

21 September 2022

Biodiversity Market Policy and Design Team  
Department of Climate Change, Energy, the Environment and Water  
Email: [biodiversitymarket@DCCCEW.gov.au](mailto:biodiversitymarket@DCCCEW.gov.au)

Dear Sir/Madam

## NATIONAL BIODIVERSITY MARKET

On behalf of the Australian Council of Superannuation Investors (ACSI), thank you for the opportunity to make a submission in respect of a national biodiversity market.

### About ACSI

Established in 2001, ACSI exists to provide a strong voice on financially material environmental, social and governance (ESG) issues. Our members include 26 Australian and international asset owners and institutional investors with over \$1 trillion in funds under management.

Through research, engagement, advocacy and voting recommendations, ACSI supports members in exercising active ownership to strengthen investment outcomes. Active ownership allows institutional investors to enhance the long-term value of retirement savings entrusted to them to manage. ACSI members can achieve financial outcomes for their beneficiaries through genuine and permanent improvements to the environment, social and governance (ESG) practices of the companies in which they invest.

### ACSI welcomes consultation on supporting biodiversity

Biodiversity underpins human existence and has significant economic, social and cultural value. More than 50 per cent of the world's total GDP is moderately or highly dependent on nature and the services it provides.<sup>1</sup> As active owners and stewards of capital, institutional investors now recognise that nature is a resource that companies both impact and depend upon. Global biodiversity faces destruction at unprecedented rates,<sup>2</sup> which undermines the value of natural capital and gives rise to financially material risk for business and investors.<sup>3</sup> It is fundamentally important to improve legal and policy frameworks in Australia to better protect biodiversity.

ACSI welcomes the Government's concern about protecting Australia's biodiversity. Reform priorities should focus on delivering high standards of law and policy that aim to enable the protection of Australia's natural capital. In conjunction with broader policy reform, a national biodiversity market has the potential to function well, so long as the market is developed carefully and effectively, to ensure it achieves its objective of better protecting Australia's biodiversity. With appropriate design, a market could incentivise positive impacts on nature, but if not carefully designed, an offset market could have counter-productive effects over the long-term.

In order to design an effective biodiversity market that achieves its objectives, robust consultation across the market is needed, with more detailed information being provided by Government on the structure and objectives of the proposed market. ACSI recommends further in-depth consultation on the specific design of the market. There will be a number of challenges that would need to be addressed, such as how to effectively measure and price biodiversity impacts. Methods of measurement would need to be based on scientific data and frameworks. Likewise, there would need to be a robust system to oversee a biodiversity market and ensure transparency and accountability. Any national biodiversity market should learn from the lessons and experiences of similar existing or previous markets in Australia. First Nations people should also be central to the

<sup>1</sup> ACSI, 'Biodiversity: Unlocking natural capital value for Australian Investors', November 2021: [https://acsi.org.au/wp-content/uploads/2021/11/ACSI-Biodiversity-Research-Report.Nov21\\_Final.pdf](https://acsi.org.au/wp-content/uploads/2021/11/ACSI-Biodiversity-Research-Report.Nov21_Final.pdf)

<sup>2</sup> Australia's State of the Environment report 2021: <https://soe.dcccew.gov.au/>

<sup>3</sup> ACSI, 'Biodiversity: Unlocking natural capital value for Australian Investors', November 2021: [https://acsi.org.au/wp-content/uploads/2021/11/ACSI-Biodiversity-Research-Report.Nov21\\_Final.pdf](https://acsi.org.au/wp-content/uploads/2021/11/ACSI-Biodiversity-Research-Report.Nov21_Final.pdf)

consultation process, given their expertise in stewardship of Australia's environment.

A biodiversity market should not function in isolation. Rather, a market should be one tool among other regulatory mechanisms to support biodiversity protection and enhancement, which should be considered holistically. As the starting point, ACSI encourages the Government to ensure that Australia's overarching legal frameworks for biodiversity protection are reviewed and updated as a priority. For example, the legislative frameworks should be updated to align with the findings of the Samuel Review as well as the 2021 State of the Environment Report. We welcome the Government's commitment to formally respond to the Samuel Review by the end of the year.<sup>4</sup> Likewise, the Government should ensure that policy and law reform is founded on independent research and guided by regular expert advice related to biodiversity risks and opportunities. A national biodiversity market should be considered in the context of, and aligned with, broader regulatory reform. Likewise, a market should be consistent with developments in the Taskforce on Nature-related Financial Disclosures.<sup>5</sup>

Ultimately, it is important that organisations manage their financially material biodiversity risk and support sustainable returns over the long-term. A national biodiversity market might be one tool among others to support this, but it should be designed carefully and operate as one element of a broader, ecosystem of biodiversity protection to support sustainability over the long-term. In order to drive these outcomes, Australia's laws and policies need to be reviewed and strengthened in an integrated, holistic manner. The risks of biodiversity degradation and climate change are inextricably linked, so the related policy frameworks should be considered in an inter-connected way. Biodiversity impacts and co-benefits should also therefore be taken into account as part of the Government's concurrent reflections on the carbon credits system.

ACSI encourages the Government to undertake further consultation on a national biodiversity market, providing more-detailed information about the specifics of design. ACSI would be pleased to participate in ongoing consultation.

I trust our comments are of assistance. Please contact me or Romy Faulkner, ([rfaulkner@acsi.org.au](mailto:rfaulkner@acsi.org.au)), should you require any further information.

Yours faithfully



Kate Griffiths  
Executive Manager, Research and Policy  
Australian Council of Superannuation Investors

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<sup>4</sup> Minister Plibersek, National Press Club address, 19 July 2022:  
<https://minister.dcceew.gov.au/plibersek/speeches/national-press-club-address-minister-environment-and-water-tanya-plibersek>

<sup>5</sup> Taskforce on Nature-related Financial Disclosures: <https://tnfd.global/>