ATTACHMENT C

National Market Based Instruments Pilots Program

Market Based Instruments (MBIs) are "tools" that use a range of market-like approaches to positively influence the behaviour of people. MBIs can achieve landuse management change by altering market prices, setting a cap or altering quantities of a particular good, improving the way a market works, or creating a market where no market currently exists.

The Australian, State and Territory Governments have jointly funded $5 million for 11 pilots under the first round of the National Market Based Instruments Pilots Program. The pilots are crucial in the design and testing phase of innovative tools for investment in natural resource management.

Preliminary results from the Pilots Program suggest Market Based Instruments (MBIs) can deliver better natural resource management (NRM) outcomes over a range of traditional approaches such as regulation and suasion through:

- Cost savings - A South Australian tender of conservation contracts to improve riverine habitat and water quality has made a 25% cost saving in achieving the same environmental benefits over a straight devolved grants scheme. This mirrors the results from the earlier "BushTender" trial.

- Avoiding regulation - MBIs have the potential to encourage voluntary change through market signals rather than through enforcement. They put a positive incentive on better NRM, as compared to the negative (penalty) incentive that comes from regulation.

- Development of innovative approaches to measuring environmental outcomes ("metrics") - These metrics have the potential for broad application in NRM decision making by Catchment Management Authorities (CMAs) and government. They will allow the achievement of environmental outcomes to be demonstrated and future investment in NRM to be better targeted.

- Informing new approaches to native vegetation management - For example one pilot has provided valuable research into a mechanism that can develop biodiversity corridors by way of a tender mechanism in Queensland biodiversity hotspot areas. Another pilot enables comparison of alternative bids from landholders and recognises the range of benefits (biodiversity, vegetation, salinity etc) that can result from a single action.

- The support and involvement of key non-government-organisations including Greening Australia and the WWF.

- Landholder engagement - Landholder engagement in the MBI pilots has been encouraging, with some pilots oversubscribed. A number of the pilots have used existing networks such as Landcare to increase awareness of MBI activities with the goal of increasing participation rates and cost effectiveness.

- Uptake by Catchment Management Authorities - The success of the Onkaparinga Catchment Care Auction pilot (25% cost saving) has encouraged other CMAs in the region to consider implementing MBIs in place of straight devolved grants schemes.

What is an EMS?
An EMS is a systematic approach that any enterprise can use to identify and manage its impacts on the environment. An EMS can help industry improve its competitiveness and productivity and help primary producers meet emerging market and consumer demands for product quality and environmental assurance.

A feature of an EMS is that, as an integrated business management tool, it uses a "plan-do-check-review/act" cycle that leads to continuous improvement in environmental, business and marketing performance, which contributes to sustainable farming practices, improved natural resource management and, potentially, market benefits.

Australian Government Programs
The Australian Government has established three national EMS programs to help producers secure a sustainable, profitable and competitive future for Australian agriculture:

- *EMS Incentives Program;*
- *EMS National Pilot Program; and*
- *Pathways to Industry EMS Program.*

Total funding is $31.2 million from 2002-03 to 2006-07.

Under these programs, the Australian Government is working in partnership with producers, regional communities, and agricultural industry and farmer organisations (at individual, regional and national scales) to develop approaches to EMS and environmental assurance that can result in:

- the adoption of profitable and sustainable farming practices;
- improved natural resource management and environmental outcomes; and
- an ability to demonstrate environmental stewardship to markets and the community.