

11 August 2023

Public Accounts Committee
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To Whom It May Concern,

Re: Submission to Inquiry into how the Western Australian Government's progress towards achieving Environmental, Social and Governance (ESG) outcomes is assisting to secure international investment

On behalf of AgriFutures Australia, I welcome the opportunity to provide a response to the inquiry into ESG outcomes to assist international investment.

AgriFutures is one of 15 Rural Research and Development Corporations (RDCs) and has a unique legislated mandate to respond to cross-sectoral research and development challenges and opportunities for the agriculture, fisheries and forestry sectors. We represent the research needs of 13 thriving rural industries, and drive the growth and development of emerging, high-potential agricultural rural industries, who do not have a dedicated RDC.

In specifically addressing the scope questions, AgriFutures Australia through its research partners have explored a number of related topics in past and current work in rural industries (agriculture, fisheries and forestry).

1. Environmental and Social Lending in Rural Industries (KPMG Australia, 2023)

This report provides information on the environmental, social and governance landscape as it relates to the evolution of sustainability-linked lending. It paints a clear picture for producers on how financial institutions are evolving their lending products to integrate sustainability criteria so producers can best prepare their business to meet the requirements of these new products.

In November 2021, leading global banks joined forces in a new initiative to support decarbonisation of the agricultural sector. Banks such as Barclays, Wells Fargo and Rabobank were among those that committed to supporting the transition to net zero. The aim of the initiative is to ensure portfolios in the food, agriculture and land use spaces contribute to achieving Paris Agreement goals and net zero emissions.

With the agricultural sector in Australia producing 13% of the nation's greenhouse gas emissions, achieving net zero will require producers and their supply chains to measure their emissions against set baseline values, and subsequently report them. To respond to these expectations, many agricultural commodities have developed sustainability frameworks as a

tool or guideline as to how to implement change over time to reach certain environmental milestones.

The focus of this study was to explore environmental and social (sustainable) lending in the context of Australian primary production. The study focused on the market dynamics which are driving an increased focus on sustainability across the Australian financial services sector to understand how changes in lending and insuring products, practices and processes will impact primary producers now and into the future. Central to this study was understanding the opportunities, requirements, and considerations for producers to access sustainable lending solutions (including insurance).

2. United Nations Sustainable Development Goals: Telling Australia's Rural Industries Story (KPMG, 2020)

This study explores the application, relevance, and potential opportunities posed by the United National Sustainable Development Goals (SDG) for Australia's rural industries. Leveraging the SDG framework to enhance the sustainability credentials of Australia's rural industries presents a compelling narrative to strengthen our global competitiveness on the international stage.

The SDGs are increasingly viewed as the internationally accepted language for measuring and reporting business, industry and country-level sustainability credentials. Individually, we know that Australia's rural industries are working hard and making significant investments to advance their sustainability outcomes. However, the level of maturity in SDG alignment and reporting varies considerably across industries.

This study, undertaken by KPMG, explores how agriculture, fisheries and forestry industries are implementing the SDGs and whether opportunity exists to act collectively to improve Australia's position on the UN's global SDG Index.

3. \$100b Growth Strategy - I & II (Acil Allen Consulting, 2019)

This work set out to evaluate the current growth trajectory of Australia's agriculture, fishing and forestry industries and then identify where the growth opportunities are going to come from. Analysis from first phase of the project found that the current growth trajectory of the sector will likely reach \$84.3bn by 2030.

The second phase of the work, identified factors that will likely propel agriculture above the forecasted base growth trajectory of \$84.3 billion by 2030.

4. Emissions life-cycle assessment for the Australian export fodder industry (Common Capital, in-progress 2023-24)

Export fodder is a key industry in Western Australia's agricultural sector, with one-third of commercial scale farm enterprises in Australia producing fodder each year. Commercial

outcomes for fodder are important across the rural economy. However, like all export-oriented industries, fodder will likely face increasing pressure on emissions, as key trade partners like Japan and Korea increase their climate ambition and emissions becomes more important in international trade. Understanding fodder emissions intensity and acting on key emissions sources will be key to the future competitiveness of the industry.

This project will deliver a best practice emissions life cycle assessment of the export fodder industry in line with the ISO standard, providing a comprehensive view of value chain emissions for Australian export fodder. Key outputs will include a detailed report on LCA findings and an industry roadmap identifying key priorities for R&D and investment and adoption pathways for the fodder industry to address major emissions sources.

5. Decision support framework and tool supporting Australian producers to make informed decisions about the relative benefits arising from their actions for production and natural capital. (University of New England, 2023-24, in-progress)

There has been an evolution of carbon and natural capital markets, increased pressure on landholders to demonstrate sustainability and environmental stewardship, and proliferation of projects, markets and recognition schemes proposing a multitude of benefits to growers. In response to these market developments, there is need for a clear and informative analysis of different options against best management practices focused on maximising on-farm production and environmental outcomes in the farming system.

This project supports, through an integrated Discovery, Opportunity and Decision (DOD) interactive tool, Australian producers to have confidence and capability to make informed decisions around management of carbon and natural capital in their farming systems, and to determine where the greatest benefit is to their operation, i.e. managing natural capital to support production or entering a market project.

In addition, AgriFutures in collaboration with other Research & Development Corporations has participated in leading climate science research focussed on forecasts and adaptive technologies for managing climate risk. These include two programs supported by the Commonwealth; *Improved Seasonal Forecasting* and *Forewarned is forearmed*.

I am available for further contact and consultation on matters relating the work of the Public Accounts Committee

Yours sincerely,



Michael Beer
General Manager Rural Futures