Preparing the land for mallee plantings, for Alterra's Carbon Capture Project 2, Western Australia

PILLAR 2: UNLOCKING FINANCE & INVESTMENT

Australia's land sector needs to become a stable and investible environment, in order to unlock large volumes of private sector finance and investment. Financial organisations and heavy-emitting industries need to have confidence in the sector, with strong capabilities and understanding of what the investment opportunities are.

Where do we want the industry to be?

Banks and land valuers have introduced new metrics to value agricultural land, incorporating financial benefits from carbon farming projects.
There must be alignment between environmental outcomes and capital asset values, incentivising farmers to undertake positive land management. This includes improving the capacity of financial institutions and valuers to understand carbon farming activities, carbon abatement contracts, and the types of information required to de-risk their investment in these projects.

Insurance companies and agricultural enterprises have introduced new risk-management products to cover losses associated with participation in carbon farming.
Industry stakeholders believe that this would increase the confidence of farmers, land managers and investors to implement carbon farming activities at scale and help to incentivise greater participation.

Banks and investors understand that sequestered carbon has a value, as do the co-benefits that can be generated, and recognise the broader investment opportunity in the land sector.
Industry stakeholders agree that investors need to incorporate how different environmental market metrics can be quantified and layered in a single project to generate additional financial returns.

Revenue generated from carbon farming projects is flowing back into the agricultural sector and rural communities.
Industry stakeholders agree that there is an opportunity to incentivise farmers by ensuring more revenue, and other quantifiable social and economic benefits from carbon farming projects reach farmers and people living in rural and remote communities.

State governments are directly funding carbon farming projects leading to positive land use change.
There is a role for state governments to directly fund positive land use change through carbon farming projects, and the purchase of various environmental credits. Strategic opportunities for investment needs to be mapped and understood for each sub-national jurisdiction, that include innovative approaches to unlocking investment.

How are we going to get there?

Primary Actions

Government

Federal

- Work with project developers to ensure methods are suited to new scalable aggregation models, increasing opportunities for participation from smaller farming systems.
- Establish policy to provide the necessary conditions for secondary market transactions, ensuring buyers and sellers of credits are easily connected, with incentives for heavy emitting industry to invest in land sector projects.
- Federal and state governments to clarify opportunities and provide access for carbon projects on crown land.
- Governments work together to ensure linkages across natural resource management (NRM), agriculture, and biodiversity programs.

State

- Map the strategic opportunities for state-wide carbon farming projects, including for blue carbon, prioritising areas for investment.
- Directly fund positive land-use change by investing in projects that generate positive environmental outcomes.
- Revise state wide statutory valuation protocols for agricultural properties to consider and make informed decisions around the implications from carbon projects.
- Provide incentives (lease agreements, tax concessions) for land holders who achieve positive land management outcomes as a result of implementing carbon projects.

Local

- Directly fund positive land-use change and local carbon farming projects to offset emissions to meet carbon neutral targets.

Finance & Industry

- Heavy-emitting organisations to invest in land sector projects with long term supply contracts. Offsetting their emissions liabilities and creating a future pipeline of carbon credits, supporting other environmental markets and/or co-benefits to meet Corporate Social Responsibility (CSR) goals.
- Banks and insurers to create new financial products for risk assessment in agricultural enterprises, accounting for the benefits of carbon projects in de-risking the industry, incentivising good land management practices.
- Banks and investors to understand the investment opportunity and introduce new products to align financial metrics with integrated environmental outcomes
- Valuations of agricultural enterprises to should incorporate the benefits of carbon projects into capital asset values.

Land Sector

- Agricultural industry and NRM groups to articulate the value proposition for investment in projects that simultaneously drive productivity and achieve positive environmental outcomes.
- Farmers to investigate the opportunity for diversifying revenue streams and investing in carbon projects that lead to greater farm productivity.

Carbon Service Providers

- Project developers to build market integrity and confidence through best practice project implementation.
- Introduce business models with greater flexibility to assist in getting projects to scale and increasing opportunities for participation from farmers.
- Make the business case for investment in land sector projects to finance and investment stakeholders.

Workers measuring carbon sequestion levels on CO2 Australia's Human Induced Regeneration Project, New South Wales