

Submission



QUEENSLAND
FARMERS'
FEDERATION

31 May 2023

Committee Secretary
Environment and Communications Legislation Committee
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Parliament House
Canberra ACT 2600

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Submitted online: www.aph.gov.au/Parliamentary_Business/Committees/OnlineSubmission

Dear Committee Secretary

Re: Nature Repair Market Bill 2023 and Nature Repair Market Bill [Consequential Amendments] 2023

The Queensland Farmers' Federation (QFF) is the united voice of agriculture in Queensland. It is a federation that represents the interests of 20 peak state and national agriculture industry organisations and engages in a broad range of economic, social, environmental and regional issues of strategic importance to the productivity, sustainability and growth of the agricultural sector. QFF's mission is to secure a strong and sustainable future for Queensland farmers by representing the common interests of our member organisations:

- CANEGROWERS
- Cotton Australia
- Queensland Fruit & Vegetable Growers (formerly Growcom)
- Nursery & Garden Industry Queensland (NGIQ)
- EastAUSmilk (formerly QDO)
- Australian Cane Farmers Association (ACFA)
- Turf Queensland
- Queensland United Egg Producers (QUEP)
- Queensland Chicken Meat Council (QCMC)
- Pork Queensland Inc
- Bundaberg Regional Irrigators Group (BRIG)
- Burdekin River Irrigation Area Irrigators Ltd (BRIA)
- Central Downs Irrigators Ltd (CDIL)
- Fairbairn Irrigation Network Ltd
- Mallowa Irrigation Ltd
- Pioneer Valley Water Cooperative Ltd (PV Water)
- Theodore Water Pty Ltd
- Eton Irrigation Co-operative Ltd
- Lockyer Water Users Forum (LWUF)
- Queensland Oyster Growers Association (QOGA)

QFF welcomes the opportunity to provide comment on the Nature Repair Market Bill. We provide this submission without prejudice to any additional submission from our members or individual farmers.

MEMBERS

Canegrowers
Cotton Australia
Qld Fruit & Vegetable Growers
Nursery and Garden Industry Qld

eastAUSmilk
Turf Queensland
Australian Cane Farmers Association
Queensland United Egg Producers

Queensland Chicken Meat Council
Pork Queensland Inc
Qld Oyster Growers Association
Irrigator Groups Across Qld

Position

The Nature Repair Market Bill attempts to create a voluntary national market to commercialise the biodiversity of Australian land. Similar to the Emission Reduction Fund scheme, the approved projects would be regulated by the Clean Energy Regulator (CER) and work to incentivise the protection or rehabilitation of a landscape's biodiversity. QFF supports the general goal to promote biodiversity conservation and long-term enhancement of ecosystems and recognises the potential of the Bill to create a valuable market.

Whilst QFF supports the principles of the Nature Repair Market Bill, it is uncertain upon the level of participation that will be seen across Ag sectors and independent farming bodies. Currently, adoption of the scheme is more appealing to larger corporations who can afford to fund and maintain these larger biodiversity projects to offset their environmental impacts. QFF acknowledges the opportunity the Bill provides to diversify income markets, however proposed amendments which would lower the financial risk factor for farmers would be encouraged. It further encourages a thoughtful and well-planned approach to the economic design of the biodiversity market. While the focus behind these environmental schemes such as Reef credits, ACCU's and the extended scheme of the Land Restoration Fund, is environmental rehabilitation and emission reduction, farmers look to these schemes as an alternative income source, which should be acknowledged to be the economic incentive and attraction behind the schemes. Agricultural land accounts for 55% of land use in Australia¹ and as such is a huge target demographic for environmental schemes such as this one. The Bill should focus on stewarding outcomes on farmland as an imperative principle and this should direct the design of the methodology framework and any consequential markets that result from the Bill.

QFF further encourages broader transparency and detailed information on methodologies for these biodiversity projects, the varied estimated investment required, and opportunities for methodologies to support coexistence across agricultural production which would further encourage involvement and alleviate doubts regarding return on investment and unintended negative impacts on farm production or regional communities. In an effort to better the adoption of the scheme and make it more accessible to farmers, QFF has drafted the below points of concern.

Biodiversity metric

QFF is aware of previous feedback provided to the committee regarding reservations surrounding the value of the singular certificate awarded to a biodiversity project. The deviation away from quantifiable units, which have been consistently used for these environmental schemes, is questioned in regards to how it would establish further value, confidence and participation in this biodiversity Bill. Singular, unvalued certificates do not create a market, let alone a competitive one, and further poses the question on how these certificates are valued according to project scale and biodiversity results. Will the Bill impose standards and services for certificate evaluation to provide further assistance to the project holder when on-selling? The potential large variability in project scale is not accounted for by a singular certificate and would give much power to buyers in such an unregulated market. The Explanatory Memorandum also states

'depending on the method, it is anticipated that some project reporting requirement could allow for the description of biodiversity outcomes in units, for example units that represent an amount of habitat improvement'

¹ DAFF, 2023

which suggests biodiversity project outcomes could be described in units, which could be valued. QFF supports the wider position that the Bill adopts the use of a credit or unit for these biodiversity projects, for which the Clean Energy Regulator already has a methodology framework in place for.

Altering the Bill to account in biodiversity credits would also simplify the quantification of the scheme's impact, following reporting and tracking of the scheme over years' time. Maintaining the use of a certificate hugely reduces the potential market of this scheme and the environmental trading potential already demonstrated in other schemes such as the Emissions Reduction Fund.

Additionally, given the 'reward system' for these projects is not divisible like carbon credits, it further lowers the attraction towards the voluntary scheme by reducing farmers' ability to vary income streams. Farmers' will want the right to be flexible with their project holdings and have the choice to inset and offset other portions. QFF supports the need for further stakeholder engagement and critical design considerations in the developing of the market for this Bill.

Scheme funding

As investment return is currently the sale of a certificate with no current estimation value or developed market, there is little incentive for agricultural producers to participate. As the government has not committed any money to this scheme, the financing of these projects further poses as a deterrent for farmers as potential project holders. Given the estimated cost of project set up is \$65 000- \$175 000, this is a significant financial commitment for the landholder to invest, with no guarantee of project outcomes or return on investment. As described in the memorandum there is limited uptake on agricultural land within the ERF scheme due to these financial hurdles. There is also concern on the 'competition' other schemes which do provide funding (i.e. ERF and Land use Restoration fund extension) may provide and whether this will have impact on uptake of this Bill.

QFF also requests further clarification on the estimated cost to taxpayers detailed in the bill memorandum as an estimated 13.2 million. Further information and transparency on where the costs will be allocated to (i.e. marketing, auditing) is needed, as in the current form, project costs will be self-funded by the project holder.

Liability and land value

Further elaboration is required as to what happens when a biodiversity certificate is sold prematurely, and the project outcomes are reversed due to natural disturbance events. Based on the current explanatory document of the Bill, the landholder would have to negotiate re-purchasing of the sold certificate or buy one or more certificates to replace the original. It is unclear whether these certificates must simply be purchased for the original sum or meet specific biodiversity outcome requirements to match the original project. This provides further basis for the Bill's metric framework to be altered to account in biodiversity units/credits, which can be deducted from the project holder to account for exact impact on the project. Not only would it allow for a more accurate capture of the reversal of project impacts but it would provide a fairer, simpler, and faster way for the project holder to 'relinquish' project awards.

Natural disturbance events which occur close to the end of the permanence period, and several years post certificate on-sell, create a high degree of liability for project holders. This may transfer into the need to produce initial cover loss agreements between landholders and buyers which may cause further hesitation in participation of this scheme. QFF is also concerned regarding the potential devaluation of land if sold regarding the passed-on liability and permanence periods to the secondary landowner.

Given the increasing frequency of extreme weather events due to the warming climate, within any given permanence period a disturbance event is likely to occur and thus is a significant consideration for potential project applicants. The occurrence of such an event would be hugely impactful to not only the ongoing biodiversity project but an agricultural producer's crops, livestock, and livelihood, which may come at a large economic loss. A 6-month period allowing the purchasing and relinquishment of biodiversity certificates does not account for the additional social and economic impacts a natural disturbance would have on a farmer or project holder. In addition, failure to meet extended relinquishment deadlines only 12 months post disaster event may not be in the control of the project holder, given the unexplored market of the scheme, unknown adoption rates and availability of certificates in the market. The Bill needs to amend to allow for secondary timeframe extensions for relinquishments per notice on a case-by-case basis.

Measuring biodiversity

QFF supports the exclusion of project methodologies which would 'cause adverse impact on availability of water, other biodiversity, employment, local community or land access for agricultural production' (Subdivision 471b). These exclusions should also consider potential consequential damage to parallel land holders, both agricultural and other, which may be caused by earth works or unintentional redirection of drainage on the landscape as a result of project development. QFF also supports the general consensus that the additionality provisions and subordinate methodologies from pre-existing schemes such as the ERF should not be copied across to this Bill. Such provisions discount the value of existing land and the investment of farmers or landholders in maintaining biodiversity outside of any legislated or regulated frameworks. Biodiversity is a hugely complex feature of the environment and cannot be held to the same standards for reducing CO₂ emissions, which is regulated by other national and global agreements. Extending this point further, there is a lack of information within the Bill regarding how biodiversity outcomes will be captured, for both auditing and certification approval purposes. Methods for measuring biodiversity vary widely and are contended amongst ecologists. This will play a large role in potential project holders deciding whether they have the means to undertake a project and prove biodiversity enrichment by these criteria and needs to be detailed further. Current ways in which to measure biodiversity are expensive and difficult. To enable farmers to participate in an emerging biodiversity scheme, new ways of measuring biodiversity need to be established. For instance, it may be that environmental DNA or bio-acoustic and camera trap methods will need to be accelerated in their development. Technology such as blockchain may be able to play a role in accounting for biodiversity changes.

Summary

A successful biodiversity market will need to be flexible, and outcome based rather than practice driven. Regulation will be required, however a balance of not being over regulated to enable the market to grow will be critical.

Technology will need to be utilised to keep the measurement of change down. A fair and transparent way of measuring change will need to be able to incorporate the ability to value all of the variables, may need to utilise indicator species and will have to be able to account for irregular species shifts.

Participants will need to be paid on the change trend and consideration needs to be given of a repair price and a maintenance price. Ultimately the market will need integrity and transparency if it is to be successful. The complexities around what is measured, how it is measured and who determines what is

important to measure will need to be resolved in a way that gives confidence to potential participants in the market.

Whilst determining the mechanism is certainly important, how you get there will be equally if not more important.

Farmers will be interested in how a biodiversity market can be incorporated into their business objectives and contribute to their strategic goals. Clear policy positions and direction from the government and the market will be required to give farmers the confidence to participate in what will be an emerging market with long term commitments.

The Queensland Farmers Federation would welcome the opportunity to discuss the points raised in this submission and looks forward to contributing to the development of a biodiversity market that will drive environmental outcomes, on farm productivity and profitability along with a strong future for regional communities.

Yours sincerely

Jo Sheppard
Chief Executive Officer