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Biodiversity Market Team
Department of Climate Change, Energy, the Environment and Water
By Email: naturerepairmarket@dcceew.gov.au

To whom it may concern

Nature Repair Market Bill – Exposure Draft

The Australian Banking Association (**ABA**) thanks the Department of Climate Change, Energy, the Environment and Water (**DCCEEW**) for the opportunity to comment on the exposure draft of the *Nature Repair Market Bill (the Bill)*. The ABA has made submissions to consultations on the proposed voluntary biodiversity market,¹ and this submission builds on those.

As we stated in earlier submissions, Australian banks are generally supportive of nature-related markets, payments for ecosystem services and providing incentives to landholders to create positive outcomes for nature. We support a well-designed, outcomes-based market that connects non-government finance with landholders and facilitates banks in Australia financing biodiversity projects.

The ABA views that, properly implemented, there will be merit in many elements of the proposal, including the standard-form biodiversity certificate, auditing measures and measures for capturing and measuring improvements in biodiversity. We welcome the establishment of the Nature Repair Market Committee, to be comprised of expert advisers across the six listed fields, which will support advanced knowledge of biodiversity attributes.

This submission does not make any specific comment on the exposure draft legislation but rather makes short high-level constructive comments about the need for more thinking around the fundamental drivers that will underpin a successful nature repair market.

Key Points

1) Drivers of supply and demand

As suggested in our earlier submission, there is a need to highlight the specific goals a nature repair market would be aiming to achieve and to more clearly identify the incentives for private sector participation (both buyers and sellers), and any supporting role for public investment. While these are challenging questions, they are also fundamental to the success of any nature-related market.

As a starting point, the following elements will help to create an environment in which entities feel confident in buying certificates:

- A definition of what would constitute 'nature positive' to help buyers of certificates to understand what is required to make a defensible claim against their ambitions;
- A consistent accounting method to measure an organisation's biodiversity impact in units;
- Greater clarity regarding the extent to which certificates can be considered fungible across regions and ecosystems; and
- Clear methodologies to support assurance processes which would help underpin market integrity.

By way of illustration, one of the motivations underpinning the voluntary purchase of Australian Carbon Credit Units (**ACCUs**) is to support an organisation's net zero aspirations. This demand generates a supply of ACCUs as landholders have a financial incentive to invest in those projects.

¹ <https://haveyoursay.agriculture.gov.au/national-biodiversity-market>



Furthermore, carbon credits work on a like-for-like basis. An ACCU (or similar carbon credit) represents a certain amount of carbon. As these are relatively fungible, an organisation can measure its own greenhouse gas emissions and purchase the number of credits it requires with a relatively high degree of accuracy.

By contrast, the attributes that underpin the perceived value of nature are highly location specific; a nature repair project in one area cannot be readily equated to a nature impact in another area. This lack of equivalence will affect the extent to which certificates are fungible. Further clarity may be needed to define how localised biodiversity loss within one ecosystem could result in nature repair by purchasing certificates in a different ecosystem.

2) Transaction costs and market liquidity

While the ABA feels that the standardised information on biodiversity certificates is a positive step, we feel that there are remaining issues to be resolved around transaction costs and market liquidity.

Despite standardised information on certificates, there will be significant transaction costs. This arises from the lack of exchange or even a common methodology for valuing certificates. Trying to understand the practical impacts of a given certificate on the natural environment will require significant work on the part of a purchaser, and potentially open them to greenwashing claims should these impacts be misunderstood.

Finally, the market may face liquidity issues. Our members have noted that small carbon offset market transactions that involve fewer than 5,000 ACCUs remain challenging to execute.² We anticipate similar issues in this market, which may be exacerbated by the fact that it is proposed that a single certificate be issued per project and will vary dramatically in size and value.

3) Learnings from the Chubb Review

There is an opportunity for DCCEEW to consider the implications of the findings and recommendations of the *Independent Review of Australian Carbon Credit Units (the Chubb Review)*.³ We note that the Chubb review made recommendations around separating the Clean Energy Regulator's responsibilities – namely by splitting the roles of scheme assurer, scheme regulator and related policy development. DCCEEW may wish to directly consider and/or address these recommendations with respect to the governance structures for the nature repair market.

Next Steps

Finally, we note that some Australian banks already have financial products that account for biodiversity net benefits and/or attribute poor biodiversity outcomes to higher risk lending, or financial products that incentivise nature positive outcomes through lower funding. We would be happy to connect DCCEEW with member banks to facilitate discussion on how the value and risk associated with biodiversity segments were considered and attributed.

The ABA thanks DCCEEW for the opportunity to make this submission. The ABA would welcome further engagement with the Government on the issues raised in this submission.

Kind regards

Policy Director

² This appears to be largely due to high costs of due diligence and limited market depth – both of which mean that participants prefer to focus on large-scale commercial opportunities.

³ <https://www.dcceew.gov.au/climate-change/emissions-reduction/independent-review-accus>



About the ABA

The Australian Banking Association advocates for a strong, competitive and innovative banking industry that delivers excellent and equitable outcomes for customers. We promote and encourage policies that improve banking services for all Australians, through advocacy, research, policy expertise and thought leadership.