

PEOPLE, PLANET AND PROFITS
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Keynote Speech:
Key Environmental Challenges – Where to from here?

Let's have a plan for 'jobs and growth' and a healthy environment

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In the 2016 budget speech delivered by the Hon Scott Morrison a few weeks ago, he said *"this cannot be just another budget, because these are extraordinary times"*, that *"this budget is an economic plan, it's not just another budget"*.

His reason: *"Australians know that our future depends on how well we continue to grow and shape our economy as we transition from the unprecedented mining investment boom to a stronger, more diverse, new economy. They know that their future, their jobs and those of their children and grandchildren depend on it."*

According to his speech this 'economic plan for jobs and growth' has three components:

- *"First, by sticking to our plan for jobs and growth."*
- *"Second, by fixing ... problems in our tax system so we can sustainably cover the Government's responsibilities for the next generation."*
- *"And third, by ... ensure(ing) the Government lives within its means, to balance the budget and reduce the burden of long term debt."*

He says: *"We will continue our investment in our national innovation and science agenda – to create our own ideas boom, in every city, in every town, in every factory, farm, shop and office - including support for new start-up businesses."*

Yet in this 4,500 word speech, the words 'environment', 'natural resources', 'nature' or 'natural capital' simply do not appear.

It was as if the environment has no role to play in a *"stronger, more diverse, new economy"*, not to mention the broader benefits provides to the wellbeing of people.

Despite the science and the thousands of studies and reports describing the challenges of land degradation, the loss of biodiversity, food and water security and climate change, and benefits that a healthy environment will provide, not only to improve the wellbeing of people, but also for the Australian economy, this strikes me as an extraordinary omission.

Why is this? Why would the Treasurer not see the value of highlighting the benefits a healthy environment in creating a stronger, more diverse new economy?

This question was covered quite extensively at the beginning of this conference yesterday. Three speakers, Bob Costanza on ecosystem services, Richard Heath, whose family farmed on the

Liverpool Plains, on the digital revolution that is about to drive agriculture, and Stewart Lockie who observed that somehow we've gone back to where it's become, again, negative political battles over everything.

George Negus, as only a former 60 Minutes journalist could, then went straight to it: we're being presented with false choices – it's the environment or it's our economy.

This is what I would like to address today – rather than a plan for jobs and growth, why don't our political leaders aspire to Australia becoming a truly sustainable society?

Every five years the Australian government releases a State of the Environment report which describes the condition of the nation's environmental assets. Each report, since the first was released 20 years ago, has said essentially the same thing: that while much of Australia's environment such as air and water quality in our major urban areas is improving, vast areas of the continent are in a poor condition and deteriorating.

They also show that while there are thousands of examples across Australia every day where individuals, communities and businesses strive to live sustainably, too often, despite our best intentions, we place short-term interests over long term benefits.

The consequence is, that as a nation, the ongoing destruction of native vegetation, over-extraction of water, degradation of agricultural soils, and poorly planned urban and industrial development are driving the continued, long-term degradation of the Australian landscape.

On our watch, the clearing of native vegetation, pollution of rivers and estuaries, over extraction of water, introduction of weeds and feral animals, and inappropriate fire management, has resulted in the listing of over 1,700 species of native plants and animals as threatened with extinction. Just 2 weeks ago another 45 species were added to the list.

As our population and incomes continue to grow, these assets will come under even more pressure, and climate change will continue to drive long-term degradation of the Australian landscape. The continent will continue to get hotter and experience changes in rainfall patterns, more droughts, and higher bushfire risks. Agricultural productivity is likely to be diminished by decreased rainfall and soil water availability, and urban and coastal assets will be at increasing risk from more intense storms, sea level rise and floods.

Economists understand this: In the OECD's 2012 *Environmental Outlook to 2050* report, they conclude that the depletion of the world's natural capital is now at a scale that in many cases risks irreversible change that could endanger two centuries of living standards.

In the same article Bob Costanza referred to yesterday, the Chairman of the National Australia Bank, Dr Ken Henry said that the 2016 World Economic Forum Global Risk Survey rates biodiversity loss and ecosystem collapse, water and food crises, extreme weather events and a failure of climate change adaptation and mitigation as major risks facing the world.

Over a longer-term, 10 year period, the top four global risks of highest concern to the survey's 750 respondents were environment-related.

The community understands this. For the past three decades, The Australian newspaper has commissioned Newspoll to survey the issues that Australians consider important in Federal politics.

In every opinion poll conducted since 1993, the majority of Australians have said they consider the environment as a very important public policy issue.

In surveys of 5,000 of the NAB's agribusiness customers, more than 80 per cent have told us that soil health, water scarcity and energy costs are significant business risks, and biodiversity, minimising run-off and waste are not far behind.

So if the community understands, agribusiness understand, and policy makers understand, what's the problem?

The problem is the narrative: jobs or the environment.

Australian politics for too long, has been plagued by a myth that we must sacrifice the environment to pursue a growing economy – that it's got to be one or the other.

When we are forced into this false choice, we act on our instincts and favour short term economics over long term sustainability.

We all do it, and our government policies do it.

Economists will argue till the moon freezes over whether the pursuit of economic growth is the way to maximise human wellbeing. And that's all fine. But it is such a debilitating debate.

I want to look at the challenge of sustainability through a very different lens. I want to start with Richard Heath's frustration with the phrase, "a farmer can't be green if you're in the red", because as he said, it implies a binary argument.

Whether we like it or not, we live in an era where the dominant goal of most nations is to pursue economic growth as a means of increasing the material well-being of people.

If you accept the proposition that this goal will continue to be pursued into the future, then the question as to whether economic growth is good or bad is actually quite irrelevant, because even today the consumption of natural resources is not sustainable.

The challenge is to devise tools which allow society to manage growth in a way that does not degrade the world's natural capital.

So instead of debating endlessly over the semantics as to whether economic growth is good or bad, imagine instead, an Australia where we applied the same principles that the Treasurer wants us to apply to the economy to the long term conservation of the nation's natural capital.

Imagine the innovation that would be unleashed throughout regional Australia, not to mention the broader economy, as we "*transition from the unprecedented mining investment boom to a stronger, more diverse, new economy*" – to once again quote the Treasurer.

Imagine an Australia that aspires to a plan, not just for 'jobs and growth', but a plan for jobs and growth and a healthy environment.

The challenge and the opportunity

So how do we do this – how do bring the economy and the environment together?

To me this is the key environmental challenge confronting Australia, and across the globe – to show that not only is it possible to grow the economy, create jobs and have a healthy environment, but that it is in our own self interest to do so.

And this is where our natural resource management agencies, indigenous and farming organisations, local councils, and environment groups all have a central role to play.

I'll return to this later.

As Darryl Lo Choy eluded to this morning, most of you know, last year the Wentworth Group of Concerned Scientists entered this debate to show that it is possible to grow the economy, create jobs and conserve our environmental assets.

We set out what we believe are the five interconnected, long-term economic and institutional reforms that will lead to this outcome. Ken Henry was a contributor to this paper.

I'm not going to go in to them today, but just to recap, the five reforms are:

1. Modernising Australia's reactive land and water use planning systems;
2. Using markets to finance conservation;
3. The value to people in conserving Australia's natural capital;
4. Regionalising management of Australia's natural resources; and
5. Creating a set of national environmental accounts.

The relevance for this conference is that it is not as simple as asking for more money from taxpayers.

Sustainability needs to be built into the fabric of our economic and institutional structures, so that a healthy environment becomes a natural by-product of a growing economy.

Today I want to focus on how we might achieve this.

Lets start with some of the many examples where governments and businesses have responded to this challenge with positive results:

- pollution laws have improved air quality and created cleaner waterways and estuaries in our towns and cities;
- new farming practices such as minimum till and public funding for landcare have improved soil structure, increased vegetation and reduced soil erosion;
- land clearing controls, the creation of national parks, and investments to restore native vegetation on private land have afforded greater protection for Australia's biodiversity; and
- incentives to generate renewable energy are now driving the transformation of energy markets.

Despite these successes, and there are many, we are still a long long way from being a sustainable society.

If we want to fix climate change we need an economy that has net zero emissions. If we want to save species we need to restore hundreds of thousands of hectares of habitat. If we want to make farming sustainable we need to invest in soil conservation and maintaining the health of our river systems.

If we want to have any hope of saving the Great Barrier Reef we need to spend, not \$100m a year, but \$1 billion a year.

Innovation and Sustainability

The old model is for a proportion of the budget to be allocated to environmental programs – at a national level the \$1 billion Natural Heritage Trust, the \$1 billion Biodiversity fund, the \$15 billion program to restore over allocated rivers in the Murray Darling Basin, and the \$2 billion Emissions Reduction Fund are some of the more notable examples.

There will always be a need for such programs, but the reality is that Australian's don't like paying more tax, and there are other mounting long term pressures on the budget, with an aging population, aging and inefficient public infrastructure and as the Treasurer has pointed out, the need to address the budget deficit.

It requires innovative long term changes to the economy so that jobs and economic growth can go hand in hand with the conservation of the nation's natural capital.

To do this we need to understand why the market often leads to the degradation of environmental assets, and what policy tools are available to address this market failure.

As you know, many market activities damage the environment, but this is often not reflected in the market price of the goods or services these activities produce. Often these problems arise because many aspects of the environment have public good values – that is, because no individual or company owns them, these values are not priced by the market, and are often used without regard to the costs that may be imposed on others.

For example, industries will continue to emit excessive greenhouse gases if there is no market value placed on a stable climate system, and farming may cause land degradation if there is no market value placed on the ecosystem services they provide to society.

Let me give you four:

1. As I said, the traditional method is to use tax payers money, such as through the National Landcare Program, to provide financial support to landholders to care for the environment. This Landcare example, while it has its problems, has been remarkably successful in changing the way Australians read and manage the Australian landscape. In a 2012 survey, 93% of Australian farmers now say they practice landcare on their farms.
2. Another option is to introduce revenue neutral changes to the tax system by removing subsidies from activities that pollute the environment and using these savings to create incentives for people to invest in activities that protect and restore environmental assets.
3. A third, related option, is to harness the growing carbon market by guiding investments into carbon farming, recognising that healthy landscapes store vast quantities of carbon.
4. The fourth is to use the rezoning of land, particularly in the high population growth areas along the Australia coast, to finance long term investments in natural capital – what is now being referred to as value capture.

Each of these instruments have their advantages and disadvantages, and some are more effective than others.

I have set these out today to highlight the point: that we do have the tools if we choose to use them, but also to highlight that with ongoing systemic pressures on the budget, we will need to be far more creative in raising the finance required to meet the environmental challenges Australia will face in the future.

We are choosing not to use them, not because we don't think they are important, because fundamentally we've been conditioned into believing that we must choose – that a healthy environment must come at the cost to jobs and economic growth.

The Role of NRM

So let me finish with some things the NRM community needs to do to change this narrative and help build the sort of Australia we want.

In recent decades Australia has adopted a regional model for identifying investments in natural resource management. The benefit of a regional model is that investment decisions are underpinned by an understanding of how landscapes function. It is also an effective mechanism for aligning government policies with peoples' expectations and values.

It is able to do this because it operates at a scale large enough to manage the pressures on our landscapes, yet small enough to use local knowledge to tailor solutions that suit those landscapes.

We have heard throughout this conference some of the many innovations that have been produced by the regional model. Yet despite these successes, this regional model is under threat.

The forward estimates in this years Commonwealth budget have reduced NRM funding to an all time low – half the investment that was made at its peak in the mid 2000s.

So let's address this question. Let me offer four suggestions I believe the NRM community can do to help change this narrative:

1. Firstly, we know Australians don't like paying more tax, and with other mounting long term pressures on the budget such as an aging population, aging and inefficient public infrastructure and the need to address the budget deficit, the reality today is that we need new innovative forms of long term investments in NRM.

These will only happen when the community understands that jobs and economic growth go hand in hand with the conservation of the nation's natural capital. That's your first challenge – to confront this narrative and use your position to change it.

2. Secondly, environmental accounts: when the Auditor General says they are able to make an informed judgment as to the progress of programs towards either long term or even intermediate outcomes, you know you have a problem. Why should taxpayers spend billions of dollars when nobody can show them what their taxes are paying for?

We need to show taxpayers that they are getting value for their money and that is why a system of regional scale national environmental accounts that Max Kitchell spoke of earlier and to which Ken Henry has described as the work that impresses him most in this area, is so fundamental to these reforms.

If you don't measure it, you can't manage it.

3. Thirdly is the need to demonstrate the social and economic benefits that investing in people and natural capital can provide to the broader community.

After all, it's their money we are spending.

A suggestion: when you have your environmental accounts in place, combine them with economic and social statistics to produce an annual triple bottom line report card for your region each year. A sort of regional scale Intergenerational Report

- and then communicate this information – to your local business leaders, to your local community, and to your local politicians at State, Federal and local government level.

Never ever forget that all politics is local. Show people what value you add to your community.

4. My fourth and final suggestion is to build best practice into your business plans.

The regional model has been around for over a decade now. On the positive side, ten years has generated some exceptional best practice.

We've seen examples of this at this conference – from how to value the 'people' effort in "turning gold dust into nuggets", some excellent examples of applied science and technology, examples of applying resilience thinking to agri-business, a world class system of environmental accounts, to simple but disciplined project auditing systems, and highly effective capacity building programs.

NRM needs to capture this best practice and spread it across the country.

When policy makers see you are continually improving your business, they are far more likely to support what you do.

In conclusion ... Australia sits on the edge of the most rapid economic expansion in human history – the Asian century.

Within 20 years, all things being equal, this will produce a new middle class of over 3 billion people, one hundred times greater than the entire population of Australia, 10 times greater than the whole of the United States.

This will create a vast array of new economic opportunities.

Many of these opportunities require some form of government intervention, but there are already massive pressures on the budget, and nobody likes government telling us what to do.

We will therefore only effect change if people understand the need for and the benefits of such intervention, and this requires business and community leaders such as yourselves to promote these opportunities – to our community and to our political representatives who represent them.

We need sensible voices in this public debate to show people the benefits a healthy environment provides to people and to the economy.

So let's start talking to people about a plan, not just for jobs and growth, but a plan for jobs and growth and a healthy environment.

Thank you for inviting me today.