

08 December 2023

Sustainable Finance Unit
Climate and Energy Division
Department of the Treasury
Langton Crescent
Parkes ACT 2600

Via email: SustainableFinanceConsultation@treasury.gov.au

RE: Sustainable Finance Strategy

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the length and breadth of the supply chain. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF. The NFF seeks to ensure that any legislative reform does not have a perverse or adverse impact on agricultural productivity.

Overview

The NFF welcomes the opportunity to provide a submission to Treasury on the proposed Sustainable Finance Strategy to guide ongoing policy development and regulatory engagement on sustainable finance in Australia.

Agriculture has undertaken significant effort to improve its sustainability, having invested significant time and resources towards reducing on-farm emissions and improving efficiencies in production. This is an important and complex discussion that necessitates extensive, ongoing discussion with the agriculture sector.

Climate Disclosure Obligations and Scope 3 Data Challenges

The NFF is concerned about the emergence and impact of climate- and nature-related financial disclosure reporting requirements, especially in the context of Scope 3 obligations. As previously articulated in our '*Climate-Related Financial Disclosure: Second Consultation*' submission to Treasury, in the current context, the farm sector is opposed to formalising Scope 3 emissions reporting. We remain opposed irrespective of proposed tranche timeframes unless and until we gain clarity on coverage and threshold activation numbers, as well as the impacts of shared cost and time commitment compliance requirements. We understand other sectors also hold significant concerns.

To complement ongoing and extensive action to reduce emissions in alignment with several sector-based target ambitions, the agriculture sector has been heavily focused and

engaged in ensuring credible carbon calculators are developed for public use. A brief list is detailed below. As a complex sector encompassing a variety of commodities, this will take considerable time to progress. It is difficult therefore to envisage how the sector will be able to provide “high quality” reporting in an efficient manner to satisfy Scope 3 CRFD obligations under the proposed timeframe.

Name/Title of Carbon Calculator	Scope 1 and 2 Estimation	Scope 3 Estimation
MLA Carbon Calculator (SB-GAF Tool Digitised Version)	✓	✓
Australian Dairy Carbon Calculator	✓	✓ (Limited Estimation)
HortCarbon Info	✓	✓
Greenhouse Accounting Framework Tools	✓	✓
Australian Wine Carbon Calculator	✓	X

It is important to note that carbon calculators are not the only mechanism developed by producers that audit and demonstrate sustainable production. These calculators are purpose designed for carbon.

For example, systems that identify on-farm natural capital assets (e.g., carbon and biodiversity) like ‘AgCarE’ and ‘Farming for the Future’ (FftF) are being developed by industry to provide individual landowners a unique assessment of natural capital condition and the sustainability of agricultural practices.

While carbon calculators have been developed for various farm applications, no benchmarking system to ensure the credibility and consistency of their output estimations has been implemented. As such, there exists a concern that the agriculture sector will be unable to provide ‘high quality’ Scope 3 disclosures as desired. NFF is concerned about what mechanism for reporting climate disclosures will be used. If carbon calculator outputs are considered an unverifiable and/or insufficient tool to satisfy this obligation, the next-level step may involve farm-scale biophysical measurement. Small- and medium-scale operating farm entities will be likely unable to meet this threshold for Scope 3 reporting without undertaking substantial cost, and lack the necessary skill-base, technology access, or economic incentive to do so. Agriculture is a complex sector comprised of many small individual operating entities which do not have the experience or internal/accessible capacity to undertake complex assessments of emissions status.

Any proposed reporting requirement by Government must acknowledge, accommodate, and be designed around the inherent variability of agricultural emissions reporting.

It is also critical that Government recognise the complexity of the agriculture sector and the variable nature of its emissions output when considering the design of proposed sustainability reporting requirements. Natural rainfall variability renders it difficult for small enterprise reporting to be of any value. Given the journey toward sustainability for each farm operation is uniquely different, Government must refrain entirely from implementing Scope 3 reporting for the agriculture sector, and if unavoidable, an extended formal timeframe beginning 2035 at the earliest must be a consideration.

Opportunities for Government to Support Companies

To help support the agriculture sector develop the required skills and capability to make CRFD disclosures under the new proposed obligations, Government must work in coordination with the AASB to ensure a common methodology indicator to benchmark carbon calculators is developed. Treasury have recognised that carbon calculators have inherent issues, all efforts to address these must be actioned with priority.

Treasury must also initiate early and proactive outreach across all affected industry groups. While we appreciate several information sessions have been convened to discuss the content around these proposed reforms, the farm sector is disappointed that Treasury continues to develop these activities without engaging or notifying those who have already provided submissions to previous discussions involving this topic. The design of reporting requirements is an issue that significantly affects the farm sector. Agriculture must be consulted throughout the process; this must not be a process driven exclusively by the finance sector. We therefore recommend an immediate convening of a land-sector specific consultation with NFF and other stakeholders (including RDCs) to better understand the challenges around these issues. The development and public release of a succinct guidance document from Treasury regarding how the proposed reporting guidelines will work in-practice would also be appreciated.

Our Treasury CRFD Submission and NFF Climate-Related Financial Disclosure Policy document is attached as **Appendix Item 1 and 2**.

Preparation for Sustainability-Related Financial Disclosure Frameworks and Standards Including TNFD: Government, Regulators, and Industry

Sustainability-Related Financial Disclosure (SRFD) frameworks and standards (TCFD and TNFD) are being developed across a range of countries, and discussion around design and implementation have already commenced in Australia. Government, regulators, and the financial industry must recognise that the sharing and disclosure of project data to satisfy proposed obligations is a sensitive issue and one that has its own attached risks. NFF holds the view 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 in frameworks and standards to protect reporting entities.

The mechanism for reporting will need to be the subject of significant consideration. It is of concern to NFF that the development of Australian climate-disclosure requirements by the AASB will not just allow but promote each individual reporting entity to develop their own reporting framework. As for agriculture, a Scope 3 participant, may be confronted with a variety of reporting mechanisms that essentially report the same information. This is an unacceptable, inefficient, and inconsistent approach. To prepare for the development of SRFDs, Government must initiate a conversation and engage with regulators and a cross-section of industry including agriculture to develop a reporting code of practice. As previously detailed, the first step towards achievement can begin with an immediate land-sector targeted consultation (and broadened in due-course).

Sustainable Finance Taxonomy

The NFF supports the development of an Australian Sustainable Finance Taxonomy as a key foundation of the Strategy, with an initial focus on climate mitigation objectives. The Taxonomy must remain a tool for consistency not a surrogate for mandating and regulating industries by proxy.

The agriculture sector is keenly aware of the increasing demand for more consistent and credible information about whether on-farm and supply chain assets or activities are aligned with the transition towards net-zero and other sustainability goals. The increasing demand for consistent and clear information is undeniable, from the likes of financial institutions, trading partners, consumers, or other parties in our agricultural supply chains.

The agriculture sector is making proactive strides to demonstrate our sustainability through evidence-based credentials and support relevant and consistent data collection. This work is being done at a national level through the Australian Agricultural Sustainability Framework (AASF) and through various commodity-focused sustainability frameworks and schemes.

While agriculture continues its declining trajectory in total GHG emissions in alignment with several sector-based target ambitions, the achievability of net-zero remains a distinct impossibility. This is an outcome recognised by DCCEEW in its 'Emissions Projection 2023' report.

The development of a Sustainable Finance Taxonomy will support agriculture's increasing sustainability reporting requirements and more importantly, facilitate sustainable investment in the sector.

The NFF supports the proposed approach, and strongly supports the guiding principles which outline that an Australian Sustainable Finance Taxonomy should:

- Support the mobilisation of private capital towards sustainable activities;

- Be developed in a collaborative manner between Government and industry, with strong governance arrangements;
- Be credible and science-based;
- Effectively incorporate a role for transition finance. The transition criteria must not preclude agricultural activities. It is key that we avoid a situation where farmers do not meet transition criteria and are forced to obtain financing on less favourable terms;
- Develop criteria for climate objectives first, while establishing a foundation to expand to other sustainability objectives (such as nature and circularity in the economy);
- Include a robust approach to ‘*Do No Significant Harm*’ where taxonomy regulation establishes a list of environmentally sustainable economic activities. An activity can demonstrate its sustainability if it substantially supports at least one of the listed areas while not significantly harming any other; and
- Have an overarching focus on practicality, useability, and international operability.

It is imperative that these guiding principles act and remain as a guidance only, and not become an enabling processes where direct recommendations are provided to guide future investment decisions. The taxonomy must remain a framework for sustainable finance and not used to regulate or mandate the adopting of sustainable practices in the agriculture sector. The NFF agrees with the need to recognise activities or technologies which are necessary to support the transition to net-zero in the short to medium term, and therefore require continued investment and financing, even if they are not *entirely* consistent with net-zero or other goals in the long term. An example relevant to agriculture is the use of biofuels, a renewable, drop-in alternative fuels with considerable positive sustainability outcomes, including a lower but not always ‘net-zero’ emission intensity.

The NFF urges Treasury to ensure thorough consideration of the implications of the proposed taxonomy on specific industries, and how the taxonomy will intersect with existing industry sustainability reporting frameworks, such as the AASF. Key industries including agriculture must be involved in the development of the taxonomy from the initial development phase. It is our view that the design process of nature-based sustainable finance must be scientifically informed, and priority input be given to agriculture stakeholders alongside the finance sector.

Greenwashing: Priorities and Assessment of Existing Laws

It is the position of the NFF that existing corporation and financial service laws are sufficiently flexible to address greenwashing. As companies look to build a sustainable brand image and capture growing consumer demand for green products, NFF recognises that such advancement will be coupled with an increase in greenwashing claims. Companies and industry must refrain from misrepresenting their actions and making inaccurate statements as this unfairly misleads consumers, artificially distorts the market

to the disadvantage of existing competition, and more importantly, misrepresents the actions of producers.

While the NFF remains open to prospects of further regulation to address greenwashing and inaccurate reporting, it is our view that existing and new legislative processes must not introduce additional reporting requirements such as sustainability disclosures.

In the first instance, Government must seek proactive engagement with farmers to support them produce food and fibre. Regulation must always be seen as a last resort policy option. Additional reporting requirements to address greenwashing could create unnecessary regulatory obligations and burdens for compliant businesses to adhere. Producers must not wear the burden and responsibility of increased reporting to meet regulatory compliance. This is not our issue to solve alone on behalf of the community. The design of future legislative reform should prioritise measures to target and separate compliant from non-compliant entities, and ensure regulatory obligations target specific elements of the supply chain, and not create regulatory burdens for all. We recognise this is challenging, and as such, to the degree in which existing laws address greenwashing, we are content.

Our submission to the Senate Inquiry into Greenwashing dated June 2023 is available below as **Appendix Item 3**.

Regulating ESG as Financial Services

ESG is essentially an assessment of a business risk profile. As there is an increasing demand for the data that underpins a business's ESG credentials, there is a risk of increased demand for data and regulatory pressure, flowing along the supply chain to the farm-level.

It is critical for ESG requirements to be practical for producers. Most Australian agricultural businesses are small, family enterprises that do not have the resources or knowledge to report to the depth that some financial services are beginning to require.

Natural Capital Data Frameworks

Farmers have a high-level awareness about the importance of sustainability, and many recognise the role that natural capital plays in sustaining the productive capacity of their farms for the long term. As awareness and understanding about the values brought to society from the conservation of our environment have increased, farmers have been expected to not only continue to produce low cost, quality commodities, but to also respond to these societal imperatives around sustainability. This includes managing and restoring their natural capital not only for on-farm benefit and sustainable production, but also for environmental outcomes.

The measurement and valuation of natural capital is essential for recognising and building the strengths of Australian landscapes in financial, environmental, community, cultural and spiritual terms. The measurement, restoration and building of natural capital introduces new economic threads into the canvas that maps rural communities across Australia and can help agricultural businesses grow and thrive.

The concept of natural capital has the potential to reconcile economic and environmental interests by integrating the value of natural capital in decision making. Valuing natural capital makes this possible. Although, research into the value of natural capital on farms and the externalities faced by agriculture has to date been inadequate. This is due to insufficient quantification of natural capital value and environmental services. FftF is the first major investment to attempt to address this deficiency, through providing the evidence and practical support that producers need to incorporate natural capital as part of farm business decision making. Other industry solutions include the Natural Capital Measurement Catalogue. NFF supports the proposal to strengthen the understanding of natural capital but stresses the importance of keeping farmers at the centre of this development. The last thing the industry needs is prescriptive frameworks that are impractical and unnecessarily burden producers.

Additionally, under current market arrangements, there are no ongoing rewards for farmers who invest in maintaining, restoring, and increasing the natural capital on their properties. It is therefore prudent to consider how the value of natural capital can be incorporated into market-based frameworks so that the benefits of sustainability across social, environmental, and economic values can be realised by farmers.

Data Challenges and Australian Sustainability Leadership

As articulated above, the Australian agriculture sector – through the AASF – has been developing an international leading national translation framework to communicate the sustainability goals and status of Australian agriculture to the international market and community. The AASF will evolve to articulate to our trading partners and consumers the sustainability performance of our agricultural export products, and how industry production systems align with current international sustainability initiatives and benchmarks (i.e., SAFA, SAI, and GRI). It does so by laying forth a unified understanding of sustainability objectives through a standard set of principles, and criteria. By aligning sector-specific and supply chain terminology, the AASF fosters stakeholder coherence and enables better communication of industry-wide sustainability goals.

The AASF is a leading framework in this domain as few frameworks of similar vigour and detail have been developed in the international arena. To further strengthen industry development of the AASF, Government must be more transparent in the sharing of any Government-held data and information. Increased sharing of data across Government-industry channels will support ongoing activity to develop the framework and demonstrate

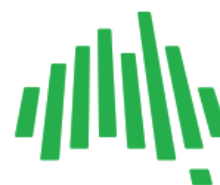


Australian sustainability in concordance with established global climate adaptation and mitigation objectives.

The NFF thanks the Treasury for the opportunity to provide a submission to this consultation. We look forward to further engagement on this developing issue and await the publication of the Implementation Roadmap in due course. Please do not hesitate to contact Kade Denton, General Manager (Trade and Economics) via e-mail: KDenton@nff.org.au, or Warwick Ragg, General Manager (Natural Resource Management) via email: WRagg@nff.org.au.

Yours sincerely,

TONY MAHAR
Chief Executive Officer



27 July 2023

Climate Disclosure Unit
Market Conduct and Digital Division
Department of the Treasury
Langton Crescent
Parkes ACT 2600

Via email: climatereportingconsultation@treasury.gov.au

Dear Treasury,

RE: Climate-Related Financial Disclosure: Second Consultation

The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the Department of the Treasury in response to proposed positions for the detailed implementation and sequencing of standardised, internationally aligned requirements for disclosing climate-related financial risks and opportunities in Australia.

The NFF was established in 1979 and is the authoritative voice of the Australian agriculture industry. The NFF serves as the national peak body representing the broad interests of farmers across geographical and commodity borders. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations in turn form the NFF. As a general principle, the NFF seeks to ensure that any legislative reform does not have a perverse or adverse impact on agricultural productivity.

Context

The NFF are considerably concerned about the impact of Climate Related Financial Disclosure (CRFD) reporting, especially in the context of scope 3 obligations. The land sector is a complex area that sees an array of mechanisms utilised to adapt to, and mitigate the impacts of, climate change. This submission will articulate a range of concerns and solutions.

In the current context, the farm sector is opposed to formalising scope 3 emissions reporting unless and until we can clearly understand the impacts of the shared cost and time commitment of the likely compliance burden.

At the outset, we recommend Treasury immediately convene a land sector specific consultation with the NFF and other stakeholders to better understand the issues and impacts of this compliance.

The land sector is in a unique position as a sequester and emitter and can be categorised as being comprised of both small and medium producers that do not have internal or currently accessible capacity to make complex assessments of emissions status. A range of emerging options that may become viable for the agriculture sector have been articulated below further in the submission.

There is a large number of programs on foot in the agriculture sector that address climate change impacts. These include several sector-based ambitions to reduce emissions over various timeframes and with varying ambition. What resonates through all these sector specific plans however is a widespread ambition for the agricultural sector/s to contribute to emissions reduction.

It is clear therefore that these sectors are committed towards supporting, via individual action, the execution of a trajectory decline in total agricultural emissions – this does not necessarily mean that agriculture will, or is likely to, achieve net-zero. The contest of producing food and fibre contrasting with the aspiration to reduce emissions in the agriculture sector is real. It is increasingly clear that agriculture is a hard to abate sector.

The NFF Climate Change Policy recognises that there should be an economy-wide aspiration to reach net-zero by 2050, providing that economic and limited regulatory thresholds are met, and no sector specific targets are imposed. For clarity, the NFF does not hold the view that agriculture can achieve net-zero by 2050, but rather the sector will continue to operate on a long-term declining trajectory as new technology and innovations become available and viable.

For example, uptake of enteric methane emitting technologies, while promising at laboratory and trial scale, are seemingly increasingly cost and delivery prohibitive. With regards to cost, the current cost structure of \$2.00 per head per day is unlikely to be offset by a carbon payment given current price trends, and subsequently is not currently commercially viable, even with carbon payments. Regarding delivery, it remains near impossible to deliver feed additives to large scale cattle enterprises, especially those situated in the rangelands. Equally, the efficient delivery of product in extensive grazing areas that would approach commercial viability remains unlikely on the current evidence. Finally, delivery in

intensive feedlots and dairy, whilst possible, does not see sufficient change to the business model to underpin viability.

Pathway to Engagement

The farm sector has nevertheless been quite active in addressing climate change. As articulated earlier, exploration of the viability of enteric methane inhibitors is continuing. There are also discussions around better or alternate pathways to nitrogen management in cropping enterprises and ongoing exploration of the viability of soils carbon sequestration. Energy efficient technologies including transition of heavy machinery are also being developed.

In terms of reporting, for an extensive period of time, the agriculture sector has been heavily focused and involved in ensuring that credible carbon calculators are developed for public use. These include but are not limited to the following:

Australian Farm Institute: Carbon Opportunity Decision Support Tool (CODST)

This tool is designed to support land managers better understand the opportunities of carbon farming. CODST was developed by AFI and forms part of AgriFutures Australia's \$2 million investment in carbon initiatives. The tool explains which carbon opportunities may be available for a producer and encourages users to consider the potential benefits and costs of different carbon projects for their farming businesses. The tool covers the following issues of 1) EMR, 2) private carbon markets, 3) access to sustainability linked loans, 4) carbon neutral certification, and 5) productivity gains – and it guides users through a “decision-tree questionnaire” process, questioning users about their risk appetite and business goals. Upon completing this questionnaire, users are then provided with a suite of carbon opportunities that may be a good fit for their farm business. The tool has been designed to be general in nature to ensure its applicability across commodity types, geographical areas, and business structures.

- Tool: <https://carbontool.farminstitute.org.au/>

MLA Carbon Calculator

Launched in March this year, the MLA Carbon Calculator will help agricultural producers baseline their enterprise GHG emissions (i.e., create a carbon account) to assist them develop their emission reduction strategies. Having this data available will ensure producers/businesses have the tools and insight necessary to pursue emerging market opportunities. The calculator is based off

Based off the Primary Industries Climate Challenges Centre (PICCC) Sheep and Beef Greenhouse Accounting Framework (SB-GAF) tool.

A carbon account includes the following 2 elements: 1) GHG emissions (including enteric CH₄), and 2) in/direct emissions of N₂O from fertiliser application, and excreta and methane from manure.

- Tool: <https://carbon-calculator.mla.com.au/>

Australian Dairy Carbon Calculator 2023

This calculator (i.e., decision-support tool) estimates dairy farm carbon emissions and what impact GHG abatement strategies have on farming systems. This helps users identify farm efficiency improvements that lower emissions. GHG abatement strategies that are modelled by this calculator fall into four categories:

1. Herd management;
 2. Feeding management;
 3. Soil management; and,
 4. Farm intensification.
- Tool: <https://www.dairyaustralia.com.au/resource-repository/2023/01/30/australian-dairy-carbon-calculator-2023#.ZCu4fexBzCQ>

HortCarbon Info

Launched in August 2022 by the QLD Government, *HortCarbon Info* is a free decision-support tool designed to provide QLD horticulture businesses an accurate way to calculate their on-farm GHG emissions. GHG emissions are calculated for electricity, fuel, fertiliser, dolomite and lime, crop residues, refrigeration leakage, and on-farm waste – accounting for approximately 95% of GHG emissions generated during a growing operation. This tool also contains additional information to help farm business managers better understand options to reduce and/or offset their GHG emissions by learning more about carbon sequestration options like forestry/soil carbon, and where emissions occur in the supply chain/relevant emission factors. Generated reports are confidential.

- Tool: <http://grf-smartfarm.daf.qld.gov.au:3838/apps/hortcarboninfo/>

Greenhouse Accounting Framework (GAF) Tools

GAF tools are free decision-support frameworks for greenhouse accounting on Australian dairy, sheep, beef, grain (i.e., cropping), feedlot, sugar, cotton, horticulture, pork, buffalo, deer, and poultry industries. These tools are designed to align with the Australian National Greenhouse Gas Inventory (NGGI) method to predict the magnitude and sources of GHGs emitted from farms/products. GAF tools do not calculate soil organic carbon change.

- Link: <https://piccc.org.au/resources/Tools.html>

These examples are still nascent and need to be benchmarked to ensure they are providing credible and expected answers. The NFF will be seeking to progress this challenge in the near-term.

In parallel, the NFF has received further government investment to continue developing the Australian Agricultural Sustainability Framework (AASF). The AASF identifies 17 principles that stretch across the ESG engagement environments. One of those principles deals with greenhouse gases. The process for development of the AASF has focussed on aligning these principles with a range of international drivers, this includes the sustainable development goals and the Taskforce for Climate Related Financial Disclosure. While this serves as strong evidence of the agricultural sectors recognition of this issue, it is also the case that we have some considerable way to go until we are in a position to align a set of national or sub-national datasets. Attached to this submission is the NFF Climate Change Policy. Also attached is the GHG principle which shows the mapping against international drivers and alignment with domestic industry frameworks and schemes.

The third plank of this engagement is the development of extension or support services for farmers. The NFF have been successful in convincing Government that for the new operating paradigm, carbon farmers are ill equipped to understand the environment. There have been a range of concerns expressed that where farmers are dealing with carbon aggregators or other market participants they are at a disadvantage in terms of their understanding of risks and commitments. As a result, the Commonwealth has funded the Carbon Outreach Program to commence the provision of independent advice. The current status is that a train the trainer package development contract is about to be set, and an expressions of interest round has commenced seeking providers of extension officers. There is also a further funding commitment for carbon and biodiversity extension officers under the carbon smart agriculture component of the Natural Heritage Trust managed by the Department of Agriculture, Fisheries and Forestry (DAFF). Both these programs

will take time to be rolled out and deliver results, and are indeed likely to go beyond the transitional implementation timeframe to CRFD.

Engaging on the Journey

The agricultural sector's priority has become to understand its own disposition in relation to individual producers' emissions and sequestration so it can make informed decisions about how individual farmers can understand and respond to climate policy in order to consider how they might manage their business in this new paradigm.

As is evident in the previous section there is a substantial body of work being developed by the agriculture sector to better understand interaction with climate change parameters. As a complex sector this will take some time to progress. It is therefore difficult to envisage how the agriculture sector might provide sufficient reporting in an efficient manner to satisfy scope three requirements of the CRFD in the proposed time frame.

The mechanism for reporting will need to be the subject of significant consideration. It is of concern to NFF that the current consultation could not just allow, but promote each individual reporting entity to develop their own reporting framework which for agriculture, as a scope three participant, may find to be confronted with a variety of reporting mechanisms that essentially report the same information. For example, a mixed farm may have a bank loan, a relationship with a chemical, fuel, machinery and other farm input suppliers, a relationship with a meat processor, a grain accumulator, and a wool buyer. Any or all of these bodies may be scope 1 or 2 reporting entities and would therefore seek to engage information from a single farmer. This is seen to be an unacceptable, inefficient, and inconsistent approach. **The NFF therefore recommends that a significant process be undertaken to develop a standardised indicator and reporting code of practice.** Again, the agriculture sector is already thinking about this for different but not inconsistent purposes. Carbon calculators and the NFF's AASF could assist in informing these solutions.

Furthermore, discussion need to be held to understand what level of verification is likely to be expected. In a hierarchy sense we can currently report at state level granularity utilising the National Greenhouse Gas Inventory. It would be helpful if there can soon be a greater granularity at NRM region scale. As previously discussed, farm level tools using algorithms and other default datasets are under development and validation review, and this process will take some time.

Critically, we need to understand whether outputs from calculators or estimators are going to be sufficient.

If it is determined that these are not sufficient then the next level is biophysical measurement at a farm scale, then this will be problematic. Small and medium farmers in particular are likely to be unable to meet this threshold without substantial cost (for no tangible benefit). They will neither have the skill base, the access to technology, nor the economic driver to do so. The potential that this will be the expectation is a key driver to ensure we have effective and targeted land sector consultation.

Serious consideration needs to be given to implementation timeframes at this early stage.

Other Concerns

It is troubling, and intellectually challenging, to have an inherent financial audit process intersecting with a biophysical multifaceted landscape that will inherently have challenges in providing hard data. We note that Treasury have used phrases like “best efforts” and “materiality”, and once again we would like to reiterate that this demands critical discussion with the land sector. The key point is that agriculture is not a one-type category (i.e., emission or sequestration), nor a point-source mechanism that can be more easily monitored and/or metered.

Concerns arise regarding the reporting and disclosure of project data and how such data will be utilised and shared. The NFF holds the view that industry sector reporting must be protected, and that the supply of information to financial institutions should be avoided where possible to ensure such institutions do not discriminate against various industry groups. This is a major identified risk and one that must be adequately addressed.

Additionally, further clarification regarding the potential cost of compliance requirements outlined in this consultation across all participant groups needs to be better communicated and understood. It remains unclear how compliance will be enforced, and the NFF would like to articulate that such a regulatory mechanism must work effectively and efficiently.



Conclusion

The agricultural sector is very concerned of the likely impact and/or transferred cost that is anticipated. We remain eager to engage in further consultation and to find a pathway to better understand these issues through the aforementioned land sector consultation. Please do not hesitate to contact Natural Resource Management (NRM) General Manager, Warwick Ragg (WRagg@nff.org.au) to further discuss these important issues.

Yours sincerely,

TONY MAHAR

Chief Executive Officer



Climate-Related Financial Disclosure Policy

Policy Position

The National Farmers' Federation (NFF) is concerned about the impact of mandatory climate-related financial disclosure reporting. We remain opposed to a requirement to formalise the reporting of Scope 3 emissions irrespective of proposed tranche timeframes until the farm sector gains clarity on coverage and threshold activation numbers as well as the impacts of shared cost and time commitment compliance requirements. Discussions around what level of verification is expected to underpin Scope 3 reporting and how compliance will be enforced are critical questions, this is a requirement that must be undertaken immediately and with priority.

Concerns also arise regarding the reporting and disclosure of project data and how it will be utilised and shared. NFF holds the view that industry sector reporting must be protected, and that the supply of information to financial institutions be avoided where possible to ensure such institutions do not discriminate against various industry groups.

Background and Issue

The Australian agriculture sector has been actively engaged in addressing climate change both through individual and collective action, having steadily reduced GHG emissions output since 1993 and committed significant investment into the development of anti-methanogenic technologies with promising, measurable results. There also exists discussions around better or alternate pathways to nitrogen management in cropping enterprises, ongoing exploration of the viability of soil carbon sequestration, and a suite of programs that address climate change including but not limited to several sector-based emission reduction targets over various timeframes and with varying ambition.

The agriculture sector's priority has since become to understand its own disposition in relation to individual producers' emissions and sequestration so it can make informed decisions about how individual farmers understand and respond to climate policy with respect to managing their individual business. The Australian agricultural sector has been engaged in extensive, groundbreaking work to understand, report, and demonstrate its sustainability across environmental, social, and governance outcomes through the Australian Agricultural Sustainability Framework (AASF). A key component of this are 17 principles which include greenhouse gases, it is expected that further work on data sources will aid understanding of agriculture's climate disposition. The sector has also been heavily involved and focused in ensuring credible carbon calculators are developed for public usage. Carbon calculators that have come online remain nascent, and there exists a requirement to have these benchmarked to ensure they are providing credible answers.

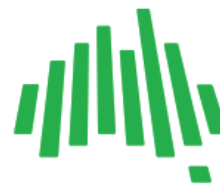
If carbon calculators are deemed an insufficient and unverifiable tool to support the reporting of Scope 3 emissions, the next level step may involve biophysical measurement at a farm-scale. Small- and medium-scale agricultural entities and businesses will likely be unable to meet any proposed threshold for Scope 3 reporting without undertaking substantial cost, and lack the necessary skill-base, technology access, or economic driver to do so. This is opposed by the farm sector, and it therefore demands extensive industry consultation as well as a detailed assessment of agriculture's ability to meet such a threshold.

What the Industry Needs

Policy

- The government not to implement this policy for Scope 3 for agriculture;
- Government to engage with industry stakeholders via an immediate land-sector specific consultation;
- Clear advice on materiality and best-efforts thresholds from government;
- Develop a common methodology indicator and reporting code of practice to benchmark carbon calculators;
- Ensure that bespoke solutions by individuals and companies are not encouraged and generic calculators are able to be used;
- Government facilitate medium term engagement with accounting software providers to map a pathway to climate related information be incorporated by no earlier than 2030; and
- If unavoidable, a formal Scope 3 emissions reporting requirement date beginning 2035 at the earliest.

October 2023



7 June 2023

Committee Secretary
Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: ec.sen@aph.gov.au

Dear Secretariat,

RE: Senate Inquiry into Greenwashing

The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the Senate Standing Committee on greenwashing.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the length and breadth of the supply chain. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

NFF Position

The NFF welcomes and recognises the importance of the Senate Standing Committee's inquiry into greenwashing and its impact on consumers.

As companies begin to adopt green practices and bring new innovations to the marketplace to build a sustainable brand image and capture rising consumer demand for green products, the NFF recognises that advancements in this space are often accompanied by an increase in greenwashing claims. This is a major concern for:

1. The NFF and its membership;
2. Consumers willing to purchase green-branded goods and services at an additional cost; and,
3. Businesses, as such claims distort consumer purchasing patterns and over-value products to the disadvantage of existing competition (i.e., creating a market distortion), penalising legitimate operating eco-friendly businesses.

It is the view of the NFF that actions are taken to ensure companies and industry more broadly refrain from misrepresenting their actions and making false statements as it pertains to activities related to greenhouse gas (GHG) emissions abatement or the labelling of products as “environmentally friendly”.

Schemes such as Climate Active or the Emissions Reduction Fund (ERF) must operate with a high degree of integrity and efficiency. However, the NFF would like to stress that achievement of this view demands careful assessment and balancing of existing legislative options. New stringent legislative processes (i.e., additional reporting requirements) should not be introduced as this would create unnecessary regulatory obligations and burdens detrimental to existing compliant businesses.

With regards to regulatory examples to curb greenwashing claims as it relates to the Australian Carbon Credit Units (ACCUs) and the ERF, the NFF would like to direct the attention of the Committee towards implementing recommendations proposed by the independent Chubb Review panel and detailed in the relevant report. We understand that this is currently a process under government review.

Conclusion

The NFF thanks the Senate Standing Committee for the opportunity to provide a submission. We look forward to further engagement on this important subject. The policy contact for this matter is Warwick Ragg, General Manager (Natural Resource Management) via e-mail: WRagg@nff.org.au or phone (02) 6269 5666.

Yours sincerely,

TONY MAHAR

Chief Executive Officer