

Submission on Australia's new Nature Positive laws

Australian Sustainable Finance Institute | 10 May, 2024

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10 May 2024

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Australian Sustainable Finance Institute Submission on Australia's new Nature Positive laws

The Australian Sustainable Finance Institute (ASFI) welcomes the opportunity to provide input and feedback on the Australian Government's plan to progress Nature Positive law reforms.

This submission responds to the Government's proposed establishment of Environment Protection Australia (EPA) and Environment Information Australia (EIA) as part of stage 2 of the reforms, and potential future reforms to the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act) and development of National Environmental Standards as part of stage 3 of the reforms.

About ASFI

ASFI is a not-for-profit organisation working to align 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\$22 trillion in assets under management and are committed to allocating capital in a way that creates positive social and environmental outcomes.

Introduction

In 2020, a finance sector led collaborative initiative – comprised of major banks, insurers, super funds, civil society, academia and others – developed and released the [Australian Sustainable Finance Roadmap](#). The Roadmap recognises the importance of nature to a resilient and sustainable economy and makes several recommendations that will enable the finance sector to incorporate nature considerations into decision making and risk analysis. The environmental reform underway is a key enabler to achieving this ambition, directing capital towards sustainable finance initiatives and integrating nature considerations into financial decision making to ultimately drive nature positive outcomes.

Globally, financial institutions as well as central banks and governments are increasingly recognising that nature-related risks, including those associated with biodiversity loss, could have significant economic implications, and that failure to account for, mitigate, and adapt to these implications is a risk to financial stability.¹ Real economy players are also increasingly considering nature-related risk in their operations and looking for ways to contribute to nature conservation and restoration, presenting an opportunity to scale-up and catalyse investment in nature related

¹ Network for Greening the Financial System (NGFS) "Statement on Nature-Related Financial Risks", available at http://www.ngfs.net/sites/default/files/medias/documents/statement_on_nature_related_financial_risks_-_final.pdf (accessed 19 March 2024)

projects. Robust, transparent and consistent public policy is essential to support financial institutions to manage nature risks and to catalyse investment into nature solutions.

Relatedly, Australia has joined 195 countries in making ambitious commitments under the Kunming-Montreal Global Biodiversity Framework. It is critical that these be reflected in domestic law to support certainty and effective decision-making and capital allocation by the finance sector.

Australia's environmental protection regime is not currently achieving its intended outcomes for the environment, for the private sector (including finance), or for the community.² ASFI supports reform that will provide the necessary conditions for Australia's transition to a nature positive economy. This includes reform that captures and enables quantification of the value of nature, allowing businesses and financial institutions to price nature-related considerations and integrate them into lending, insurance and investment decisions. In this respect, we welcome the recent announcement regarding the establishment of the EPA and EIA; and encourage the Government to continue its work to reform the EPBC and establish National Environmental Standards as a priority.

Our recommendations are detailed below and structured as follows:

- Recommendations regarding stage 2 reforms (i.e. EPA and EIA)
- Recommendations regarding stage 3 reforms

² Professor Graeme Samuel AC "Independent Review of the EPBC Act – Final Report", available at <https://epbcactreview.environment.gov.au/> (accessed 19 March 2024)

Recommendations regarding stage 2 reforms

1	<p>Ensure the independence and effectiveness of Environmental Protection Australia (EPA)</p> <p>ASFI welcomes the announcement of legislation to establish a federal environmental regulator in the form of EPA. Resourcing should be enduring and sufficient so the new agency can effectively carry out its mandate of assessments, approvals, education, compliance, and enforcement activities.</p> <p>We note the EPA will initially operate within the Department of Climate Change, Energy, the Environment and Water (DCCEEW) before it transitions to become an independent statutory agency. To ensure credibility, objectivity, and independence, we recommend the EPA be established through separate stand-alone legislation, with an independent Board, carefully selected based on a list of legislated skills, who will then appoint a CEO with the required skills and expertise. We also recommend the EPA legislation clearly outlines the circumstances in which the Minister can make or overrule decisions.</p> <p>Additionally, we encourage harmonisation with state and territory level EPAs and regulators to ensure a consistent approach across Australia to environmental protection, (including assessment, approval, compliance, and enforcement processes). Doing so provides certainty to financial institutions looking to navigate nature-related risks and opportunities in their financing activities.</p>
2	<p>Define a clear mandate for Environment Information Australia (EIA) aligned with Australia’s climate and nature commitments and the needs of the real economy</p> <p>ASFI welcomes the announcement of legislation to establish EIA. The unavailability or difficulty sourcing environmental data and information creates uncertainty and makes it difficult for financial institutions to measure their nature-related dependencies and impacts, and track progress against climate and nature ambitions. This is important given financial institutions’ interest in nature-related disclosures in line with frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD).</p> <p>EIA must facilitate the generation, collection, and dissemination of robust, consistent, quality, transparent and verifiable environmental data, and information; particularly data and information that aligns to mandatory and voluntary sustainability (climate and nature) reporting requirements for industry and financial institutions. For this purpose, ASFI recommends forthcoming legislation in relation to EIA provides:</p> <ul style="list-style-type: none"> • <u>Investment in the generation, management and dissemination of robust and credible environmental information and data</u> – integrated into one source from local and federal data sets – that is consistently collected across jurisdictions to inform policymaking, market comparability, climate and nature disclosures. This should include the underlying data used for Australia’s LULUCF (i.e. land use, land use change and forestry) emissions in a geospatial format that distinguishes between agriculture, forestry, and land data. EIA could provide this service on a cost recovery basis with a fee for service charged for curated information and baseline information freely accessible. • <u>Clarity around key areas of nature risk for investors.</u> This includes clear guidance and definitions of what ‘sensitive locations’ or ‘areas deemed to be ecologically sensitive’ are for Australia – and their subsequent visibility – and the acceptable levels/ thresholds for interaction with these locations to support better understanding of Australian businesses and investors’ interactions with nature. • <u>A clear mandate for EIA</u> aligned with Australia’s sustainability (climate and nature) ambitions and international commitments and informed by consultation with industry, financial institutions and other economy participants. This will ensure usability of environmental data and information for decision making and alignment with disclosure requirements (both mandatory and voluntary).

Recommendations regarding stage 3 reforms

3	<p>Define the objective and desired outcomes of revised laws</p> <p>The current EPBC Act seeks to regulate impacts on nature and put in place some harm minimisation processes, which have been largely ineffective.</p> <p>ASFI recommends future reforms to the EPBC include an objects clause that clearly sets out the objectives and desired outcomes of the legislation. These should, at the very least, include the effective protection of Australia’s natural environment and biodiversity to halt further loss, and should reflect Australia’s international commitments to protect nature under the Global Biodiversity Framework. The updated law should also clearly define key concepts including “environmental protection” and embed actionable mechanisms to drive the outcomes aligned to its objectives.</p> <p>Future legislative review of the operation and effectiveness of the new law should be built in the legislation to assess its achievement of these objectives and outcomes.</p>
4	<p>Use of the term “Nature positive”</p> <p>It is important to distinguish between regulation that seeks to ensure baseline protection, and regulation that seeks to drive nature positive outcomes. “Nature positive” implies an increase or improvement beyond baseline protection resulting in more nature than before. For example, the Global Biodiversity Framework (to which Australia is a signatory) calls for the expansion of protected areas and increases in ecosystems.</p> <p>If the term “nature positive” is used and referenced in forthcoming legislation, it should be clearly defined in accordance with credible, science-informed, internationally accepted definitions such as the one adopted by the Nature Positive Initiative.</p> <p>Further to the recommendation 3 (above), if nature positive is an objective of the revised EPBC Act, then the law should embed actionable mechanisms that enable a quantifiable net increase in nature outcomes measured against a defined baseline.</p> <p>Additionally, we recommend the Australian Government consider defining an appropriate environmental baseline and ensure it is consistently applied. A baseline is critical for companies and investors to measure their nature-related impacts with integrity. This should include developing guidance on how project proponents and regulators should measure, assess and report the baseline to ensure consistency and remove subjectivity and discretion. This baseline could form part of the proposed biennial reporting by EIA on the state of the environment.</p>
5	<p>Climate-change impacts</p> <p>Currently the EPBC Act does not consider climate change impacts. According to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), climate change exacerbates risks to biodiversity and natural and managed habitats. At the same time, natural and managed ecosystems and their biodiversity play a key role in the fluxes of greenhouse gases, as well as in supporting climate adaptation.³ Emerging global frameworks such as the TNFD recognise climate change as one of the key drivers and impacts of nature change.⁴</p> <p>ASFI recommends that under future reforms to the EPBC Act, the decision-maker should be required to consider the capacity of the environment to withstand adverse impacts of new projects taking into account current climate-related impacts and future climate scenarios. Climate change impacts should also be considered and accounted for in determining the adequacy of restoration actions.</p>

³ IPBES “Biodiversity and Climate Change Workshop Report”, available at https://files.ipbes.net/ipbes-web-prod-public-files/2021-06/20210609_workshop_report_embargo_3pm_CEST_10_june_0.pdf (accessed 19 March 2024)

⁴ TNFD “Recommendations of the Taskforce on Nature-related Financial Disclosures”, available at <https://tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/#publication-content> (accessed 19 March 2024)

6	<p>National Environmental Standards</p> <p>ASFI would welcome as part of stage 3 reforms the proposed development of National Environmental Standards that cover key areas including Matters of National Environmental Significance (MNES), data and information, biodiversity offsetting, regional planning, community engagement and consultation, and First Nations engagement and participation in decision making.</p> <p>The Standards would be an important step towards a consistent approach to environmental protection in Australia. This is relevant for financial institutions as they are starting to consider how their portfolios and assets interact with ‘sensitive locations’ (as defined by the TNFD), which should be defined by the determination of MNES for the Australian context.</p> <p>ASFI recommends the Standards:</p> <ul style="list-style-type: none"> • be legally binding and enforceable and contain measurable outcomes in accordance with the objects of the Act. • together with reforms to the EPBC, provide upfront clarity on unacceptable impacts and the designation of “no go” zones including critical ecosystems, habitats, and species. • provide clear and specific definitions, thresholds and assessment methods for what is considered “unacceptable” impacts and “acceptable” actions with residual significant impacts. • minimise reliance on the use of discretion for decision making on the proponent’s side to increase certainty and minimise litigation risk.
7	<p>Strengthen transparency and accountability requirements for restoration actions and contributions</p> <p>ASFI recommends future reforms require, as far as possible, that proponents discharge offset obligations in a “like for like” manner.</p> <p>Potential reform options proposed to date include arrangements that would allow for restoration contributions (distinct from restoration actions such as offsets) in the form of payments into a fund. Where “like for like” restoration actions are not identified, the payments may subsequently be spent on activities that do not benefit the specific protected matters impacted by a development.</p> <p>We deem such an approach will likely result in net biodiversity loss and raise integrity, transparency, and accountability issues. This is of particular importance for financial institutions as they are increasingly assessing their portfolios for environmental, climate and nature-related risks, impacts and dependencies. A lack of visibility regarding restoration actions and contributions will limit financial institutions’ ability to assess and adequately manage climate and nature-related risks across their financed activities and supply chains.</p> <p>ASFI also recommends future reforms require that any biodiversity offsetting – both for restoration actions and contributions – follow a clear mitigation hierarchy⁵ and are only used as a last resort and in line with strict rules (see further below). For this mitigation hierarchy we recommend developing guidance that outlines expectations and required information from proponents.</p> <p>Additionally, ASFI recommends:</p>

⁵ A mitigation hierarchy is a tool that is used to limit the amount of damage an action, such as a development, will have on the environment. There are three steps, and each step must be followed in order and to the greatest extent possible before moving on to the next. These steps are: avoid, mitigate and offset.

Source: DCCEEW “Offsets mitigation hierarchy”, available at <https://www.dcceew.gov.au/environment/epbc/approvals/offsets/guidance/mitigation-hierarchy> (accessed 19 March 2024)

	<ul style="list-style-type: none"> • restoration contributions should only be available as an option to compensate for protected matter impacts where there is credible scientific evidence that restoration actions can feasibly be delivered to achieve net gain; and should only be offered to proponents in limited circumstances, for example, to acquit a small percentage of the impact to protected matters. • ‘Like-for-like’ requirements should be required to be delivered and should be consistent with the priorities for the impacted protected matter as identified in conservation planning documents and any relevant Regional Plan. • restorative actions should be required to deliver an appropriate percentage nature gain (i.e., at least [X]% above a baseline). • there should be clarity on the intersection (if any) between the Nature Repair Market Act and restoration actions and contributions in the revised EPBC Act. • The new legislation should have clear, transparent provisions on the management of restoration actions and contributions including linking project proponents to specific restoration projects; and • providing a public register of information on the status of all projects under management.
<p>8</p>	<p>Adopt an interconnected ecosystem approach as the main pathway to protect Australia’s environment</p> <p>Undertaking an impact assessment on a project-by-project basis does not enable decision-makers to properly consider cumulative damage to interconnected ecosystems that extend beyond individual project, property, and state boundaries. This is significant for financial institutions given much nature risk is systemic, and financial institutions have exposure across sectors and geographies.</p> <p>Interconnected ecosystem considerations should be outlined as part of the requirements of future revisions to the EPBC with the newly established Environmental Protection Australia maintaining a geos-spatial database of projects in order to assess cumulative impacts of neighbouring projects.</p> <p>Ideally, any environmental efforts should be considered from an interconnected ecosystem perspective to drive impactful outcomes in line with clearly defined objectives. This approach also allows for a more accurate assessment and monitoring of progress to halt nature loss and generate nature positive actions.</p>
<p>9</p>	<p>Establish regional planning as a way to create certainty</p> <p>We welcome the Australian Government’s proposal to develop a series of Regional Plans, to create visibility of areas of high environmental value (no go zones), areas of moderate environmental value and development priority areas.</p> <p>To ensure certainty amongst proponents, we recommend the Government:</p> <ul style="list-style-type: none"> • for transparency, clearly defines the assessment criteria used to determine areas of high environmental value, areas of moderate environmental value and development priority areas. • Legislate clear development prohibitions and requirements for each area type; including defining which circumstances and locations require federal environmental approval (in addition to compliance with state and territory laws). • Provide clarity on the coverage of the Regional Plans (i.e., the areas of Australia covered) including visibility of the prioritisation criteria and process and development/ release timing as the Plans are being developed.

	<ul style="list-style-type: none"> • Provide consultation and engagement opportunities as the Plans are developed for industry, financial institutions, First Nations communities, civil society, and any other relevant stakeholders. • Ensure that the use of restoration actions and restoration contributions in a regional planning context is consistent with the National Environmental Standard for Restoration Actions and Restoration Contributions. • Provide clarity on state/ territory accreditation processes and alignment between state/ territory and federal legislation.
10	<p>Embed First Nations considerations in future reforms</p> <p>Future reforms to the EPBC Act should deepen the extent to which First Nations considerations are embedded in Australia’s environmental protection regime. In this regard, ASFI welcomes the development of a First Nations engagement standard.</p> <p>In particular, ASFI recommends integrating the principles of Free, Prior, and Informed Consent (FPIC) and ensuring that project proponents transparently disclose project impacts on First Nations communities, including on Country.</p> <p>Integrating FPIC principles and impact disclosures into the revised EPBC Act is consistent with Australia’s obligations under the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)⁶ and places Indigenous communities at the heart of decisions affecting their lands and heritage, thereby safeguarding their autonomy in environmental and cultural stewardship.</p>
11	<p>Deforestation risks</p> <p>Deforestation is increasingly seen as a high-priority risk for investors and financiers, driven in part by recent key global commitments including Kunming-Montreal Global Biodiversity Framework, the Glasgow Declaration on Forests and Land Use, New European Union regulation on deforestation-free supply chains, nature-related risk management and reporting expectations, and increased consumer expectations.</p> <p>As part of the Government’s nature positive reform agenda, the Commonwealth and state governments should seek to establish clear and consistent definitions of deforestation in Australia and harmonise land clearing laws and monitoring.</p>

Concluding remarks

Australia has ambitions of becoming a net zero and nature positive economy, guided by international commitments such as the Paris Agreement, the Kunming-Montreal Global Biodiversity Framework and the Glasgow Declaration on Forests and Land Use.

These ambitions and commitments require transformative action across the economy, including participation from the finance sector. Establishing a robust environmental protection regime for Australia that creates strong baseline protection, management, and improvement of Australia’s natural environment and biodiversity is key to helping achieve these ambitions and commitments and enabling finance sector participation in the transition to nature positive.

Thank you for the opportunity to provide this feedback. We would be happy to discuss any of our comments in more detail with you. Please contact Oliver Doraisamy (oliver.doraisamy@asfi.org.au) or Angelica Del Hierro (angelica.delhierro@asfi.org.au) if you have any questions.

⁶ Consistent with Recommendation 1 of the Joint Standing Committee on Aboriginal and Torres Strait Islander Affairs Inquiry into the application of the United Nations Declaration on the Rights of Indigenous Peoples in Australia ([Final Report, November 2023](#)), which recommended that the Commonwealth Government ensure its approach to developing legislation and policy on matters relating to Aboriginal and Torres Strait Islander people be consistent with the Articles outlined in the UNDRIP.