



AUSTRALIAN FOOD SOVEREIGNTY ALLIANCE

Submission on the Nature Repair Market Bill 2023 and Nature Repair Market (Consequential Amendments) Bill 2023 [Provisions]

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by email to

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Executive Summary

The Australian Food Sovereignty Alliance ('AFSA') is supportive of financial and non-financial investments in farmers and land managers to restore and manage biodiversity. However, we do not consider the Nature Repair Market ('NRM') an appropriate or effective way to do this, partly because it's based on *two key false assumptions*:

1. That *market failures require market solutions* and
2. That *the government cannot afford to prevent and restore landscape degradation*.

The NRM appears to be a round-about, high risk, unnecessarily complicated, and likely unjustly expensive policy mechanism that also does not address the root causes of biodiversity loss (habitat destruction, climate change, and invasive species).

AFSA recommends the NRM is abandoned in favour of more direct and effective policies that improve and protect nature while also addressing the connected root causes of biodiversity loss. We should be preventing extractive destruction in the first place rather than trying to set up complicated markets in the hopes of incentivising voluntary repairs. After all, prevention is better than a cure.

It is more effective for the government to directly legislate against further land clearing while directly subsidising ecologically-sound farm renovations that conserve and promote biodiversity (as opposed to, for example, subsidising fossil fuels). This is in contrast to the current approach of seemingly putting 'all eggs in one [market] basket' under the assumption nature can be reduced to fungible tradable financial assets that will *somehow* provide enough market certainty to attract voluntary investment.

The latter assumption seems especially dangerous given the significant evidence that nature markets have not worked in the past, including existing Australian water, carbon, and biodiversity markets - evidence of which is included in the body of this submission. The neoliberal market is good at extracting non-financial value so as to accumulate financial capital (for the few, not the many), but it is not good at generating non-financial value. It is a dangerous tool to unleash with the hope it repairs and protects nature and our collective futures.

This demonstrates that the NRM is an unjustified and dangerous policy experiment that doesn't get to the heart of nature loss and related climate change. AFSA's perspectives here are not isolated and are mirrored by many others, particularly [The Australia Institute](#) and [The Green Institute](#)'s insightful critiques of the proposed NRM amongst related recommendations. Links to policy alignment with other organisations are referenced in this submission

About the Australian Food Sovereignty Alliance (AFSA)

AFSA is a farmer-led civil society organisation of people working towards socially-just and ecologically-sound food and agriculture systems. The democratic participation of First Peoples, small-scale food producers and local communities in decision-making processes is integral to these efforts.

Our vision is to promote care for Country and all on it through agroecology and localised, socially-just food systems, while promoting First Peoples' rights to self-determination and Country. This has taken on an added salience in the face of the increasing impacts of the climate crisis, the ongoing COVID-19 pandemic and rising food prices resulting from flood, drought, fire, war, and [inflation caused by corporate profiteering](#).

We reject the notion that Nature is capital, promoted through so-called nature-based solutions to enhance biodiversity. A more realistic term for these approaches would be nature-based dispossessions, where the rights of smallholders and First Peoples are eroded through land grabs or lock ups for the purpose of capitalist conservation.

Payments for environmental services lead to the commodification and financialisation of biodiversity and carbon, undermine cultural value systems that support biodiversity conservation and reinforce the disadvantageous economic position of politically and economically marginalised groups like women, Indigenous Peoples and small farmers who often have insecure or otherwise non-recognized land governance and tenure rights. Behind this monetisation of the environmental crisis is a logic and language that transforms the global environment – Nature – into a provider of services for (some) humans.

The Nature Repair Market is based on false assumptions and should be abandoned in favour of more direct and effective policies.

False assumption: that market failures have market solutions

Part of the reason we are facing existential and connected poly-crises like biodiversity loss, climate change, pollution, and rising social and economic inequality is because markets have a reductive focus on generating financial profits. Therein they create externalities for people and the planet to bear while they pursue blinkered profit motivations. As Einstein said, ‘we cannot solve our problems with the same thinking we used when we created them.’ A neoliberal market solution (such as the NRM) to a neoliberal market problem (nature loss as a market externality) therefore represents ‘more of the same’ style thinking in a time where we desperately need to shift paradigms to prioritise people and planet before profit.

This is why markets need to be redesigned in line with principles of living systems¹ and closely regulated by the State, whose responsibility includes protecting the common good and our inherent human values.

While on the face of it getting the market to pay for biodiversity improvements may sound good, the evidence suggests that neoliberal market policies inevitably lead to further extraction and destruction of the common good. For example the failures and externalities in the carbon market were exposed by the former Chair of the Emissions Reduction Assurance Committee (ERAC), describing the market as “largely a sham” and “a fraud on the environment, a fraud on taxpayers and a fraud on unwitting consumers.”² Similarly, the water market is a “case study in everything that can go wrong when our policy response to protecting a natural resource is to commodify it,” as asserted by Maryanne Slattery, principal of the water consultancy specialists, Slattery and Johnson³.

The cart is before the horse: we need to move beyond neoliberal policies that aim to ‘fit nature into the economy’ through financialisation, to instead ‘fit the economy into nature,’ again partly through re-design and regulation. A market solution should not be the sole or primary lever for regenerating nature. See below for recommendations for more direct and effective policy mechanisms.

False assumption: that the government cannot afford to invest in farmers’ efforts to restore and manage biodiversity

Environment Minister, Tanya Plibersek, stated that the government can’t afford the ‘over \$1 billion a year to restore and prevent further landscape degradation⁴.’ This is not true and instead represents the reality that investing in nature is dangerously low on the government's priority list. As Josh Frydenberg said in relation to buying nuclear submarines, ‘everything is affordable if it’s a priority.’ The government

¹ For example, the Capital Institute’s 8 Principles of a Regenerative Economy. <https://capitalinstitute.org/8-principles-regenerative-economy/>

² Morton, A., 2022, Australia’s carbon credit scheme ‘largely a sham’, says whistleblower who tried to rein it in, The Guardian, 23rd March 2022, <https://www.theguardian.com/environment/2022/mar/23/australiascarbon-credit-scheme-largely-a-sham-says-whistleblower-who-tried-to-rein-it-in>

³ The Australian Institute <https://australianinstitute.org.au/post/why-a-biodiversity-market-doesnt-work/>

⁴ Plibersek, T. (2022). National Press Club Address, Department of Climate Change, Energy, the Environment and Water, Commonwealth of Australia, 19 July 2022. <https://minister.dcceew.gov.au/plibersek/speeches/national-press-club-address>

instead chooses to prioritise investments elsewhere, such as: \$368bn in AUKUS; \$11bn annually on fossil fuel subsidies; and Stage 3 Tax Cuts of \$313bn⁵ that are of vast benefit to the wealthy. Cutting fossil fuel subsidies alone would more than pay for the annual nature repairs we need, while also addressing decarbonisation and other climate change adaptations.

Nature is the bedrock from which all social and economic value flows. *Therefore, the Australian government must prioritise nature. This is why we must ‘fit the economy into nature,’ not ‘financialise nature to fit into the economy.’* We cannot continue to collectively over-consume and degrade nature beyond its planetary boundaries, else humans will likely become extinct.

Recommendations: AFSA recommends the abolition of the NRM in favour of more effective policies that directly enhance and protect healthy ecosystems while addressing the root causes of biodiversity loss.

Nature does not meet the economic conditions required to support effective markets. So again, the cart is before the horse if we try to ‘fit nature into the economy’ rather than regulate and re-design the ‘the economy to fit into the laws of nature.’ Economist John Quiggin, in [relation to nature markets](#), [says](#), “where the good being traded is poorly defined and hard to measure...markets are unlikely to perform well.” Measurement here would require us to draw arbitrary boundaries around nature to define it, make it comparable to other forms of nature, so as to make it tradeable. However nature resists boundaries.

How can you effectively measure and trade the health of an Australian grassy woodland when its health is simultaneously dependent on adjacent ecosystems, the ocean currents, and the Amazon rainforest that influences global climate? Nature would need to be standardised and comparable to be traded too, but biodiversity is non-fungible (described more below). Given biodiversity is inherently complex and requires significant specialised knowledge, biodiversity markets are also likely to be unnecessarily expensive resulting in high transaction, monitoring, and compliance costs.

While measurement of Nature can have pragmatic uses and yield important insights, it is not fit for the purpose of reducing Nature into a tradable financial value. This in part underlines why AFSA considers the NRM a high risk policy experiment that the evidence suggests will not work. Former environment minister Peter Garrett has called (generally) for lower risk environmental policies “that just tend to make more sense ... policy alignment, robust regulation and not subsidising industries doing the damage are all simple but powerful measures.”⁶ In this vein, AFSA recommends the below policy alternatives.

These recommendations also promote prevention of further Nature loss, rather than a market that is focused on ‘repairs’ and as such risks being a band aid while systemic destruction continues. See also [AFSA’s Peoples’ Food Plan](#) (2023) for more context and systemic recommendations.

Recommendations:

- Directly fund and support ecosystem-based approaches through;
 - Targeted resource taxes and subsidies (for example, Norway, which heavily taxes oil and gas resources or the UK Energy Profits Levy)
 - Provide Vegetation and infrastructure grants (such as biodiversity levies used for rural farm initiatives in Lismore City Council)

⁵ Karp, P. (2023). Stage-three tax cuts cost blowout predicted, with men and the wealthy to benefit most. Guardian Australia, 16 May 2023. <https://www.theguardian.com/australia-news/2023/may/16/stage-three-tax-cuts-cost-blowout-predicted-with-the-wealthy-and-men-to-benefit-most>

⁶ <https://www.thesaturdaypaper.com.au/environment/2022/12/10/why-biodiversity-environment-market-doesnt-work>

- Provide innovative financing like interest free loans. For example, [revenue contingent 'HECS' style loans for restoring nature on farms.](#)
- Investment in education on effective landscape management practices such as agroecology, and as linked to resilient business planning, etc. The adoption of agroecological farming practices and principles *have been embedded in the Kunming-Montreal Global Biodiversity Framework*
- Regulate the root causes of biodiversity loss (habitat destruction, climate change, and invasive species) for example:
 - Halting land clearing, like the Victorian Government bringing forward the ban of native forest logging.
 - Support First Nations land management, such as cultural burning and traditional foods.
 - Establish legal rights for Nature as has been done in [Aotearoa / New Zealand](#) and is being pursued for [Martuwarra / Fitzroy River](#). *If non-living entities like corporations can have rights, so too should Nature as living biology.*
 - Enforce decarbonisation in line with 1.5°C science-based targets.
 - Remove all fossil fuels subsidies, ban all new fossil fuel developments, and accelerate just transitions for workers away from the fossil fuel industry.
 - Integrate and align policies on climate change and biodiversity loss, as two sides of the same coin.
 - Limit resource use in line with [planetary boundaries](#), and rapidly phase out synthetic fertilisers and chemicals that poison landscapes and waterways (in line with Target 7 of the Kunming-Montreal Global Biodiversity Framework). Promote circularity such as legislating robustness and repairability of goods, and disincentivise use of virgin materials through resource taxes.
 - Strengthen fines and penalties for non-compliance with environmental regulation.
 - Promote and regulate food, fibre, and other resource use transparency, alongside consumer awareness campaigns, to enable ethical purchases and decision making.

Compromise: If the NRM does go ahead, AFSA considers the below as minimum to be included in legislation to mitigate the risks of further significant harmful market externalities.

Exclude offsets from the NRM

NB: this recommendation is aligned with The Mulloon Institute's NRM submission and likely other submissions that AFSA has not read.

Biodiversity credits are non-fungible assets meaning they cannot be traded as offsets. '1 biodiversity' is not like for like with '1 biodiversity' elsewhere. For example, a mining company may use biodiversity credits from a kelp forest in TAS to justify bulldozing a pocket of rare koala habitat in QLD. However, this does not 'offset' the loss of the koala habitat in the same way you can't offset damage to your liver by improving the health of your heart. Instead, you should not destroy your liver in the first place. Healthy ecosystems (from which biodiversity thrives in) are local, diverse, connected, and non-linear which means they cannot be reduced to a fungible financial asset that can be effectively traded.

Current offset markets also lock in business-as-usual by justifying further extraction under the false assumption that organisations can purchase 'offsets' to this destruction. We have seen that most offsets don't even have real environmental benefits. The former head of ERAC Professor Andrew Macintosh

asserted that 70-80 per cent of ACCUs are not additional or not even real⁷. Dr Megan Evans at UNSW says that “offsets typically, at best, lock in existing environmental decline⁸.” Similarly, Melbourne University ecologist, Dr Yung En Chee, writes “we have had more than 20 years of global experience with regulatory biodiversity offset markets and still lack credible evidence of demonstrated effectiveness. Why would a proposed voluntary Nature Repair Market work any better? The Nature Repair Market is a delaying and diverting distraction at a time of biodiversity and climate emergency⁹.”

Farmers and landholders should be able to choose who to sell credits to

As [Farmers for Climate Action](#) have surveyed, most farmers do not want to be associated with selling credits to organisations that will use these to justify the destruction of ecosystems elsewhere. For instance, where farmers improve biodiversity, they do not want a mining company or developer to use this to justify bulldozing habitat somewhere else.

Governance needs to be carefully designed to avoid the failings of past and current nature markets. This includes allegations of fraud and greenwashing in the ACCU market and NSW Biodiversity Offset scheme¹⁰.

As The Australia Institute points out¹¹, the proposed NRM shares “the same legislative architecture as the existing carbon market” – meaning it is likely vulnerable to the same governance failures and so similarly to result in limited environmental benefit. This includes concerns about the principal regulator of the proposed NRM, the Clean Energy Regulator (CER), which as an organisation has been described as “a case study in poor governance.¹²” Strong regulatory monitoring and compliance must be included in governance, as well as managing against conflicts of interest in the constitution of governing bodies.

Also, [The Green Institute highlights](#) that “the Federal Government has announced it intends to rewrite the EPBC Act. It is putting the cart before the horse to legislate a Nature Repair Market Bill before the governing legislation is written. The new standards and provisions should govern the proposed market, not the other way around.”

Do not rely on markets as the primary policy lever.

If the government is set on creating the NRM, it should not do this in the absence of also addressing the root causes of biodiversity loss. Otherwise we are at best repairing damage while allowing continued damage, rather than preventing damage in the first place. The kind of alternative policy levers described above can be simultaneously undertaken so that the government is not relying solely on a neoliberal market lever.

Thank you for the opportunity to submit our thoughts and recommendations herein.

The Australian Food Sovereignty Alliance

⁷ Morton, A. 2022. ‘Australia’s carbon credit scheme ‘largely a sham’, says whistleblower who tried to rein it in’. The Guardian. 23 March 2022. <https://www.theguardian.com/environment/2022/mar/23/australias-carbon-credit-scheme-largely-a-sham-says-whistleblower-who-tried-to-rein-it-in>

⁸ The Australia Institute, <https://australiainstitute.org.au/post/why-a-biodiversity-market-doesnt-work/>

⁹ The Green Institute, <https://www.greeninstitute.org.au/publications/nature-repair-market-will-do-nothing-for-nature>

¹⁰ NSW Legislative Council Portfolio Committee No. 7, 2022, Integrity of the NSW Biodiversity Offsets Scheme <https://www.parliament.nsw.gov.au/committees/inquiries/Pages/inquiry-details.aspx?pk=2822#tab-reportsandgovernmentresponses>

¹¹ The Australia Institute, <https://australiainstitute.org.au/report/beyond-repair/>

¹² Morton, A., 2022, Australia’s carbon credit scheme ‘largely a sham’, says whistleblower who tried to rein it in, <https://www.theguardian.com/environment/2022/mar/23/australias-carbon-credit-scheme-largely-a-sham-says-whistleblower-who-tried-to-rein-it-in>