

## **Greening Australia's Australian Government Budget submission**

### **Budget 2020-21**

This submission provides Greening Australia's priorities for inclusion in the Australian Government budget 2020-21. These priorities are summarized in the list below and then detailed further in the remainder of the document:

1. Prioritize \$500m of the Climate Solutions Fund to deliver co-benefits.
2. Create a new government backed market to support Regenerative Agriculture
3. Create a Blended Finance model based on a pilot providing cornerstone funding from Australian Government to conserve target Threatened Species.
4. Shifting investment in the Reef with the Australian Government to establish a water quality improvement fund for attracting private investment and to deliver long-term investment in the Reef and build a new market.
5. Establish a permanent national Bushfires and landscape resilience fund to invest in long term climate adaptation, bushfire recovery and landscape resilience.
6. Technology and innovation investment fund, the Australian Government should establish an environmental technology fund aimed at developing leading edge technology into the environmental sector and in particular the conservation sector.

### **Context**

Greening Australia is an environmental enterprise that aims to tackle the challenges facing Australia's unique and diverse landscapes in ways that work for communities, economies and nature.

Greening Australia started conserving and restoring Australia's landscapes in 1982 and hasn't stopped since. At Greening Australia, we work to solve bold and complex environmental problems through conservation on a large-scale, with programs and projects covering millions of hectares of land and protecting hundreds of native species.

We aim to bring life to landscapes and restore balance to the natural environment in significant areas across Australia.

### **Budget submission**

Greening Australia recommends that the Australian Government include the following items into the 2020-21 budget.

#### **1. Prioritize \$500m of the Climate Solutions Fund to deliver co-benefits.**

Greening Australia and its partners through the Climate Proofing Australia (CPA) alliance have previously welcomed the Prime Minister's announcement to inject \$2 Billion into the Climate Solutions Fund and called for at least \$500 million of these funds to prioritize land-based carbon

solutions. Greening Australia reinforces the allocation of this proportion of the Climate Solutions fund that provide co-benefits. This should be underpinned by a method of assessing and valuing co-benefits such as the approach followed in the Queensland Government's Land Restoration Fund.

Carbon sequestration has been the largest source of emissions reduction in the past decade, and adequate funding will not only create more habitat for Australia's native plants and animals, but also increase resilience and productivity on landscapes over time.

Since the introduction of the Emissions Reduction Fund in 2015, over 80 per cent of emissions reductions contracted to date through the ERF have come from agriculture and land sector projects.<sup>1</sup>

The Australian Government's long-term commitment to the Climate Solutions Fund is an opportunity to not only boost the capacity of the landscape to contribute to Australia's carbon mitigation strategy, but to be more ambitious about what it can achieve by encouraging more projects that deliver these co-benefits of biodiversity, productivity, water quality and landholders and employment.

To achieve this, Greening Australia recommends the Government to improve take up of the full range of methodologies aimed at the land sector under the ERF (rather than a proportion available methodologies which is the current situation), and direct at least \$500 million from the \$2 billion Climate Solutions Fund for land-based projects that also deliver environmental and productivity benefits.

The current Climate Solutions Fund conditions limit the land sector's capacity to generate co-benefits associated with carbon sequestration, such as reinstating wildlife habitat, supporting sustainable agriculture, increasing the plantation forestry estate, and cleaner waters in our rivers.

This next phase of the CSF is an opportunity to address these barriers and make it more accessible to primary industries and landowners.

*Recommendation: \$500m of the Climate Solutions fund be prioritized to carbon sequestration that delivers co-benefits including native habitat restoration.*

## **2. Create a new government backed market to support Regenerative Agriculture**

Greening Australia supports the establishment of a new government backed innovative financing mechanism to mobilise large-scale private sector investment in sustainable agriculture and on-farm biodiversity, and catalyse the development of a self-sustaining market through which farmers will be incentivised and rewarded through market returns for stewardship of natural assets and the environment.

This mechanism (based on the approach in place for the CEFC, see below) would allow early adopters to demonstrate their sustainable land management practices to the market (which is

<sup>1</sup> <http://www.cleanenergyregulator.gov.au/ERF/Auctions-results/december-2018>

increasingly demanding clean and green products) to gain market advantage. It would also allow farmers to access capital which is a key challenge in terms of growing the agriculture sector. This financing mechanism would focus on development and deployment of financial products and market structures that address the barriers currently inhibiting investment. Such an approach would also support the Australian Government's target of a \$100 billion agriculture sector by 2030.

These include, but are not limited to, providing concessional finance; investing with a capped return; building investor confidence by taking a first loss position, de-risking private investment; and attracting other co-investors by allowing those investors access to higher up-side on their investment.

This approach has already been tested and proven successful via the Australian Renewable Energy Agency (ARENA) and the Clean Energy Finance Corporation (CEFC). The CEFC works alongside Government regulation and policy to support the clean energy transition through research and development grant funding for the development of new solutions, and concessional and flexible financing to bridge the gap in taking these solutions to full commercialisation. The same funding gap which is met through the ARENA and CEFC models, exists within environmental finance. The provisions of even more flexible financing terms than those offered by the CEFC would not only stimulate more investment but also help develop a self-sustaining market.

*Recommendation: The Australian Government should establish a new innovative financing mechanism to mobilise large-scale private sector investment in sustainable agriculture and on-farm biodiversity, and catalyse the development of a self-sustaining market.*

### **3. Create a Blended Finance model based on a pilot providing cornerstone funding from Australian Government to conserve target Threatened Species.**

A Blended Finance Model with Government acting as a cornerstone investor would mobilise large-scale private capital environmental projects for threatened species. This would enable the implementation of species recovery plans and protection and restoration of critical habitat that also provide opportunities for other investments such as sequestering carbon to mitigate climate change and produce / sell ACCUs and improve drinking water through streambank restoration. Such an approach would substantially increase investment in Threatened Species but with the majority of the investment coming from private funds providing excellent value for money in term of the use of tax payer funds.

Such a fund would maximise public benefit by leveraging public investment to generate private finance through this exciting new approach to conserving threatened species.

*Recommendation: The Government should establish a pilot to test \$100m blended finance model aimed at creating \$250m worth of investment in Threatened Species. Subject to success of the pilot this program should be made permanent.*

**4. Shifting investment in the Reef with the Australian Government to establish a water quality improvement fund for attracting private investment and to deliver long-term investment in the Reef and build a new market.**

A new market opportunity that is under development in Queensland is the Reef Water Quality market which has the potential to provide improvements in land quality, water quality and to generate long-term income for farmers who take part in the market by reducing polluting activities and repairing and restoring damaged land.

The Australian Government should establish a \$500m fund to purchase water quality credits that will stimulate investment in projects to improve water quality in the GBR and generate credits from the private sector. This approach could reflect the development of a carbon market under the ERF. It would create a new innovative market and lock in long-term income for landholders into the market and provide increased incentive for landholder participation. This approach would also align well with and build on the CEFC Reef funding program.

Such an approach would shift the investment in improving the water quality in the Reef to one that involves public and private investment and would provide long term finance to protect the Reef and the economic benefits it provides.

*Recommendation: The Australian Government should establish a water quality improvement fund for attracting private investment and to deliver long-term investment in the Reef and build a new market.*

**5. Establish a permanent national Bushfires and landscape resilience fund to invest in long term climate adaptation, bushfire recovery and landscape resilience.**

Australia needs a permanent fund to improve landscape resilience, adapt to climate change and conserve biodiversity as part of preparation for a future with increased bushfire risk.

This funding should be based on the Australian Government's Future Drought Fund, with the capability of investing \$500m per annum in landscape restoration for landscape resilience, biodiversity and climate mitigation on a permanent basis.

The aim of the fund would be to invest in priority areas and also secure private capital to build resilient landscapes that balance the hazards, reduce risk and can be established and sustained.

*Recommendation: The Australia Government should establish a Bushfires and landscape recovery environmental fund to invest \$500m per year in long term landscape resilience, climate adaptation and conserve biodiversity.*

**6. The Australian Government should establish an Environmental Technology Investment Fund aimed at developing leading edge technology into the environmental sector.**

A technology fund would provide the support that is needed to develop leading edge investment into the environmental sector. It would enable leveraging technology from other related sectors such as forestry and agriculture to help build capacity and stimulate private investment.

The environment sector that lags behind many other sectors in Australia in terms of the development, use of technology and investment therefore has the potential to develop rapidly and benefit from innovative and technology in terms of growth and regional jobs. This investment could, for example be based on the Clean Energy Innovation Fund but cover broader environmental and in particular conservation outcomes.

As the environment sector is showing rapid growth internationally it would also stimulate broader economic growth through the potential for purchase of Australian developed technology from overseas markets.

*Recommendation: The Australian Government should establish an Environmental Technology Investment Fund aimed at developing leading edge technology into the environmental sector.*

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