WENTWORTH GROUP
OF CONCERNED SCIENTISTS

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SUBMISSION TO THE NATIONAL BIODIVERSITY MARKET

The Wentworth Group welcomes the opportunity to comment on the development of a voluntary national biodiversity market. While we strongly support policies that reward landholders for restoring Australia's precious – and severely degraded – natural resources, the Wentworth Group would like to stress that markets are not a silver-bullet solution for Australia's biodiversity crisis.

Legislative reform[1] and a significant increase in public funding for biodiversity conservation is needed if the government wants to address the dire findings of the State of the Environment Report 2021. Any market-based incentives need to be part of a policy mix that sit inside a broader national biodiversity strategy that sets out what, where and how investment in biodiversity protection and restoration should be implemented using the full suite of policy tools available.

Given the publicly available information, we have assumed that the government's reforms are modelled on the previous government's *Agriculture Biodiversity Stewardship Market Bill 2022* (ABSM Bill). The ABSM Bill closely replicated the *Carbon Credits (Carbon Farming Initiative) Act 2011* (CFI Act) which was developed to underpin a carbon offset market. The carbon market is materially different to a market intended to deliver protection and restoration of biodiversity and may not be the best model to underpin such a market. There are some fundamental issues with this proposed approach that would not guarantee real outcomes, could result to adverse consequences and would undermine the functioning of a voluntary market.

If the national biodiversity market is to genuinely improve outcomes for the environment and provide a biodiversity gain, we recommend the following improvements:

1) Explicitly exclude offsets to ensure the market is for absolute biodiversity benefit
2) Establish confidence in the market with government as an early buyer, underpinned by a national biodiversity strategy
3) Ensure biodiversity certificates represent measurable and additional biodiversity benefit with meaningful permanence periods
4) Provide assurance that methods will be applied to appropriate landscapes to avoid perverse outcomes
5) Await outcome of the Chubb review before proceeding

1) Explicitly exclude offsets to ensure the market is for absolute biodiversity benefit

It is currently unclear whether the market will be set up to include compliance biodiversity offsets, such as are required under the EPBC Act 1999 and various State and Territory regulations. Notwithstanding, without explicit exclusion of offsets, a future reform could seek to include offsets into the market. Offsets should be explicitly separated from a national biodiversity market to avoid unnecessary complexity, duplication, and reputational risk to the scheme.

An offset requires strict like-for-like standards to be met under the EPBC Act. Conditions for offsets are bespoke, site specific, differ widely among jurisdictions, and cannot practically be captured under a

[1] Submission to the Independent Review of the Environment Protection and Biodiversity Conservation Act 1999

standard protocol determination. Making provision for offsets would also require the proposed Biodiversity Integrity Standards to be tightened to ensure they align with EPBC Act Environmental Offsets Policy and all State and Territory policies. Such requirements would undermine the voluntary market, increasing transaction costs due to higher levels of assurances needed, resulting in low participation rates – the very opposite of what the market is trying to achieve.

Offsets need to be a measure of last resort. They often lead to an overall loss of species or habitat. Given the recent NSW Audit General findings on the failed outcomes of NSW Offset Scheme[2] – and the negative findings about offset implementation in both the 2018 ANAO report Assessments and Approvals and the 2020 Samuel Review of the EPBC Act, biodiversity offsets are yet to be established in Australia as effective responses to biodiversity impacts.

Even perfectly designed and implemented offsets only counterbalance damage done, and so the inclusion of offsets in a national biodiversity market risks undermining the very purpose of such a market – to invest in positive restoration of biodiversity over time. Notably, the proposed Post-2020 Global Biodiversity Framework under the Convention on Biological Diversity set out goals and targets to protect and restore nature for the next decade and beyond. To achieve a 'Nature Positive' world by 2030[2], we need to halt and reverse nature loss measured from a baseline of 2020. As such, we strongly recommend explicitly excluding offsets from a voluntary biodiversity market.

2) Establish confidence in the market with government as an early buyer, underpinned by a national biodiversity strategy

Government needs to be an early buyer of biodiversity certificates to incentivise supply, demonstrate the operation of, and establish confidence in the market. To do this, it will need a coordinated biodiversity strategy to guide investment, target specific outcomes and ensure consistency with agreed biodiversity commitments. This would inform the following key public investment decisions: where should we focus restoration to prevent species extinctions? Which ecosystems are most depleted? Where do we need to improve connectivity to build resilience to climate change impacts? A national strategy is crucial if the government wants to fund - and direct private funding - into where it is most needed and will have most benefit for Australia's environment.

If such a market is established through government investment, it is still unclear whether the private sector would also invest, particularly for stand-alone biodiversity projects. An obvious area for demand is tapping into the existing carbon market and developing high-integrity ACCUs with a stacked biodiversity co-benefit, like Queensland's Land Restoration Fund. We recommend that the government engage with the private sector to better understand the drivers of demand for a voluntary biodiversity market to establish whether this policy approach is feasible.

3) Ensure biodiversity certificates represent measurable and additional biodiversity benefit with meaningful permanence periods

For the market to benefit Australia's environment, and to ensure buyer confidence, biodiversity certificates must represent verifiable biodiversity gains over and above business as usual. At a project level, this additionality must be apparent to buyers. Working out how best to measure and verify the additionality of biodiversity benefits is one of the greatest challenges of introducing this scheme and it will require codesign with a range of experts. The Wentworth Group includes experts in environmental accounting and the development of tools for benefit estimation, and we would welcome involvement in helping develop this with the Department.

In addition, given the time it takes for a biodiversity benefit to occur following a restoration project, a lack of permanence is a serious issue for credibility. Landholders opting for increased permanence should be

[2] See https://www.naturepositive.org

prioritised in the market, particularly those seeking to enter conservation covenants (and their equivalents) across all State, Territory, and Federal jurisdictions.

It is also worth noting that the bill is likely to be reviewed after a period to determine its effectiveness in achieving its stated aims of restoring biodiversity. Many initiatives get to this statutory 5-year review period only to find they lack the data required to detect whether their policy achieved its stated aims; meaning there is no way of assessing value for private or public money. An independent monitoring program assessing the effectiveness of each of the methods needs to be set up from the outset. This is required to ensure a baseline and control sites are established so that a reviewer can determine the impact of the market and whether investment, private or otherwise, is achieving its stated objectives. The department's previous Biodiversity Stewardship Package offers a great example of this.

4) **Provide assurance that methods will be applied to appropriate landscapes to avoid perverse outcomes**

Irrespective of how well designed a method is, if a project it is incorrectly applied (i.e. in the wrong landscape or habitat condition), it risks resulting in perverse outcomes. In addition, any auditing of actions at a project level is unlikely to uncover these perverse outcomes, as a landholder undertaking specified actions would be found to be adhering to the method. This issue is particularly true for biodiversity, where site management history and *initial habitat condition* determines the specific management actions that need to occur to benefit biodiversity (i.e. active versus passive regeneration).

Assisted natural regeneration in agricultural systems has been shown to be the most cost-effective way of restoring habitat in many systems[3] Sellers in a biodiversity market will quickly gravitate to these cost-effective methods (i.e. the Enhancing Remnant Vegetation). There is an enormous opportunity for assisted regeneration to contribute to restoration across Australia, but it needs to be applied in appropriate (moderate condition) landscapes. This method will not be appropriate for many poorer condition sites, where active restoration is required to achieve an outcome for biodiversity. Initial habitat assessments, and site-specific management plans setting out required activities based on this, will be required in assisted regeneration projects to ensure an outcome for biodiversity is achieved.

5) **Await outcome of the Chubb review before proceeding**

The National Biodiversity Market is modelled off the CFI Act which is currently under review due to integrity concerns. Any integrity issues occurring in the carbon market are likely to be magnified for biodiversity, which by its very nature is much more complex as it cannot be reduced to a single, fungible currency, and for which outcomes are more difficult to measure and verify. Furthermore, there are significant opportunities to account for biodiversity co-benefits in the existing carbon market that need to be properly considered[4]. It is essential that the department await the findings of the Chubb review to ensure any implications and relevant recommendations are captured.

The Wentworth Group strongly advise against rushing a bill through parliament and recommend engaging further with experts to work through the best way to achieve positive outcomes for biodiversity, including through co-benefits in the carbon market.

[3] Evans, Megan & Carwardine, Josie & Fensham, Rod & Butler, Don & Wilson, Kerrie & Possingham, Hugh & Martin, Tara. (2015). Carbon farming via assisted natural regeneration as a cost-effective mechanism for restoring biodiversity in agricultural landscapes. Environmental Science & Policy. 50.

[4] QLD's Land Restoration Fund, Victoria's BushBank Program, NSW BCT's Carbon plus Biodiversity projects, Australian Government's Carbon Plus Biodiversity Pilot