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Committee Secretary  
Senate Standing Committees on Environment and Communications  
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Parliament House  
Canberra ACT 2600

## **Nature Repair Market Bill 2023 and Nature Repair Market (Consequential Amendments) Bill 2023 [Provisions].**

Accounting for Nature Ltd ('AfN') welcomes the opportunity to provide a submission on the above bill and amendments. AfN is strongly supportive of the Federal Government's mission to attract private capital into nature repair. AfN, along with many of our stakeholders, have been on this journey for many years, making investments in carbon and biodiversity markets and developing standards, methods and other pieces of system infrastructure that would support the development of market-based biodiversity investment across Australia. To date, we have been considered a leader in this work in Australia and overseas across the not-for-profit, NGO, corporate, and finance sectors.

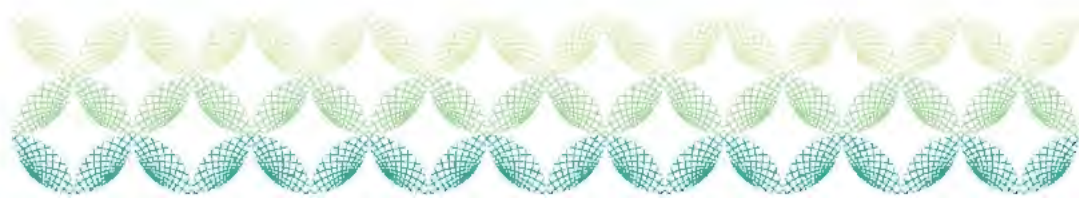
Accounting for Nature® is a global, independent, innovative environmental condition accounting framework administered by AfN for measuring, monitoring, certifying and reporting the condition of environmental assets (e.g. vegetation, soil, water, fauna etc) over time. The framework involves summarising complex scientific information into a single metric – the Econd® to describe the condition of an environmental or ecosystem asset as a score from 0 to 100 (100 being reference/undegraded condition). The Econd® is a simple and easily understood metric that enables the environment to be better incorporated into decision making. Using the Framework, proponents can produce Environmental Accounts across scales (project, property, regional, state, national) that are independently verified, ensuring transparency and integrity to claims regarding the state and change in the condition of nature.

We are writing to you because we are concerned that the Nature Repair Bill, in its current form, rather than supporting the private sector to invest in nature repair through the Nature Repair Market, it is likely to make it difficult to achieve the objective.

The draft Bill does not take into account the recommendations in Professor Ian Chubb's recent review of Australian Carbon Credit Units (ACCUs) and the governance framework that underpins the carbon market; and does not reflect a number of important suggestions from the over 200 submissions provided in the first consultation process.

The key to success is to design a system that creates high integrity standards and mandates processes that ensure verifiable, high integrity, measurable outcomes; creates commercially attractive products and drives demand; creates incentives to innovate and drives down the costs of developing and auditing nature repair projects; and can work seamlessly with the carbon farming market.

In this letter we outline a series of improvements to the legislation to create the conditions for a biodiversity market that is underpinned by good governance, high integrity, and one that encourages market participation, which is the stated goal of this legislation.



### ***One consolidated Act would have been better***

An alternative approach would have been to add complementary biodiversity provisions to the *Carbon Credits (Carbon Farming Initiative) Act 2011 (CFI Act)*, or at a minimum align duplicative provisions wherever possible.

As well as reducing red tape for market participants (thus reducing costs and administrative burden), a consolidated or aligned Act would have permitted several administrative efficiencies, including having just one Integrity Committee covering both carbon and biodiversity, operating under a single coherent set of Integrity Standards.

A single Act would also have made it easier to ensure that both carbon farming and nature repair markets can recognise social, economic and cultural co-benefits, aligning with UNSDGs and ESG reporting requirements (and to be consistent with Chubb Recommendation 13), thus better responding to private investment requirements and driving private demand and liquidity for biodiversity credits.

### ***Improving commercial attractiveness and driving demand for nature repair products***

The current drafting follows the former government's bill in providing for a single certificate per project. While we can see the benefits of government standardisation of information in allocating public funds for nature repair on private property (for example to standardise requirements for grant recipients to demonstrate measured and verified outcomes for nature or enable government investment into specific species or habitats), we do not believe this model will be attractive at scale to private sector project developers or buyers.

To commercialise a nature repair project, we need a way to unitise the certificate so that the values it represents could be sold to a variety of buyers (for example, to pair one ACCU with one "biodiversity unit" or sell a "biodiversity unit" on its own as part of a nature-sponsorship business model) and to have those biodiversity units be made available over time to provide long-term liquidity to a project proponent.

AfN notes that to date, consultation with organisations such as ours with substantial experience in nature restoration markets has been very limited. We can offer direct access to people with deep experience in financial markets who could offer advice on what would be required to connect the proposed certificates to instruments that might realistically be traded in private markets and recognised in disclosure frameworks such as that being developed by the Taskforce on Nature-related Financial Disclosures (TNFD).

### ***Standards and systems that support private markets in biodiversity***

In our view, the following changes to the draft legislation are critical to its ability to grow private markets for biodiversity:

1. Biodiversity Certificates must be supported by third-party verified *outcomes*, not just *activities* that promise an outcome, to instil trust in environmental markets, to drive investor confidence, to comply with the TNFD for investments in nature, and avoid charges of 'greenwashing' by ASIC and the ACCC. In addition, data that evidences the relevant outcomes should be made publicly available to ensure full transparency and establish trust in nature repair markets.

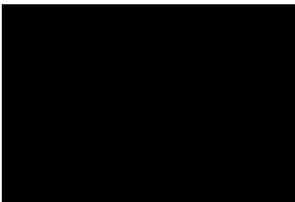


2. The Nature Repair Market scheme must facilitate *proponent-led method development and measurement standards* to draw on the deep scientific expertise in the academic and private sectors across Australia, to encourage scale and innovation, minimise costs and maximise scope. This approach would be consistent with Chubb Recommendation 5.
3. The legislation should set *standards* for and enable *accreditation* of independent, third-party project certifiers who are qualified to assess outcomes against biodiversity methods. This could be an improvement on the private sector arrangements that have been developed to date. However, rather than certifying every project itself, government should, through its Integrity Standards, impose clear *disclosure obligations* on project proponents, as it does in the case of a capital raising of any degree of complexity, and it should require *independent audit* of all outcomes that are represented by tradable certificates whilst reserving the right to undertake its own audits on a case-by-case basis.

The arrangements proposed in the third point differ from those applying to ACCUs, for good reason. Because of the relationship between the Safeguard Mechanism and the CFI Act, ACCUs are capable of delivery into a compliance market, whereas Biodiversity Certificates are akin to voluntary capital-raising instruments (and are therefore not appropriate for use as biodiversity offsets).

We offer this advice in a cooperative spirit, reaffirming that we are supportive of the Government's mission to develop world class, high integrity, outcomes based, market driven, and cost-effective means of incentivising private sector investments in nature repair and supporting broader policy initiatives to achieve goals for biodiversity protection and deforestation reversal.

Yours sincerely,



Peter Cosier AM  
Chair, Accounting for Nature Ltd

