
# MLA submission to Treasury's consultation paper on *Climate-related financial disclosure*

**February 2023**

**Introduction**

Meat & Livestock Australia (MLA) welcomes the opportunity to present this submission to Treasury's consultation paper on climate-related financial disclosure. MLA plays a critical role in supporting Australia's red meat and livestock sector through the provision of research, development, and marketing activities for the industry as the declared marketing body and research body under the *Australian Meat and Livestock Industry Act 1997*. In this submission, MLA will discuss a range of climate-related issues for the red meat sector. MLA supports the establishment of Australian climate-related financial disclosures that articulate the Australian business context and provides consistency and equity in reporting across jurisdictions and in alignment with global disclosures and reporting.

**About the industry**

In 2020–21, Australia's red meat and livestock industry turnover was $67.7 billion. The Australian red meat and livestock industry employs approximately 428,000 people, including 191,000 directly employed in the industry. The industry was also responsible for the employment of a further 239,000 people in businesses servicing the red meat and livestock industry.

The production side of the red meat industry consists of approximately 73,000 business of various sizes. In the context of this discussion paper, it is important to note that there are a relatively small number of ASX-listed red meat production businesses.

Australia is home to about 1.5% of the global cattle herd and 5% of the global sheep flock, yet we are the fourth largest beef exporter (after Brazil, India and the United States). Approximately 70 percent of Australia's red meat production is exported. As at June 30 2021, Australia's cattle herd was 24.4 million head and the sheep flock was 68 million head. These numbers are increasing as the nation comes out of drought and on the back of strong prices. For more information read MLA's State of the Industry report.

**Climate sustainability – context**

The Australian red meat and livestock industry, by its nature, is exposed to the impacts of climate change. Livestock production accounts for about half of Australia's land mass and is extremely exposed to climatic events and weather extremes. However, less than 8% of Australia's landmass is suitable for other forms of food production. The livestock industry is also one of the nation's major exporters and contributors to our current accounts and delivers significant positive social impacts, these include supporting nutritional, regional and social inequalities. As such we strongly encourage consideration of our industry's climate dependencies be balanced with our positive economic and social impacts in the development of standards and related disclosures.

In recognising that climate is the biggest individual driver of production variability in our industry, MLA considers environmental, social and economic impacts in all investment decisions, priorities and projects. In supporting industry's continued business case and competitive advantage, MLA's investments seek to turn climate-related risks into opportunities. These include but are not limited to commercialisation of methane inhibiting feed additives; improving livestock feed conversion efficiency, growth rates and early turn off; sequestering carbon in soils and vegetation across businesses across the landscape to support alternative revenue streams and new products and services; transitioning to renewables.

The red meat and livestock industry's net greenhouse gas (GHG) emissions have halved since 2005, seeing the proportion of national GHG emissions reducing from 22% in 2005 to 10% in 2019. Australia's grazed agricultural lands are increasing in woody vegetation cover and the conversion of primary forest to other land uses has declined by more than 90% from 1990 levels, meaning increased carbon storage and habitat for biodiversity. More information on industry sustainability is available here.

MLA manages the Australian Beef Sustainability Framework and the Sheep Sustainability Framework on behalf of industry. The frameworks are industry-led but customer and investor focused, demonstrating industry's commitment to sustainability and continuous performance and progress. The frameworks are informed by regular material assessments, applying the principle of double materiality, recognised as the most comprehensive and equitable assessment, and are informed by the internationally recognised GRI sustainability reporting standard. This ensures that industry is supporting best practice in addressing its sustainability impacts. MLA supports this approach for all industries and geographies to ensure equity and equivalency.

**Importance of climate sustainability for the industry**

Sustainability is increasingly important to the red meat and livestock industry. For example, with 70% of Australia's beef exported, 65% of these exports (2021) were to countries that have signed the Global Methane Pledge, which is a commitment to reduce methane emissions by 30 percent by 2030. Future international market access for the Australian red meat industry is likely to be dependent on Australia's ability to reduce (and demonstrate) a reduction in methane emissions.

**Climate sustainability – a path for the future**

The Australian red meat sector continues to improve its efficiency and sustainability and has plans for ongoing improvement. This improvement is based around a major industry initiative called CN30 (carbon neutral by 2030), which is led by MLA and initially launched in 2017. Since the launch of CN30, MLA has worked with a range of partners to invest more than $140m to reach the ambitious goal of carbon neutrality. MLA aims to invest more than $150m over the next three years with a focus on the development and subsequent adoption of new technology More investment, from the industry and government, will be required to meet the carbon neutral target for the future. CN30 is investing in four focus areas:

- Industry leadership
- GHG (greenhouse gas) emissions avoidance
- Carbon storage
- Integrated management.

Carbon neutrality does not need to come at the cost of livestock numbers or land productivity. CN30 is about building on-farm productivity and intergenerational sustainability in a way that achieves net zero emissions from red meat production in Australia. Not every livestock producer/enterprise will be carbon neutral. For example, producers with lower livestock numbers and more vegetation are likely to achieve proportionally more in relation to achieving the carbon neutral target, and their excess stored carbon will balance emissions from other producers who remain net emitters

There are a range of practices producers are already using that contribute to reducing net emissions:

- Improved animal genetics and breeding (such as selecting for improved fertility and better feed conversion efficiency),
- Herd and flock management, such as increasing weight for age and selling unproductive animals
- Innovative land management practices such as time-controlled grazing using high performance pastures
- More efficient rumen function through high quality feeds and supplements
- The use of high-quality legumes in pastures

- Integrating trees into their livestock paddocks in ways that benefit livestock production (such as by providing shade and shelter)
- Feed supplements for improved nutrition.

Other technologies are being tested to fully validate their environmental and economic benefits. These include:

- Inclusion of methane traits in genetic selection tools
- Developing methane-reducing feed additives and methods for delivering these to livestock in all types of geographies and production systems
- Dung beetles
- Developing scalable, accurate and cost-effective methods for measuring soil carbon.

Read more about CN30 on the MLA website.

**Types of reporting**

MLA-funded research is underway to better understand how the use of alternative GHG accounting metrics such as GWP*, in addition to GWP100, will impact how emissions are reported under the CN30 Initiative. This research includes a contribution to a recent literature review prepared by the Global Dairy Sustainability Framework on the merits of using GWP* for accounting for livestock methane emissions, a study into the climate impact of Australian Livestock assessed using GWP* (Appendix 3), a recently published paper on GWP* in Australian livestock industries and the recent commissioning of CSIRO to determine the GHG emissions from the Australian red meat industry using the GWP* metric (in addition to GWP100). Results from this latter work will be published early in 2023.

**Climate reporting**

There are numerous considerations for formal corporate reporting of climate-related issues for the red meat sector. Measuring and accounting for greenhouse gas emissions (GHG) within the sector is not widespread practice and technology supporting its measurement is relatively new. This is a rapidly evolving space, with numerous tools on the market, but at the same time, Australian red meat producers deal with a broad range of conditions that vary considerably across time and space.

It is important to highlight that there are current limitations in metrics and reporting, with limitations in data availability and quality, access, equivalency and automation with methodologies still evolving and being scientifically validated, presenting the risk of inaccurate and counterproductive reporting and disclosures.

It is currently difficult and and expensive to measure gas emissions (and carbon sequestration) on-farm. For this reason, carbon accounting is done through calculations to produce an estimate of emissions and sequestration. Investment is needed to encourage the ongoing development of these tools, continued development of underpinning datasets to improve accuracy of modelling, as well as to facilitate greater adoption of their use (via agricultural extension). In the context of climate related financial disclosures, according to MLA's carbon accounting technical manual (2021), it is important to look holistically at emissions:

> *If you only focus on scope one and two emissions in a livestock enterprise it is difficult or impossible to compare (benchmark) companies accurately, because each may operate in a different part of the supply chain (breeding, growing, finishing). For the same reason, it is problematic and not advised to determine an emission intensity value based only on scope one and two emissions for benchmarking purposes. A carbon footprint requires scope one,*

*two and three emissions to be included. This is required for carbon neutral certification under systems such as the Federal Government Climate Active program (climateactive.org.au).*

The accounting tool technical manual also indicates that much of the information for carbon reporting may be currently available for producers, but that it needs to be properly identified and collated:

*The information required to utilise the carbon accounting tool should be available from your farm taxation records, management records, or your memory. This includes:*
*• Livestock inventory: births, deaths, purchases, sales, weights and liveweight gain (LWG), weaning rates and reproductive status of animals. This contains the main information used to predict livestock-related emissions, such as enteric methane emissions. This information could exist in livestock reconciliation records for taxation or records in a livestock management program.*
*• Records of farm inputs: fertilisers, bought animal feed, fuel, electricity and purchases. This information is needed to estimate GHG emissions resulting from goods that you purchase from other companies. This information should be available in your tax records.*
*• Tree planting including area (hectares), species and planting date (if available).*
*• General farm information (usually you can do this from memory).*
*• Area and age of existing forest and woodland cover or area of regrowth.*

The reporting burden in terms of costs, time and manual effort needs to be acknowledged, managed and streamlined so it does not unfairly impact on specific industries and businesses to the point of competitive disadvantage. This must be considered when considering an application of mandatory reporting requirements to entities. MLA supports a slow transition and the opportunity for relief provisions to enable entities time to build in necessary methodologies, systems and reporting structures.

Further investment is required to enable greater adoption of carbon accounting in the industry. MLA is currently investing in furthering the industry's understanding of:

- How methane and other GHGs contribute to livestock emissions budgets
- Implications of GHG emissions reporting approaches to livestock emissions reporting
- Different GHG emission sources and carbon sinks available to livestock industries.

In addition, MLA is investing in additional resources to enable more producers to more easily calculate and optionally report their performance across a range of sustainability themes, including carbon, biodiversity, tree cover, groundcover, and drought resilience. Some of these resources are available now, with others expected to be released by the end of 2023.

**Closing statement**

The red meat industry is concerned about the proposed use of the ISSB standards (IFRS S2 Climate-related Disclosures). The (draft) ISSB standard requires exclusive use of GHG Protocol for quantification of GHG emissions and removals. Requiring the GHG Protocol will be burdensome for the agricultural sector, and will create disincentives for land-based sequestration and associated carbon offsets if the current draft GHG Protocol Land Sector and Removals Guidance is not substantially revised in the final version.

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