce emissions from agriculture. For example, the EU has outlined an approach for the combined agriculture, forestry and other land use sector to reach carbon neutrality. There is increasing focus on the role of embedded carbon in food and fibre supply chains on the part

of consumers and providers of finance. Countries are also looking at border measures to ensure neutral treatment of domestic producers facing emissions obligations.

Any plan needs to integrate practices and solutions to deliver productivity, resilience, nature and emissions reduction outcomes, which will enable synergies to be exploited in achieving these goals, and any trade-offs to be explicitly addressed. From our work with a range of Research and Development Corporations (RDCs), industry organisations and both private and public businesses, we are aware that the emissions reduction challenge is occurring alongside other significant challenges in the sector. Hence an integrated response is required. This includes careful consideration of options that promote productivity, resilience and enhance nature outcomes. There is considerable potential to foster resilience to climate risks for landscapes, bioregions and individual businesses through activities that achieve multiple goals. For example, actions that build carbon in the landscape through biodiverse planting and farming systems.

There can however be trade-offs in some objectives, and these should be carefully outlined and optimised. Emerging frameworks for climate and nature-based reporting require both clear goals and objectives, and credible transition plans. Hence it will be important for sector level plans to credibly address the range of production, climate and nature-based outcomes and risks.

The sectoral plan should be integrated with other important initiatives including the Nature Repair Bill, Nature Positive Plan and the Federal Government's support for the Taskforce on Nature-related Financial Disclosures (TNFD). From our involvement in the development of the TNFD and as outlined in [Demystifying Natural Capital and Biodiversity](#), we have seen that there are significant opportunities to manage emissions reduction, nature and biodiversity in an integrated way. [A Return on Nature](#), published in collaboration with the NFF, finds that there is a potential to deliver value and returns to rural businesses and industries through public and private investment in natural capital assets.

Managing nature and climate in this way can foster landscape-level resilience and a thriving agricultural sector. Hence the management of nature and climate in an integrated manner is a key option for both near and longer-term emissions reduction and sectoral productivity.

2. Building on existing effort and knowledge

There has already been significant action taken by industry, governments, First Nations people, local and regional communities to address climate change.

Discussion Paper Questions 3-4:

- 3. Are there initiatives or innovative programs underway that could be applied or expanded on at a national scale?***
- 4. How can the Australian Government bring together existing effort and new initiatives into one coordinated plan?***

The sectoral plan should take into account the existing ambition of the food and fibre value chain and look for opportunities to build on this from additional cooperation between parts of this supply chain, finance providers and governments. KPMG acknowledges that many agricultural and industry bodies have already taken a leading role in championing emissions reduction. This includes industry bodies such as the [NFF](#), which in 2020 set a clear goal of achieving net zero emissions by 2050. We also understand from our work with clients that throughout the value chain, large multi-national, private and ASX-listed agribusinesses are increasingly recognising ESG and taking meaningful action to understand their impact. This includes more than 50 percent of the top agribusinesses that operate in Australia that have set targets or are starting to baseline their scope 1-3 emissions.

The sectoral plan should be co-designed between producers, parts of the supply chain, including sources of finance, and governments. From our work with the NFF on the AASF Report, we observed that organisations in the sector are increasingly adopting a whole of value chain approach to both climate change and sustainability. A co-designed plan can better bring together these existing activities and allow the sector to move at scale. All stakeholders will have a role to play in creating sustainable change.

To support this effort, **the sectoral plan should leverage the emerging interest in supply chain sustainability to encourage co-investment in, and support toward, farm-level emission reduction opportunities.** From our contributions to AgriFutures Australia's [Banking on Sustainability](#) report and our [Banking on the climate transition](#) report, we saw opportunities to align capital flows and facilitate investment in decarbonisation practice change initiatives at the farm-level. Indeed, credible decarbonisation plans at business and sectoral level will increasingly be needed to continue to access capital on favourable terms. We believe the sectoral plan should therefore include a focus on collaboration opportunities with financial institutions and capital market participants.

The plan should coordinate overall sectoral action, whilst reflecting the inherent diversity of the sector. Sub-plans for industry sectors and regions will play an important role. We have seen the importance of ensuring plans recognise the different circumstances of agricultural industries, geographic locations and bioregions as demonstrated in DAFF's Drought Resilience Adoption and Innovation Hubs. These sub-sector plans will be critical in integrating critical landscape level components, such as capturing land-use synergies and trade-offs, and the achievement of strong nature outcomes.

Agriculture and land sector stakeholders should coordinate with other sectors as they build their plans. The agriculture and land sector can benefit from developments in technologies in other sectors. For example, the mining sector is making significant investments in alternative energy solutions for remote locations including stand-alone power systems and electrified mobile machinery. **It will also be important to avoid inconsistencies or unhelpful overlap between sectoral plans.** For example, as multiple sectors including agriculture, seek to use finite land-based sinks to achieve net zero goals.

3. Opportunities to reduce emissions.

Looking in more detail, there are technologies, practices and other measures that can reduce emissions and increase carbon stores. Some are established and others are still emerging.

Discussion Paper Questions 5-6:

5. What are the most important options to be further adopted or supported, looking in the short and the longer term?

6. What are the practical solutions to increase uptake?

Many agricultural emissions sources are amongst the hardest to abate in the pathway to net zero emissions. These, and particularly technologies to reduce methane emissions, must remain a focus of research and development.

At the same time, the sectoral plan should also have a strong focus on areas where near-term emissions reduction and abatement are prospective, for example, on-farm energy use and further building sustainable carbon farming opportunities. From our work with AgriFutures Australia on Powering Australia: Barriers to the Adoption of Alternative Energy in Agriculture¹ we have seen that low emissions energy and electricity technologies present some of the most viable short-term opportunity for emissions abatement in the agriculture and land sector. This includes renewable energy technologies, electrification and some bio-energy solutions.

Increased carbon sequestration provides another immediate opportunity to reduce emissions from the sector. Carbon sequestration plays an important role in offsetting or insetting emissions from hard-to-abate industries, including agriculture. The [2023 Carbon Farming Scorecard](#), prepared by KPMG with the Carbon Markets Institute, suggests that there are opportunities for state program development and Federal cooperation to deliver carbon farming practices that make a greater contribution to Australia's national emissions reduction targets.

At the same time, **there should remain a strong focus on developing technological solutions to address the significant hard-to-abate emissions in the sector.** Hard-to-abate emissions, such as those from enteric fermentation, make up the majority of emissions from the sector, and require significant investments in research, development and commercialisation of technologies and practices, to address these emissions in the medium to long term. For these emissions it may be more appropriate to set strong 'mission-based' technology goals to drive the necessary effort and commitment from governments and other stakeholders.

The sectoral plan should focus on the development, scaling and commercialisation of low emissions technologies and solutions that are practical and suitable in a range of agricultural contexts. To support a strong pipeline of low carbon technologies and solutions, the sectoral plan should focus on the commercialisation of agriculture-specific low emissions technologies. Our work with innovation hubs, Research and Development Corporations and other research institutions, has highlighted the importance of investing in R&D to develop, scale and commercialise low emissions technologies that are practical and suitable in a range of agricultural contexts. R&D activities can be aligned with the sectoral plan. They should also foster public and private research partnerships, prioritise the development of place-based solutions, engage directly with landowners and managers, and account for the diversity of agricultural production across industries and geographies. These models also act as a conduit for knowledge sharing across the public and private sector at a national and regional scale.

4. Developing emissions pathways

The plan will explore different ways for agriculture and land to contribute to whole-of economy emission goals, whilst also delivering on national priorities that include a profitable and productive future for agriculture, and sustainable management of Australian landscapes.

Discussion Paper Question 7:

7. How do you see the agriculture and land sectors contributing over the medium and longer-term? What are the opportunities to deliver emissions in parallel with wider goals?

The plan should include interim goals or indicators against which to assess progress, such as emissions intensity, specific 'missions' to accelerate abatement in specified areas, and goals around methane reduction. Establishing an appropriate set of goals, and indicators will help to ensure that progress across the plan can be measured and monitored over time. This will enable both industry and government to track the relative effectiveness of both private sector and government policies in place to achieve the goals. Adopting 'missions' or specific areas of

¹ Available on request.

focus will also be beneficial in driving change around a specific technology, practice or commodity, with specific supporting actions introduced to accelerate results. These can be set to recognise the importance of broader productivity and nature outcomes.

5. Supporting and enabling change

The plan will explore ways in which the Australian Government can help to accelerate emissions reduction in agriculture and increase carbon storage in the land.

Discussion Paper Questions 8-11:

- 8. How can the Australian Government better support agriculture and land sectors to; drive innovation, build capacity, ensure the system enables emissions reduction?**
- 9. What new initiatives could the Australian Government design that would support emissions reduction and carbon storage in agriculture and land and help ensure a productive, profitable, resilient and sustainable future for the sector?**
- 10. A consistent and trusted approach for assessing and reporting emissions is often raised as a barrier to reducing emissions. Is there a role for Australian government in addressing this concern, and how can producers and land managers be supported?**
- 11. What skills, knowledge and capabilities do you think producers and land managers need to implement change? What information and data would help them make decisions about emissions reductions and sustainable land management in the short and longer term?**

Capacity development at the farm-level and throughout the supply chain should be a key element of the plan. From our work with AgriFutures Australia on Powering Australia: Barriers to the Adoption of Alternative Energy in Agriculture² we have seen that complex capacity-related barriers are slowing the uptake of commercially viable low emissions technologies and solutions among primary producers. Skills and capabilities for on-farm alternative energy

technologies require specific focus given the challenges of rural and remote delivery. This will need to be coordinated with general efforts to improve the supply of skills in energy transition across the economy but will require specific attention.

Carbon farming capabilities will also require attention, to enable the scale-up of sustainable solutions that are appropriate to local farming systems. There is significant opportunity to build the carbon farming capacity and capabilities across Australia. The [2023 Carbon Farming Scorecard](#) noted important developments at the Commonwealth level, such as the Carbon Farming Outreach Program, and strong action in states such as Queensland and NSW. It also noted the significant opportunities to improve performance across all jurisdictions.

The sectoral plan should include a data strategy to facilitate the measurement, reporting and validation taking account of the potential for information capture in the supply chain. Digital technologies are available to foster traceability of attributes across the supply chain. For example, we have worked with industry to develop approaches to tracing sustainable sugar supply chains, including embedded emissions drawing on [KPMG Origins](#) technology. The AASF Report identifies the importance of measuring, monitoring and validating activities at the farm-gate and through the broader supply chain. The plan should look for ways to build on and broaden existing industry initiatives.

This data strategy should consider ways to improve farm-level emissions data, for management and reporting of emissions, including consideration of a consistent and nationally supported platform. As noted in the AASF Report, corporate sustainability reporting tools are quickly growing in sophistication and expanding their scope. However, the rapid growth of these tools and the lack of harmonisation across them has resulted in misalignment and confusion. We consider that there would be value in developing a single platform or approach that would be available for use and appropriate for a broad range of farm enterprises.³ This should include functionality that allows producers to record emissions management actions, including 'insetting', and share this data with others in the supply chain. Any reporting system should be developed taking into account emerging and related information

² Available on request.

³ We note the Climate Change Authority's recommendation to expand National Greenhouse and Energy Reporting (NGER) scheme to include agricultural

enterprises above the existing threshold. Here we are referring to a platform suitable for enterprises across the sector, to support a range of use cases including emissions management and third-party reporting.

needs, including for verified data on nature-based outcomes.



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