

SENATE ENVIRONMENT AND COMMUNICATIONS LEGISLATION COMMITTEE
Nature Repair Market public hearing

Statement by WWF-Australia
27 June 2023

Opening statement

I represent the Worldwide Fund for Nature Australia, which is part of the global WWF network.

WWF-Australia supports the creation of a Nature Repair Market as part of an integrated package of Nature Positive reforms.

WWF welcomed the amendments to the Bill adopted in the lower house last week.

Nevertheless, we believe there is room for improvement in the Bill and we encourage the Senate Committee to explore, in particular:

1. How to align investments in the Nature Repair Market with new environmental standards, so that nature repair projects help deliver priority conservation outcomes and are not scattered across the land and seascapes in a fragmented or *ad hoc* manner?
2. How to ensure that the use of nature repair certificates for biodiversity offsetting is deferred until it can be shown conclusively that this will deliver real, permanent and additional net gains for nature, which biodiversity offsets often fail to do?
3. How to increase the rigor and transparency of market governance, including stringent and consistent auditing, full and timely public access to documents and decisions, as well as accessible and fair processes for objections or appeals?

Additionally, WWF remains unconvinced that there is sufficient, latent, private demand for biodiversity certificates to fill the conservation funding gap. We note the provision in the Bill for Commonwealth purchases of biodiversity certificates, and we urge the Senate to reinforce the message to the Executive that substantial public funding will be required to 'kick start' the market and give more confidence to private investors.

Thank you again for inviting WWF to this hearing. We have provided a separate written statement that elaborates on these points. I look forward to your questions.

WWF-Australia written evidence

Introduction

The Nature Repair Market, at its core, is a certification system for biodiversity projects. It aims to verify protection and restoration outcomes in a range of ecosystems, based on consistent, scientific methods and rigorous integrity standards.

This kind of verification is essential to ensure that conservation investments deliver real, additional and lasting outcomes, no matter who undertakes or pays for conservation actions, or where projects are located.

The Worldwide Fund for Nature (WWF) has long experience, both in Australia and globally, in developing sustainability certifications. WWF was co-founder of the Forest Stewardship Council, the Marine Stewardship Council and Aquaculture Stewardship Council, the Roundtable on Sustainable Palm Oil and the Global Roundtable for Sustainable Beef, among many others.

In every case, WWF and its market partners set up these certifications as independent organisations, giving them the flexibility to adapt to market conditions. These standards have all matured and today account for a significant share of global markets for their respective products and services.

Perhaps more relevant to this inquiry, WWF was co-founder of the Gold Standard, one of the world's leading certifications of carbon offsetting. We are also involved in on-going efforts to develop a market for biodiversity credits at a global scale.

Over the past three decades, WWF has learned a lot about the characteristics of successful certification systems. These include:

- Holistic consideration of social and economic as well as environmental performance;
- Broad acceptance and ownership by stakeholders from across the value chain;
- Clear evidence of demand for certification from end use buyers;
- Rigorous third-party auditing with regular follow-up audits;
- Full transparency of public consultations and audit results; and
- Accessible and fair objection and appeal processes.

Some of these pre-requisites seem to be missing in the proposed Nature Repair Market Bill and accompanying policy statements. Major gaps include:

1. Evidence of demand

All the certifications WWF has been involved in were co-founded with a major buyers' group or, in some cases, a single large corporate buyer, who guaranteed demand for certified products. Without these anchor investors, it is doubtful that these initiatives would have grown as quickly as they did.

Certification can distinguish projects, products or producers on a consistent and reliable basis, but certification by itself does not create the demand for such differentiation.

In the case of the Nature Repair Market, it is not clear who will assume the role of major buyer, notwithstanding vague assurances of strong corporate interest or opaque projections by consulting firms that do not stand up to scrutiny.

That's why WWF has called on the Government to make a substantial budgetary commitment to kick-start the market. This is necessary to give confidence to potential project proponents and investors that someone is likely to buy their certificates.

2. Rigorous and transparent governance

Assessments of biodiversity projects must be world-class to earn the confidence of stakeholders. All project audits should be carried out by accredited experts, to the highest scientific standards, with wide public consultation and full transparency of findings, as well as accessible mechanisms for appealing certification decisions to independent adjudicators.

The Bill introduced to Parliament last March does not provide great comfort that project audits will have consistently high quality. In particular, the Bill includes provisions (s104A) that would allow for 'alternative assurance agreements'. This language introduces some uncertainty about the standard of assurance that will be required to certify nature repair projects.

WWF believes that any 'alternative assurance' must be no less rigorous than audits as described elsewhere in the Bill (s121-123). Moreover, WWF believes that all discussion of assurance in the Bill should specify the minimum performance criteria for auditing.

More generally, WWF calls on the Government to undertake and publish a review of governance and assurance mechanisms currently used by environmental standards bodies, including their relative advantages and disadvantages. This would provide a firm foundation for the design of rigorous and cost-effective assurance of nature repair project outcomes.

3. Links between nature repair, carbon markets and biodiversity offsets

Decisions to apply for certification of a biodiversity project or to purchase a certificate will be driven by consideration of costs and benefits. Project proponents will need to see compelling evidence that devoting land or sea to nature repair is more profitable than alternative uses of those areas. Buyers will likewise need a solid business case to justify the purchase of certificates.

For these reasons, WWF has called on the government to establish rules and create incentives to allow biodiversity certificates to be attached to Australian Carbon Credit Units (ACCUs) issued under the Carbon Farming Act. This would enable participants in the Nature Repair Market to tap into the carbon market, which has deep pockets, a clear business case, and plenty of skilled service providers.

Similar reasoning lies behind WWF's position on using Nature Repair certificates for biodiversity offsetting. While WWF does not believe this should be allowed from day one of the Nature Repair Market, we do see potential benefit from being able to use project certificates to fulfil the obligations of developers to finance nature repair. This would provide a further boost to market demand for Nature Repair certificates, and another opportunity to tap existing networks of technical capacity.

Having said that, WWF does not support opening the Nature Repair Market to offsetting until the market is up and running and until a revised and stronger offset standard has been developed and proven in practice to deliver a net gain for biodiversity. WWF likewise supports the amendments adopted in the House of Representatives last week, to allow project proponents to restrict the use of their certificates for offsetting.

4. Links between the Nature Repair Market and environmental regulation

It should be obvious that successful certification is a complement but not a substitute for effective regulation. Certification can recognise best practice, but it cannot eliminate bad practice.

The Nature Repair Market should therefore not be seen in isolation. The market must be well integrated into a broader package of higher environmental standards, more effective enforcement and increased public funding.

In our submissions to the Government, WWF has called for several amendments to the Bill, as well as complementary work, to integrate the Nature Repair Market more fully with other elements of the Nature Positive Plan. This includes efforts to ensure that investments in nature repair projects help deliver priority conservation outcomes, as defined in the new Regional Planning standard, and are not simply scattered across the land and seascapes in a fragmented or *ad hoc* manner

More generally, WWF calls for increased urgency to progress other elements of the Nature Positive Plan, to ensure the Nature Repair Market is supported by more stringent regulation of activities that can damage the environment, as well as more capacity to monitor and enforce those regulations.

WWF welcomes the Senate's efforts to consider how the Nature Repair Market Bill may be improved and look forward to the outcome of these deliberations.