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Sustainable Finance Unit
Climate and Energy Division
The Treasury

By Email: SustainableFinanceConsultation@treasury.gov.au

Dear Sirs

Re: Sustainable Finance Strategy

Thank you for the opportunity to provide comment on the Sustainable Finance Strategy.

AgForce is a peak organisation representing Queensland's cane, cattle, grain and sheep, wool & goat producers. The cane, beef, broadacre cropping and sheep, wool & goat industries in Queensland generated around $10.4 billion in on-farm value of production in 2021-22. AgForce's purpose is to advance sustainable agribusiness and strives to ensure the long-term growth, viability, competitiveness and profitability of these industries. Over 6,500 farmers, individuals and businesses provide support to AgForce through membership. Our members own and manage around 55 million hectares, or a third of the state's land area. Queensland producers provide high-quality food and fibre to Australian and overseas consumers, contribute significantly to the social fabric of regional, rural and remote communities, as well as deliver stewardship of the state's natural environment.

AgForce welcomes the opportunity to participate in the consultation process regarding the Sustainable Finance Strategy. We commend the authors on their dedication and significant efforts to provide a strong foundation for sustainable finance in Australia and align Australia's capital markets with emerging international standards. In its current state however, AgForce has concerns that the Sustainable Finance Strategy does not serve the best interest of our members.

In our submission, we provide feedback to enable greater alignment between sustainable finance goals and the agricultural sector, so that Australian farms remain competitive in global capital markets. Our submission is structured in order according to the questions in the consultation paper. We have not attempted to address all 26 questions but have instead focused on those with particular relevance to our members.

What are the opportunities for Government, regulators and industry to support companies to develop the required skills, resources and capabilities to make climate disclosures under the proposed new obligations?

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From the discussion paper, we note that Government is particularly seeking feedback on Scope 3 emissions reporting and scenario analysis.

As has been articulated by our national representatives, the National Farmers Federation in their 'Climate-Related Financial Disclosure: Second Consultation' submission to Treasury, the farm sector is opposed to formalising Scope 3 emissions reporting. We remain opposed unless and until we gain clarity on coverage and threshold activation numbers, as well as the detail and impact of compliance requirements.

Additionally, because Scope 3 emissions are indirect greenhouse gas emissions that occur in a company's value chain, we urge Treasury to consider that reporting will be a complex challenge for agriculturalists, many of whom run small, family owned and operated businesses.

To support agricultural enterprises to make climate disclosures under the proposed new obligations, the Government can take the following steps:

- Recognise that farmers need to use fertilisers and pesticides to produce the food that sustains humans both nationally and internationally. It is both unrealistic and unjust to penalise farmers for producing the food we rely on. Additionally, by failing to support the sustainability credentials of our own farmers, there is the risk of skewing financial markets unfavourably against our own producers and exacerbating scale, capacity and discrimination concerns within producer ranks. This risks a weaker agricultural sector with repercussions for domestic (and international) food security and interlinked economies.
- Appropriately weigh the importance of emissions from livestock (methane) and fertiliser (nitrous oxide) application. These short-lived climate pollutants remain in the atmosphere for a relatively short time, compared with carbon dioxide from industry processes, transport and electricity generation from fossil fuels that can remain in the atmosphere for hundreds or thousands of years.

In recognition that reducing short-lived climate pollutants can lead to a rapid reduction in atmospheric concentrations and help slow the rate of warming in the near term, where there is the option to use alternative, low emission fertilisers, farmers will not hesitate to do so – provided they are safe and effective and crucially, available at a price point that is comparable with (or cheaper than) higher emission alternatives.

In terms of scenario analyses, current gaps for agricultural climate emissions risk creating unfair prejudice in sustainability related financial disclosures. These include the following (adapted from Leahy et al. 2020):

- Lack of standardisation: There is a lack of standardisation in scenario analysis methodologies, which can make it difficult to compare results across different studies.
- Limited scope: Many scenario analyses focus on a limited set of variables that are relevant to agriculture, which can lead to incomplete or inaccurate results.
- Data limitations: Scenario analyses rely on accurate and up-to-date data, which can be difficult to obtain across entire agricultural supply chains.
- Uncertainty: Scenario analyses involve a high degree of uncertainty, particularly when it comes to predicting future trends in climate change and agricultural production.
- Limited stakeholder engagement: Scenario analyses often fail to engage with stakeholders outside of the research community, which can limit their relevance and impact to agriculture.

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AgForce considers that addressing these gaps will be essential to improving the accuracy and usefulness of scenario analyses for agricultural climate emissions; and thus, support companies to develop the required skills, resources and capabilities to make climate disclosures under the proposed new obligations.

How should the Government, regulators and industry prepare for global developments in sustainability-related financial disclosure frameworks and standards, including the TNFD?
AgForce does not support a Sustainable Finance Strategy that penalises or attempts to enforce emissions targets on the agricultural sector. Such attempts could force undesirable and extreme actions, such as in Ireland, where the government is considering culling 10% of the national dairy herd to meet methane reduction targets – resulting in countrywide protests (Farmers Weekly, 4 December 2023). Such moves risk contradicting the right to food according to the United Nations (Special Rapporteur, Office of the High Commissioner for Human Rights, 2023):

"States are also restricted from taking deliberate measures which result in the deterioration of the current level of fulfillment of the right to food."

Additionally, AgForce upholds the view expressed in the NFF submission to the Sustainable Finance Strategy, that industry-sector reporting must be protected and remain confidential where appropriate and that the supply of information to financial institutions should be avoided to ensure such institutions do not discriminate against various industry groups. Appropriate safeguards should be built into frameworks and standards to protect reporting entities.

What are the most important policy priorities for an Australian sustainable finance taxonomy?
AgForce advocates for the following key taxonomic considerations:

- Definitions of sustainable, green and transition activities must be carefully considered so as not to preclude Australian agriculturalists.
- The Do No Significant Harm (DNSH) principle needs to be applied to the taxonomy in such a way that farmers can reasonably demonstrate that their business does, overall, promote sustainable agricultural practices that are beneficial to the environment. This will require meaningful and ongoing inclusion of the Australian farming sector (across diverse enterprise types) in determining the conditions to be met for this principle to be upheld.
- Does not add to the regulatory burden. Farmers as both business owners and natural resource managers are experiencing overload around policy and regulation. Excessive regulation leads to increased costs of compliance, which can be especially burdensome for small businesses – most Australian producers fall into this category. AgForce is also concerned that excessive regulation will stifle innovation and competition, as farmers may be discouraged from investing in new ideas or entering new sustainable markets. There is also the risk that, in extreme cases, excessive regulation will force key elements of agricultural supply chains to relocate overseas, resulting in loss of jobs and weaking the local agricultural sector.

With the above factors taken into consideration, AgForce welcomes the development of a Sustainable Finance Taxonomy as a critical step to ensure that Australian agriculture is not expected to comply with taxonomies developed in jurisdictions that are very different to our own, crucially with potentially very different starting points to achieve net zero by 2050.

What are priorities for expanding taxonomy coverage after the initial focus on climate mitigation objectives in key sectors?

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AgForce has long recognised that to achieve true sustainability, it is essential to move beyond an emphasis on greenhouse emissions, to understand the complexity and diversity of natural environments and the role of agricultural production systems in conserving natural capital. Only approaches that adequately recognize this diversity and the interdependence of sustainable agricultural production with healthy ecosystems and natural assets may be effective in promoting overall sustainability.

In development since 2019, AgForce has launched our own ground-breaking initiative, AgCarE (Agriculture Carbon & the Environment). This is an accounting program that strengthens our members capacity to transition toward a natural capital approach – identifying, acknowledging and rating rural property performance on a case-by-case basis (AgForce 2022).

AgCarE is an auditing tool for sustainable agricultural production that provides:

- Identification of complete natural capital asset portfolio on property,
- Identification of biodiversity offset opportunities potential,
- Identification of options for carbon abatement,
- Assessment of farm sustainability, and
- Enables drought mitigation and business resilience through its focus on the water cycle, vegetation and soil health.

AgCarE was initially developed in response to our membership's frustration with the tunnel-vision focus on carbon and the need to develop a whole-systems view of the health of an agricultural landscape. Additionally, there was concern that the majority producers, ironically many who had devoted considerable effort into managing a sustainable tree-grass balance and healthy ecosystems, were not able to access currently available carbon markets – like the Federal Government's Emissions Reduction Fund – because they did not have cleared land that was eligible under existing projects and the cost and complexity of doing so is prohibitive for most family farming operations in Queensland.

Initially focused primarily on Queensland graziers, the application of AgCarE has gradually expanded to be relevant across a diversity of agricultural commodities in Queensland and indeed Australia-wide. The tool includes commodity modules that recognise a business's practices and assesses them against national and international standards.

AgCarE is aligned with the Australian Agricultural Sustainability Framework (AASF) and is a founding member and pilot of the AASF, which is intended to provide a common basis for sustainability programs, such as AgCarE, to be recognised domestic and international markets (see: https://nff.org.au/programs/australian-agricultural-sustainability-framework/). AgCarE is also being trialled by banks as a means for supporting their reporting requirements under the Task Force on Climate-Related Financial Disclosures (TCFD) and Taskforce for Nature Related Financial Disclosures (TNFD). AgCarE has been mapped against the key reporting principles of the TCFD and TNFD and is under assessment as a recognised program by the TCFD program (see: https://tnfd.global/guidance/tools-catalogue/).

AgForce urges Treasury to uphold using AgCare as a key tool for agricultural businesses to demonstrate their suitability as candidates to benefit from sustainability specific finance products (eg, sustainability linked loans, green loans etc) and moreover, that their enterprise represents a low-risk option for sustainability conscious investors.

What should be the key considerations for the design of a sustainable investment product labelling regime?

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The National Livestock Identification System (NLIS) is Australia's scheme for the identification and tracing of livestock and is crucial to Australia's reputation as a producer of quality beef and sheep meat. The system allows for traceability of livestock through a combination of permanent identifiers, movement documents and database records. The NLIS database holds information on livestock movements from birth to slaughter, supporting Australia's reputation as a producer of animal products that are free of chemical residues and exotic diseases.

The Australian grains industry also has several tracking and labelling schemes in place. Grains Australia develops and maintains accountable and transparent varietal classification systems for grain commodities that build value through alignment with market demands and opportunities. Grain Trade Australia (GTA), the national body representing the country's grain traders, brokers and exporters, has developed a set of trading standards that are widely used in the Australian grain industry.

Given that these existing schemes have been developed specifically in the context of Australian agriculture, they offer insights for the design of sustainable investment product labelling regimes relevant to our sector.

What are the priorities for addressing greenwashing?
AgForce and other peak agricultural bodies face challenges in ensuring that our sustainability claims are not unjustly contradicted by:

- The views of third parties based on ideological differences (ie, those opposed to the production and consumption of animal products).
- Misunderstandings associated with vegetation management and alleged deforestation. This is a concern in evidence at multiple levels, from regulators to banks, retailers and customers.

There is also the concern that Australian anti-greenwashing regulations could create conditions that favour overseas competitors who have greater leeway to avoid greenwashing regulation, or greater laxity in the conditions they need to satisfy.

Are there specific areas where the Government or regulators could further contribute to market-wide understanding of systemic sustainability related risks, including climate-related financial risks?
In an agricultural context, there is considerable scope to change the rhetoric from climate-related risks to climate-related opportunities. Significant opportunities exist around finance products that recognise:

- Sustainable farming practices, such as conservation tillage, climate-resilient crop rotation and cover cropping. These practices can help reduce greenhouse gas emissions, increase water use-efficiency, improve soil health and increase stability of crop yields.
- Renewable energy infrastructure developments, such as solar, wind, biomass energy or green hydrogen. Such developments ensure farmers contribute towards a net zero economy and have greater business resilience due to new sources of income.
- Utilisation of practices that increase water use efficiency and reduce risks of flooding (eg, swales, terraces, ponds, dams, and contour banks).
- Adoption of innovative technologies, including precision agriculture, remote sensing and data analytics.
- Such attributes of sustainable farming enterprises should be reflected in the development of new financial products, like sustainability-linked loans, green loans, green bonds and transition loans.

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Do you agree that existing regulatory and governance frameworks and practices have adapted well to support better integration of sustainability-related issues in financial decision making?

There is a lack of standardisation in sustainability reporting for agriculture, which makes it difficult for investors to compare the sustainability performance of different companies (Australian Farm Institute 2022).

In addition, there is a need for more consistent and reliable data on sustainability-related issues in agriculture. Towards this end, the aforementioned AASF is a unique initiative which enables a central source of information about Australian agricultural sustainability, providing a translation layer between farm practices, markets and the community (Australian Farm Institute). The AASF is still a work in progress, but with appropriate Government support it can assist farmers to continuously improve on-farm management practices and reporting, ensuring consistency and cohesion across multiple existing schemes, programs and other initiatives (NFF). As mentioned above, AgCarE is a pilot under the AASF.

What are the opportunities for the CEFC to support financing and market development in areas with significant climate co-benefits, including nature and biodiversity?

The CEFC has backed HydGene Renewables, a new Australian company that has developed an alternative green hydrogen solution that turns biomass into hydrogen using a process that is both renewable and carbon negative. From an agricultural viewpoint, notable merits associated with this process are:

- An on-site solution to energy and fuel supply, waste management and carbon sequestration.
- Production of hydrogen where and when it is needed at low cost, even in remote areas.

The CEFC has also invested in battery storage projects, including installation on farms to help manage energy costs and improve energy security.

AgForce desires to see an increase in CEFC backed investment with these kinds of attributes. Secure, on-farm access to clean and renewable fuels and energy is important for the agricultural sector both now and into the future and will assist our sector with satisfying reporting requirements for sustainable finance.

What are the key priorities for Australia when considering international alignment in sustainable finance?

Across the globe, farmers rights are being continually and systemically violated with the passage of laws that deny them meaningful participation in processes affecting them. While the consultation paper for the Sustainable Finance Strategy envisages consultation with stakeholders, AgForce is concerned that there is only a solitary mention of agriculture in the discussion paper, which is limited to the role of the CEFC.

The AgForce Climate Change Policy (Appendix 1) advocates that:

- Agriculture must be recognised for its efforts to date to adapt processes in favour of emission reduction, along with being susceptible to supply chain constraints beyond the sector's control, eg, transportation.
- Regulation and policies should not unfairly impose farmers with the cost of achieving national/state emission reduction objectives or impact an enterprise's development. Carbon sequestration services should be fully compensated and not be the source of low-cost abatement to other sectors through regulation.

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- Property rights must be respected and producers provided with flexibility to manage their land in a way that suits farming business, while maintaining environmental outcomes.
- Adoption of new practices relating to emission reduction should not cause adverse outcomes, such as loss of prime agricultural land or pest and weed encroachment.

What are other key near-term opportunities for Australia to position itself as a global leader in sustainable finance and global climate mitigation and adaptation?
Australia has strong sustainability credentials compared to other major agricultural nations (Read et al. 2023), including use of pesticides and fertilisers that is amongst the lowest in the world and wide-scale use of conservation tillage practices that are minimally disruptive to biodiversity. According to Coelli (2021):

- Among Australian broadacre cropping enterprises, 85% of farms retain stubble to reduce erosion and prevent moisture loss, 68% minimise tillage to protect soil integrity, and 65% optimise the use of (and reduce reliance on) pesticides or fertiliser.
- Many livestock farms are using a variety of grazing management systems such as cell, trip or rotational grazing (61% of farms) and setting a long-term groundcover requirement (61% of farms).

Moreover, Australia does not offer environmentally harmful subsidies that discourage adaptation underpinning emission reduction.

According to a report by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), Australian farmers are adapting to the changing climate and this adaptation will help offset future climate impacts (Hughes and Gooday, 2021). On a percentage basis, Australia has reduced agricultural emissions more than most other developed countries and emissions intensities are below average for cattle, specialist beef production and grains compared to major developed country producers and exporters (Fell and Creed, 2023).

Additionally, AgForce urges Treasury to consider Government-backed lending schemes designed specifically to provide achievable lending terms for entry-level farmers with limited capital but with strong sustainability-linked goals. Land values have increased at a rapid rate in recent years and has had the effect of pricing out new entrants, particularly affecting the next generation. Young and first-time farmers often find it difficult to satisfy current commercial and government backed lending programs. Specialist lending products that financially support the next generation of farmers to move into sustainable agriculture is, we suggest, a key pathway for ensuring the future of this sector of the economy. We invite Treasury to discuss such options with the AgForce Young Producers Council as part of any forthcoming consultation process.

Social Priorities
The Sustainable Finance Strategy consultation paper states:

" … reforms should provide a platform to incorporate other critical sustainability-related issues over time. This should include a special focus on … incorporating First Nations perspectives and supporting positive social and economic outcomes for First Nations people."

AgForce agrees that agriculture has immense potential for growth, sustainability and cultural enrichment from ongoing Indigenous engagement. Many in our membership have developed effective collaborative agreements with their local Indigenous connections and we can learn from these. We have Indigenous members running sustainable businesses and we seek to continue to support them growing and expanding into the future (AgForce, 2023).

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It is the policy of AgForce that advocacy efforts should continue to be pursued in the interests of all members (inclusive of different cultural backgrounds and agricultural industries), recognising the diversity of member and stakeholder engagement and contexts. See our Policy Position on Indigenous Engagement (Appendix 2).

Moreover, Australian agriculture has a strong performance against other social criteria. For example, the 2019 ABS Labour Force survey data shows that more than half (53.7%) of all women working in agriculture were employed as Farmers and Farm Managers (Australian Bureau of Statistics [ABS], 2019) and the National Farmers Federation have expressed their goal of doubling the number of women in management roles in agriculture by 2030 (ABC Rural, 2023).

Concluding Comments

AgForce urges Treasury to recognise that the Australian agricultural sector is a strong candidate for sustainable finance across a suite of Environmental Social and Governance (ESG) priorities. A Finance Strategy that supports agriculture will ensure that more capital is invested into a sector that is well placed to support the Government's emissions reductions target.

AgForce upholds the views articulated by our Federal representatives at NFF in their submission, notably:

- The farm sector is opposed to formalising Scope 3 emissions reporting. We remain opposed unless and until we gain clarity on coverage and threshold activation numbers, as well as the detail of compliance requirements.
- Industry-sector reporting must be protected and remain confidential where appropriate and the supply of information to financial institutions should be avoided to ensure such institutions do not discriminate against various industry groups. Appropriate safeguards should be built into frameworks and standards to protect reporting entities.

Additionally, at this time AgForce is unable to support a Sustainable Finance Strategy that will be used to enforce sustainability criteria or otherwise penalise the agricultural sector.

We seek a strategy that focuses on the strengths of our agricultural sector across a broad suite of sustainability criteria, also recognising that our producers have already reduced emissions and will continue to do so at a pace commensurate with scientific and technological innovations that enable them to do so.

Agriculture accounts for 55% of Australian land use (427 million hectares, excluding timber production [ABARES 2023]) and hence farmers are major shareholders in our nation's natural capital including carbon capture. Going forward, we urge Treasury to prioritise farmers in consultation processes around the formation of the Australian Sustainable Finance Strategy and future related legislative or regulatory developments. AgForce would welcome the opportunity to be part of these ongoing discussions.

Yours faithfully

Georgie Somerset
General President

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Appendices

Appendix I: [AgForce Climate Change Policy]

The Australian agriculture industry is characterised by significant climate variability and continues to enlist practices that reduce emissions and the risks associated with operating in a volatile environment.

AgForce recognises that environmental change and variability pose significant challenges to Australian producers and also creates opportunity for innovation in farming practices. To continue to remain competitive and develop long-term productive strategies, broadacre industry continues adaption to the short-term seasonal variability as well as long-term climate trends. As a long-standing member of our national body, AgForce supports in principle the National Farmers Federation policy positioning around climate change.

While recognising that climate change is a global challenge and responsibility, AgForce is committed to ensuring the productive capacity of the agricultural industry is maintained and increased in a sustainable manner through being responsive to government policy changes and supporting our members as they work toward industry targets.

Of utmost importance is ensuring that any government responses support the long-term viability of the broadacre agricultural sector, ensuring improved producer resilience to their changing environment. Responses must support the efforts of the agriculture industry and associated supply chain sectors to innovate and adapt operational practices.

AgForce supports policies that focus on tangible measures for improved agricultural practices including those leading to industry targets of reduced emissions while securing satisfactory business outcomes. This includes to:

- Ensure policy settings incentivise adoption of identified better practices.
- Strategic infrastructure investment that improves efficiencies.
- Investment in R&D and tools that support decision making associated with resilience and competitiveness of enterprises.
- Ensure continuous improvement through evaluation and review of policy settings.

AgForce advocates that agriculture must be recognised for its efforts to date to adapt processes in favour of emission reduction, along with being susceptible to supply chain constraints beyond the sector's control eg, transportation costs.

Regulation and policies should not unfairly impose farmers with the cost of achieving national/state emission reduction objectives or impact an enterprise's development. Carbon sequestration services should be fully compensated and not be the source of low-cost abatement to other sectors through regulation.

Property rights must be respected, and producers provided with flexibility to manage their land in a way that suits farming business, while maintaining environmental outcomes. Adoption of new practices relating to emission reduction should not cause adverse outcomes, such as loss of prime agricultural land or pest and weed encroachment.

For further information please contact AgForce AgBusiness Policy: agforce@agforceqld.org.au or (07) 3236 3100

Appendix II: Policy Position: Indigenous Engagement

Indigenous engagement is gaining increased attention within state and federal government agendas. This includes the Federal Government proposal of a constitutionally enshrined Voice to Parliament, and more broadly 'Treaty and Truth Telling' processes are underway. The Queensland Government is also reviewing cultural heritage Acts, while the Federal Government has recently concluded its parliamentary inquiry into Rio Tinto's destruction of Juukan Gorge, which has recommended an overhaul of cultural heritage laws nationally.

Given these processes, it is thought timely for AgForce to consider how best to represent members' interests, understanding the potential implications for landowners and how to engage with our members on an agreed approach and positioning.

AgForce endorses the following policy:

- Increased Indigenous collaboration and leadership are in the interests of everyone involved in the Australian agriculture sector. AgForce acknowledges the pivotal role that all landholders have in identifying, respecting and protecting areas of Indigenous significance.
- AgForce supports a localised, holistic approach to Indigenous engagement. Engagement should primarily be predicated on a genuine partnership approach, aiming to realise shared opportunities and mutual benefits.
- Efforts should be underpinned by a spirit of collaboration and proactive, long-term engagement. Wherever required, initiatives and actions should be 'ground-truthed' with relevant Indigenous representatives and stakeholders, including members.
- When pursuing opportunities for engagement, AgForce respects the multifaceted nature of Indigenous engagement.
- Advocacy efforts should continue to be pursued in the interests of all members and agricultural industries, recognising the diversity of member and stakeholder engagement and contexts. AgForce must have a clear understanding of its own role and a clear understanding of the role of the many groups and organisations involved in Indigenous agriculture.
- Consistent with its core purpose, AgForce should focus primarily on initiatives and engagement related to agricultural, regional economic development and natural resource management, which may lead to broader social development outcomes.
- Engagement efforts should be focused on actions that deliver tangible benefits.

AgForce's Role:
With respect to Indigenous engagement, AgForce's role may include:

- Representing the broadacre agriculture sector in the process of Indigenous engagement.
- Leading and supporting agriculturally related Indigenous engagement activities and strategies, including stakeholder consultation, program and strategy development and implementation.
- Leading and supporting relevant forums, dialogue and communication structures as a means to identify current and emerging issues and find opportunities for collaboration and issue resolution.
- Supporting members with their Indigenous engagement activities as well as other intersecting policy areas such as Native Title, Cultural Heritage and Indigenous Cultural Water Carbon and all elements of Natural Capital.
- Facilitating two-way dialogues with its members about issues of significance with respect to Indigenous engagement, including relevant legislative, advocacy efforts, media and community developments.