

1 December 2023

Sustainable Finance Unit
Climate and Energy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sustainable Finance Unit

Sustainable Finance Strategy - Consultation paper November 2023

Pillar 3: Priority 10: Catalysing sustainable finance flows and markets “What role can the CEFC play to support scaling up of sustainable investment in Australia, as part of a more comprehensive and ambitious sustainable finance agenda?”.

Thank you for your request for feedback and comments on Australia’s Sustainable Finance Strategy and the specific questions raised in your paper. The Regional Investment Corporation (RIC) seeks to provide a submission to the Sustainable Finance Unit, Climate and Energy Division’s consultation paper into sustainable finance strategy.

RIC (Regional Investment Corporation) is a Corporate Commonwealth Entity and Special Investment Vehicle (SIV) governed by an independent board appointed by, and accountable to, the Minister for Agriculture, Fisheries and Forestry and the Minister for Finance. We are an established lender within the SIV context, actively facilitating conversations around sustainable finance.

We deliver government policy through concessional loans to build a stronger regional Australia. Our loans have impact on the delivery of growth, resilience and adaptation which supports regional Australia, government, and the agriculture industry. We are committed to ensuring farm businesses and farm-related small businesses are well positioned to prepare for, manage through and recover from adverse conditions.

Since our inception in 2018, the RIC has approved \$3.209 billion and settled \$3.158 billion in loans which have assisted more than 2,900 farmers and farm-related business owners navigate natural disaster, encourage growth, investment, and resilience, as well as presenting an opportunity to modernise and diversify.

There are limited financial products currently available to farmers that specifically support sustainability outcomes. The existing thin market is only available to very large producers, or those with strong credit positions effectively as a “lending extension” product for banks wishing to issue further debt. Our customers are viable mid-scale farming enterprises who are experiencing external financial disruption, or experience barriers to accessing capital. We are a high volume, lower value lender (max loans are \$2m).

Banks are typically less willing to finance the high upfront costs, and longer timeframes that sustainability projects require, given that these investments may require short-term cash flow trade-offs that compromise loan servicing capability, particularly for smaller enterprises.

The RIC's legislation currently restricts RIC from providing loans for sustainability activity; however, this may be reviewed as part of the current Statutory Review underway of the RIC Act. We have engaged in preliminary discussions with the Clean Energy Finance Corporation (CEFC) and Department of Agriculture, Fisheries and Forestry (DAFF) around the possibility for a concessional loan product that would address this known market gap and accelerate the uptake of sustainable agricultural practices allowing farm businesses to overcome the finance barrier to undertake sustainability activities.

This supports the Government's priorities to increase biodiversity, improve soil health, achieve a 30% reduction in methane emissions and 43% reduction in greenhouse gas emissions by 2030, and achieve net zero emissions by 2050, while maintaining a productive and sustainable agriculture sector that supports farmers to adapt to changing consumer trends and access new markets.

The RIC recently completed a major technology project to build a fully in-house lending capability. The RIC's capability ranges from loan origination, customer management, loan management supported by a contact centre and an agri-lending assessment team. This is a unique capability amongst SIVs.

Although the CEFC and broader government are capable of responding to large-scale enterprises, consideration must be given to the collective scale that small and mid-sized primary producers, RIC's core customers, could contribute in the response to climate change. The RIC is available and should be considered as a possibility for future lending in this space should funding be identified to deliver policy outcomes in RIC's primary producer sector.

Should the Sustainable Finance Unit require further information, please contact me on (02) 5335 6945 or email john.howard@ric.gov.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'John Howard', with a stylized flourish at the end.

John Howard
Chief Executive Officer