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Dear Sustainable Finance Unit,

RE: Submission on Australia's Sustainable Finance Strategy

The Australian Land Conservation Alliance (ALCA) welcomes the opportunity to provide a submission to the Government's consultation on its Australia's Sustainable Finance Strategy.

ALCA is Australia's peak national body for private land conservation. We represent organisations that conserve, manage, and restore nature on privately managed land, either as direct stewards or in partnership with other landholders.

ALCA's submission focuses on the nature-related aspects of the Strategy.

Please note that ALCA is happy for this submission to be published in full.

Summary

The key findings of the Federal Government's 2021 State of Environment Report highlight the state and seriousness of the nature crisis in Australia:

"Overall, the state and trend of the environment of Australia are poor and deteriorating as a result of increasing pressures from climate change, habitat loss, invasive species, pollution and resource extraction. Changing environmental conditions mean that many species and ecosystems are increasingly threatened. Multiple pressures create cumulative impacts that amplify threats to our environment, and abrupt changes in ecological systems have been recorded in the past 5 years.

...Our inability to adequately manage pressures will continue to result in species extinctions and deteriorating ecosystem condition, which are reducing the environmental capital on which current and future economies depend. Social, environmental and economic impacts are already apparent."¹

The economic impacts from the nature crisis are expected to be devastating. According to the World Economic Forum:

"Humanity has already wiped out 83% of wild mammals and half of all plants and severely altered three-quarters of ice-free land and two-thirds of marine environments.

¹ See: 2021 State of Environment Report; <https://soe.dcceew.gov.au/overview/key-findings>

One million species are at risk of extinction in the coming decades – a rate tens to hundreds of times higher than the average over the past 10 million years....

Human societies and economies rely on biodiversity in fundamental ways. ...over half the world's total GDP – is moderately or highly dependent on nature and its services.”²

Using the same methodology, **approximately half of Australia's GDP has also been demonstrated as having a moderate to very high dependence on nature**³.

To combat the escalating nature crisis, we therefore need to rapidly pull all the policy levers – of which sustainable finance reforms are a key and necessary lever. Indeed, this is well-recognised in the proposed Strategy, for example: “*Australia's financial system plays an integral role in aligning investment and economic growth with... environmental goals*”.

ALCA supports the Government's 'climate-first' approach in its Sustainable Finance Strategy. However, it should be noted that the twin crises of climate change and nature are a nexus, with deep interrelationships between nature and climate in both directions. Splitting the nature and climate crises apart – as if they are completely separate – will not be helpful to how we should be thinking about the design of interlocking solutions to both crises.

However, noting the Government's current approach, and in order to reinforce these mutual dependencies and solutions between nature and climate, **the Government should also formally adopt a 'nature-second' approach in the Strategy**.

This apparent misunderstanding of the deep climate-nature nexus comes out in the Strategy's overwhelming focus upon the renewable energy transition. Whilst this transition is deeply important, it is but one crucial piece of the broader puzzle. For example, risk-mitigation from nature-based solutions is a major, and insufficiently tapped opportunity for sustainable finance that should feature in the Strategy. It is deeply surprising to see that 'nature-based solutions' – the use of nature to mitigate and adapt to climate change (including climate-related natural disasters) – does not yet feature within the Strategy. The Strategy presents the Australian Government with a clear opportunity to mitigate a building domestic and international perception that it does yet appreciate the opportunity for nature-based solutions⁴.

ALCA supports the otherwise comprehensive list of proposed actions within Box 1 of the proposed Strategy, but further argues that an additional priority should be added (within the list of proposed priorities in Figure 1) in recognition that nature is, alongside climate, the most urgent and quickly increasing financial investment and real-economy sustainability priority. This priority should be aligned with the Government's Nature Positive Plan⁵ and environmental reform package agenda, as follows: **Priority 5: Support credible nature positive transition planning**.

² See: World Economic Forum, *Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy*, January 2020; <https://www.weforum.org/reports/the-global-risks-report-2020>

³ See: Australian Conservation Foundation, *The nature-based economy: How Australia's prosperity depends on nature*, September 2022; <https://www.acf.org.au/how-australias-prosperity-depends-on-nature>

⁴ This perception continued to build at COP27 (Egypt) in particular.

⁵ <https://www.dcceew.gov.au/sites/default/files/documents/nature-positive-plan.pdf>

Recommendations

The climate and nature crises are twin crises with deep mutual dependencies and interlocking solutions. ALCA supports a central role for nature in the Sustainable Finance Strategy, much of it outlined in Box 1 of the proposed Strategy. The ‘climate first’ approach could lead to a misunderstanding of how these crises are interlocking. ALCA understands the Government’s desire to align with “*international efforts to embed climate opportunities and risks into finance are further advanced than other areas of sustainability*” by adopting a ‘climate first’ approach, but would highlight that, unlike other biodiversity hotspots, Australia is a developed country and has the opportunity and the capacity to be a trailblazer on efforts to ensure sustainable finance reforms are tailored for both climate and nature. Therefore:

1. Whilst supporting a ‘climate first’ approach, **the Strategy should explicitly adopt a ‘nature second’ approach** to underline the nexus of climate and nature, with the Executive Summary of the Strategy being amended as follows:

Through the Strategy, the Government also considers nature-related issues **and is adopting a ‘nature second’ approach to sustainable finance reforms. This reflects** rapidly growing investor expectations for greater transparency on nature risks and Australia’s interest in protecting natural landscapes, ecosystems and biodiversity (see Box 1) **and the deep interrelationship between climate and nature.**

2. Nature should explicitly feature in the Figure 1: Summary of proposed priorities, in keeping with the Australian Government’s Nature Positive Plan⁶ and environmental reform package agenda:

Priority 5: Support credible nature positive transition planning.

3. The Strategy should feature Nature-Based Solutions, such as within its own Box. If the Strategy does not end up featuring Nature-Based Solutions, it should at the very least mention them.

As detailed in Box 1 of the Strategy, ALCA particularly highlights its support for the following nature-related priorities:

4. Ensuring legislative changes to deliver climate disclosure reforms provide flexibility to expand to nature-related financial disclosures over time as global standards mature.
5. Australian Securities and Investments Commission (ASIC) considering how regulatory guidance could support voluntary nature-related disclosures and nature-related claims for investment products.

⁶ Ibid.

However, ALCA urges the Government to strengthen the following nature-related priorities in Box 1 through the following amendments:

6. Incorporating nature-related 'do no significant harm' provisions during the initial phase of taxonomy development, and assessing how nature and biodiversity objectives can be incorporated into the taxonomy ~~once climate mitigation criteria have been delivered.~~

[ALCA's view is that this should be subject to capacity rather than explicitly required to be subsequent to the delivery of mitigation criteria.]

7. **Working together with partners**, the Government continuing to strengthen data frameworks and resources for assessing nature-related risks and measuring natural capital.

[Collaboration is so critical to the development of shared, common datasets and approaches to assessing nature-related risks, that ALCA encourages it to explicitly feature in this nature-related priority.]

As practitioners, the on-ground (private land) conservation sector has deep expertise and experience to contribute to the solutions to help mitigate nature-related risks, as well as with other sustainable finance reforms. However, the capacity of the private land conservation sector – a nature solutions sector – to engage with the finance sector is quite limited. To address nature-related financial sustainability, the Government has a key role to play by supporting our sector to build the capacity, skills and expertise that will allow deep engagement with the finance and investment sectors and design appropriate and durable financial solutions for nature.

Further, the capacity of our sector is significantly stretched due to the increasing demand it is facing from the financial sector – their need to understand nature, their nature-related risks, and those of their clients. By providing capacity-building support for the private land conservation sector, the Government has the opportunity to enable us, in turn, to partner with the financial sector, build their understanding of nature, and ultimately deliver sustainable finance reforms.

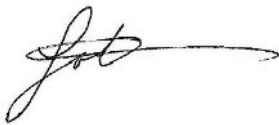
8. The Government has a key role to play in supporting the private land conservation sector to build the capacity, skills and expertise that will allow it to undertake deep engagement with the finance and investment sectors, and in turn, enable the design of appropriate and durable financial solutions for nature, and at scale.

Thank you again for the opportunity to contribute to the Government's consultation on Australia's Sustainable Finance Strategy.

ALCA and its members look forward to ongoing engagement with the Government to support its Strategy and implementation of nature-related sustainably finance reforms.

If you have questions regarding the submission, please do not hesitate to contact ALCA via michael@alca.org.au (Mr Michael Cornish, Policy Lead).

Yours sincerely,



Dr Jody Gunn

Chief Executive Officer

Australian Land Conservation Alliance

About the Australian Land Conservation Alliance

The Australian Land Conservation Alliance is the peak national body representing organisations that work to conserve, manage, and restore nature on privately managed land. We represent our members and supporters to grow the impact, capacity, and influence of private land conservation to achieve a healthy and resilient Australia. Our seventeen members are:

- Arid Recovery
- Australian Wildlife Conservancy
- Biodiversity Conservation Trust NSW
- Bush Heritage Australia
- EcoGipps
- GreenCollar
- Greening Australia
- Landcare Australia
- Nature Foundation
- NRM Regions Australia
- Odonata
- Queensland Trust for Nature
- South Endeavour Trust
- Tasmanian Land Conservancy
- The Nature Conservancy Australia
- Trust for Nature (Victoria)
- World Wildlife Fund - Australia

ALCA member land conservation efforts have influenced over 3 million square kilometres with more than 4,000 landholders. We have over 70,000 supporters and our combined annual turnover exceeds \$325 million. Together ALCA and its members address some of the most pressing conservation issues across the country, including restoring endangered ecosystems, building the protected area estate, tackling invasive species, expanding private conservation finance, and funding and using nature-based solutions to tackle climate change.

Through their active land management, ALCA member organisations are deeply embedded in rural communities and economies, providing jobs, securing significant regional investment, and safeguarding remaining native habitat, with its many positive spill-over effects for community, wellbeing, and food security. We seek to demonstrate the role and value of private land conservation as a cornerstone of the Australian economy.

Some ALCA members are statutory entities; the views expressed in this submission do not necessarily represent the views of the Government administering those statutory entities.