

Landscape Foundation of Australia Submission to Treasury - 2024 Budget

SUMMARY

The Landscape Foundation of Australia (LFA) shares the concerns of many Australians about the ongoing degradation of natural ecosystems and loss biodiversity, and the negative implications for future generations. Conservation alone is now not enough; large scale restoration and repair is urgently needed. But budget allocations to date for restoration in Australia are grossly inadequate to avert massive biodiversity loss and to meet Australia's commitments to Restoration under the Global Biodiversity Framework (GBF). LFA therefore strongly supports the allocation of substantial new funding in the 2024 Budget (and carried over the forward estimates) to implement a large-scale national program of ecosystem restoration and biodiversity management to achieve Target 2 of the Global Biodiversity Framework (GBF) in Australia.

Our submission details the need to initiate new funding or to increase current funding in seven action areas, including increased funding to accelerate the Federal government's review of Australia's Strategy for Nature. Increased funding is also immediately needed to implement high priority restoration works on public and private lands and waters through the actions outlined in this pre-budget submission. The submission highlights the need to fund the development of a national strategy for public and private investment to address the complex task of financing actions that will achieve our nation's biodiversity restoration commitments.

1. Introduction

LFA appreciates this opportunity to make a Submission to Treasury in relation to the 2024 Budget. As a Registered Environmental Organisation, the Foundation is keen to present constructive proposals for funding to be increased to the level required to repair the damage already done and to ensure healthy and biodiverse natural environments for current and future generations.

The 2024 Budget needs to include substantial funding for ecosystem restoration planning and implementation if Australia is to step up to the challenge of conserving nature and meet its commitment to 'Target 2' under the Global Biodiversity Framework. This international agreement commits all signatories (including Australia) to set high goals so that at least 30 percent of areas of the world's degraded terrestrial, inland water, and coastal and marine ecosystems are under effective restoration by the year 2030.

2. About the Landscape Foundation of Australia

The [Landscape Foundation of Australia](#) (LFA) is a not-for-profit organisation that supports the protection, restoration and sustainable management of healthy natural environments in the urban landscapes of Australian cities and towns. LFA pursues its purpose through support and funding for research, fellowships and community-based projects. The Foundation is guided by three strategic priorities that include:

- **Investing in Knowledge** – funding fellowships, scholarships and research to build capacity and skills, produce and disseminate new knowledge.
- **Enabling Communities** – working with community groups to achieve local impact.
- **Valuing Nature** – influencing policy and asset management to reflect the true value of natural assets.

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Within the priority of 'Valuing Nature', LFA has made a series of submissions in relation to the Nature Repair Market Bill draft legislation and has responded to a request from the environment minister for innovative suggestions for funding nature repair projects.

LFA is a member of the Restoration Decade Alliance and supports the UN Decade of Ecosystem Restoration 2021-2030. The Alliance strongly promotes the scaling up of ecosystem restoration projects in terrestrial and aquatic ecosystems across Australia.

3. What is the issue?

a) Inadequate accounting for natural capital

Nature underpins the global economy and supports it virtually for free. The World Economic Forum estimates that more than half the world's economic output (US\$ 44 trillion) depends either highly or moderately on intact ecosystems and the benefits they provide.

The decline of ecosystems has exponentially accelerated in the last 50 years due to human impacts. It can be argued that, ultimately, all human activity, including the global economy, depends on nature, particularly the earth's biodiverse ecosystems. But because nature is not valued in financial systems, companies and investors are financially incentivised to continue to invest in activities that lead to further degradation. This will ultimately lead to the unravelling and potential collapse of Earth's natural ecosystems, unless major changes are made.

The lack of accounting for the value of nature is highlighted in the Dasgupta Review, Nature's worth to society (2021), which noted that: *"The true value of the various goods and services it [nature] provides, is not reflected in market prices because much of it is open to all at no monetary charge. These pricing distortions have led us to invest relatively more in other assets, such as produced capital, and underinvest in our natural assets. Moreover, aspects of nature are mobile; some are invisible, such as in the soils; and many are silent. These features mean that the effects of many of our actions on ourselves and others, including our descendants, are hard to trace and go unaccounted for, giving rise to widespread 'externalities' and making it hard for markets to function well (Dasgupta 2021, p.2)."*

A recent report prepared by Ernst & Young professional services¹ concluded that protecting nature is an economic issue, as well as an environmental issue. The report found that taking decisive action to become a 'regenerative economy' could boost Australian national income by AU\$47 billion by 2050. Many of Australia's industries are heavily reliant on nature and nature-based inputs. These dependencies create multiple risks for key trading sectors, which include mining, energy, agriculture and tourism. The risks extend beyond impacts on specific enterprises or sectors, and include potential systemic risks, where nature-related breakdowns would compound and cascade across the global economic system.

b) Inadequate investment in protecting and restoring natural capital in Australia

The current available funding for ecosystem restoration is grossly inadequate to meet Australia's biodiversity obligations. The level of investment in nature through ecosystem restoration and sustainable management needs to be greatly increased across Australia as a matter of urgency.

Despite hundreds of programs being established to support ecosystem restoration since the early 1990s, including those funded by governments and not-for-profit restoration organisations, biodiversity continues to decline across Australia. Ecosystem restoration projects in Australia remain largely disconnected and relatively small in scale due to the absence of large and

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sustainable funding programs to support long term and multi-landscape restoration projects and their ongoing maintenance. There is also an absence of adequate incentives and technical support for landholders to carry out effective ecological restoration on their properties over the decades required.

Ernst & Young in a 2020 reportⁱⁱ estimated that a \$500 million investment by government in a conservation and land management employment program would deliver more than \$1.2 billion in long-term economic benefits. The report presented the results of an economic impact assessment of a broad-based program of conservation and land management activities to support Australia's response to the COVID-19 crisis. The assessment identified a range of economic, social and environmental benefits. These included job creation and the potential for participants to upskill and play effective roles in conservation, ecosystem restoration and land management. The outcome would be the creation of practical and transferable skills, such as teamwork, communication, leadership and job readiness.

The Australian Government is a signatory to two major international initiatives relating to ecosystem restoration as a response to the growing global biodiversity crisis that threatens both people and nature. They include the United Nations [Decade on Ecosystem Restoration](#) (2021-2031) which aims to "prevent, halt and reverse the degradation of ecosystems on every continent and in every ocean". The other is the Kunming-Montreal Global Biodiversity Framework under the U.N. Convention Biological Diversity. Australia's commitment includes 'Target 2', which commits each signatory nation to have at least 30 percent of areas of degraded terrestrial, inland water, and coastal and marine ecosystems under effective restoration by the year 2030.

4. What needs to be included in the 2024 Budget?

(a) Budget Requirements

To achieve the necessary level of funding required to implement ecosystem restoration and biodiversity management at a national scale, the 2024 Budget needs to include:

- i. Increased funding to expand the capacity of DCCEEW to **accelerate the revision of Australia's Strategy for Nature and preparation of Actions Plans** in accordance with the goals of the Global Biodiversity Framework
- ii. Provision of funding to **develop a National Restoration Plan** for the implementation of the revised Strategy and Action Plans in collaboration with the States and Territories to identify works to date, set targets and identify priorities for restoration in terrestrial and aquatic environments across Australia.
- iii. **Establishment of a National Ecosystem Restoration Fund** to provide contested funding for the implementation of restoration by Commonwealth, State and Territory agencies, local governments and private landholders through long-term programs and projects.
- iv. **Investment by the Federal Government to purchase biodiversity certificates** during the start-up phase of the Nature Repair Market. These purchases would be focused on high priority restoration projects identified in the national restoration plan.
- v. **Expansion of the Green Sovereign Bonds program** to include a category of Biodiversity Green Sovereign Bond that is specifically to fund ecosystem restoration projects.
- vi. **Increased funding to support the in-perpetuity protection** of high-quality restoration sites through voluntary conservation covenants over private land for sites that meets criteria for high priority restoration. This should include increased support and training

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- for ecological restoration in larger numbers of Indigenous Protected Areas. Also funding to support a shift to restorative agriculture and ecological restoration on private lands.
- vii. **Increased funding to support R&D** in terrestrial, marine, and aquatic ecosystem restoration.

(b) Diverse funding sources

Given the very large scale of funding required for a national program of ecosystem restoration, diverse funding mechanisms are needed to ensure all potential sources are accessed and applied. To guarantee the various funding mechanisms are effectively coordinated, LFA strongly recommend the establishment a **National Nature Investment Strategy** for ecosystem restoration and biodiversity management from multiple sources that include:

- **A Nature Repair Market**
- **Direct government investment**
- **Green Sovereign Bonds**
- **Private sector purchase of land for ecosystems restoration**
- **Conservation Covenants**

The recently established **Nature Finance Council**, chaired by Ken Henry, could be a good option to coordinate the high level of funding from multiple sources that is required to implement ecosystem restoration across Australia over the coming decades.

An indication of the scale of funding required to implement a National Nature Investment Strategy is provided by work carried out by researchers at Macquarie University in 2021 and titled '*The costs and benefits of restoring a continent's terrestrial ecosystems*'. The researchers calculated that annual funding of \$2 billion was required to restore 30% of Australia's degraded ecosystems.

5. National Nature Investment Strategy

Recommended components of a National Investment Strategy are addressed in detail in this section, together with their implications for the 2024 Budget allocations as listed in Section 4 of this submission.

a) Nature Repair Market

The Nature Repair Market Bill was passed by Parliament in late 2023, but details about how the market will be established, operate and managed, are still to be determined. Although removal of the 'offset' provisions from the Nature Repair Market Bill should significantly increase investor confidence in the market, it will still take several years for the market to become fully operational, and its credibility established to provide investor confidence. To make a significant contribution to meeting Australia's commitments to the 2030 biodiversity targets, the Nature Repair Market will require direct investment by the Federal Government to purchase biodiversity certificates during the start-up phase. This investment would be in accordance with the provisions of Part 6 of the Bill - 'Purchase of biodiversity certificates by the Commonwealth'.

The investment should be focused on high priority restoration projects identified in the National Restoration Plan or by the relevant government authority. They should include restoration projects located in areas of natural environment in the urban landscapes of Australian towns and cities, where a large proportion of threatened species and habitat occur. Public and private

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landowners and managers of these natural assets, including local and state government authorities, trusts, and private landowners, should be encouraged, and assisted to be engaged in the Market. This will require clearly defined procedures and guidance for landowners and managers to obtain registration for proposed restoration projects, so that Biodiversity Certificates can be issued. In some situations, this may involve combining a series of smaller restoration areas to form a single restoration project that would be covered by the same Methodology Determination.

b) Direct government investment

LFA recommends that the 2024 Budget includes funding for the establishment and administration of a **National Ecosystem Restoration Fund**, which would make funding available for high priority ecosystem restoration projects on both public and private lands. The Fund could be administered by DCCEEW or the new EPA, when it is established. The funding would be contested, and priority given to projects that have been identified in a National Restoration Plan or relevant regional strategies. Eligible projects could be located on land owned and managed by local governments or authorities as well as privately owned land. The amount invested in the National Ecosystem Restoration Fund would need to form part of a National Nature Investment Strategy and be based on an assessment of the scale of high priority projects, the capacity of organisations or contractors to carry out the work, potential job creation and economic benefits.

Capturing the economic value of restoration in terms of revenue and employment opportunities is essential. The contribution to the Australian economy of restored healthy ecosystems and the ecosystem services they provide can now be documented and valued through the use of the [UN System of Environmental Economic Accounting - Ecosystem Accounting](#) framework. An immediate priority is to support Australian-specific work on ecosystem valuation and the benefit-cost analyses of ecosystem restoration using approaches outlined in the [CSIRO Natural Capital Handbook](#).

Blended finance approaches, such as those used by DFAT in an international development context, could be applied as a way to leverage public capital to attract private sector investment to the National Ecosystem Restoration Fund. This would help to overcome the reluctance of private investors to engage in ventures they perceive as unfamiliar and therefore considered to be high risk.

c) Green Sovereign Bonds

The Minister for Financial Services has announced that the Commonwealth will commence issuing Green Sovereign Bonds by mid-2024, but the press release indicated that these bonds are primarily intended to fund net zero target projects.

LFA recommends that the Green Sovereign Bonds program be expanded to include a category of Biodiversity Green Sovereign Bond that is specifically intended to fund biodiversity restoration and protection projects. These projects should be prioritised within the framework of a National Ecosystem Restoration Plan and coordinated by a federal government department with the required expertise in ecosystem restoration and biodiversity management.

The Biodiversity Green Sovereign Bonds could be available in 2024 for purchase by corporations, asset and fund managers, superannuation funds, philanthropic and other organisations, and individuals wishing to invest in a national program of biodiversity restoration.

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Biodiversity Green Sovereign Bonds would provide a high level of confidence to investors due to the 'Credible Commitment' provided by the Commonwealth. The period of Biodiversity Green Sovereign Bonds needs to be 30 or 50 years, to align with the typical time frame for completion of biodiversity restoration projects.

d) Private sector land purchase for ecosystems restoration

Because most ecosystems requiring restoration are located on private and leasehold land it is essential to understand and respond to the factors that motivate landholder engagement. The benefits of ecosystem restoration activities need to be demonstrated to achieve engagement of local communities to scale up ecosystem restoration. Tax incentives would provide motivation for the private sector to purchase land that contains degraded but high priority ecosystems or strategic linkages for the specific purpose of ecosystem restoration. Details of the tax incentives would require a program of consultation to identify effective provisions and reporting systems.

e) Conservation Covenants

Conservation Covenants voluntarily established over private land are currently managed by each state or territory. The statutory requirements for the establishment and administration of the Conservation Covenant varies between states and territories. The 2024 Budget should include funding to be made available to the relevant Federal department, which could be DCCEEW or the new EPA when it is established, to work in collaboration with states and territories to achieve more effective coordination and better ecosystems outcomes from Conservation Covenants.

ⁱ A nature-positive advantage: Assessing the outlook for Australia in a net zero world, 2023.

ⁱⁱ Delivering economic stimulus through the conservation and land management sector; Economic impact assessment, 2020.

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