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Productivity Commission
4 National Circuit
Barton ACT 2600
Via online submission
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22 September 2025

Dear Productivity Commission,

RE: Submission to the Interim Report of the Productivity Commission Inquiry into Investing in cheaper, cleaner energy and the net zero transformation.

The Australian Land Conservation Alliance (ALCA) welcomes the opportunity to provide a submission to the Productivity Commission's Inquiry into Investing in cheaper, cleaner energy and the net zero transformation.

ALCA represents organisations that work to conserve, manage, and restore nature on privately managed land. Our member conservation efforts have influenced over 9.3% of Australia with more than 4,000 landholders; we have over 70,000 supporters and our combined annual turnover exceeds $370 million.

Key Recommendations

Nature-based solutions and large-scale environmental restoration

Key Recommendation 1: Nature-based solutions to climate change need to be actively considered in the final Report.

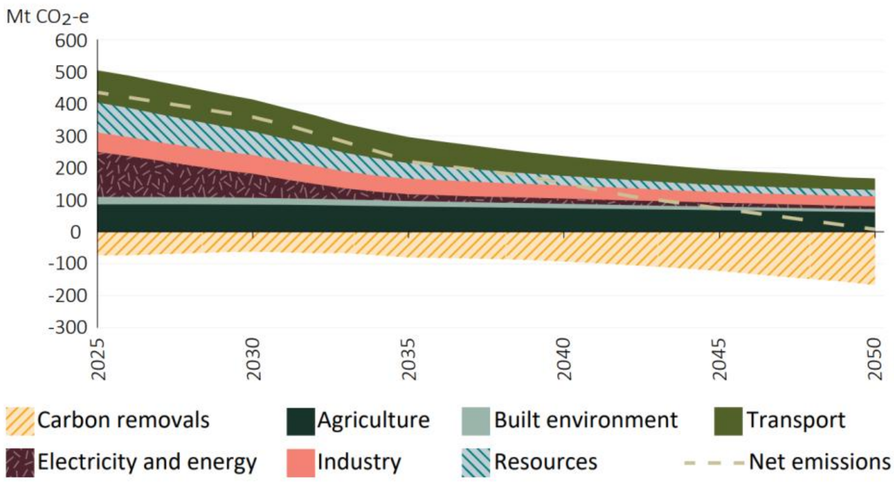
Nature and climate are deeply interrelated. Nature (predominantly via vegetation) is a key mitigator of climate emissions, and indeed the only cost-effective carbon sequestration 'technology' currently available at scale. Utilising nature to address climate change problems are broadly described as 'nature-based solutions' (NbS).

In 2017, research led by The Nature Conservancy and 15 other institutions demonstrated that NbS can provide up to one-third of the emission reductions needed by 2030 to keep global temperature increases under 2°C – 30 percent more than previously estimated[1].

The following modelling in the just-released *Agriculture and Land Sector Plan*[2] demonstrates the dramatic role that will be expected of land-based carbon removals, largely driven by reforestation and forest regeneration (i.e. by NbS):

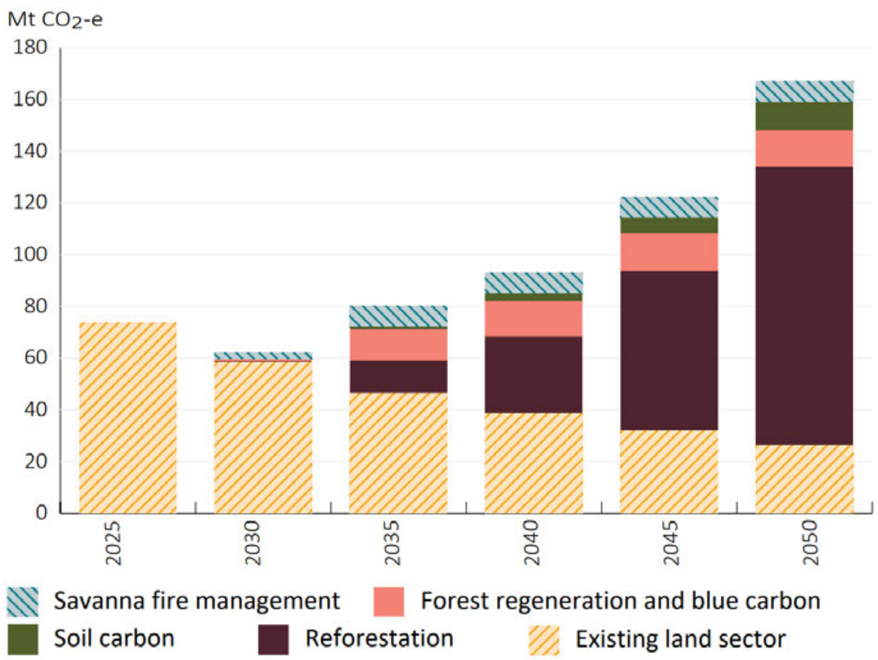
[1] https://www.pnas.org/doi/10.1073/pnas.1710465114
[2] p viii & p10; https://www.agriculture.gov.au/agriculture-land/farm-food-drought/climatechange/ag-and-land-sector-plan

Figure 1 Projected emissions under the Baseline Scenario, by Sector



Source: Treasury modelling

Figure 9 Projected sources of land-based sequestration under the Baseline Scenario



Note: The 'Existing land sector' category refers to the existing net sink, including emissions reductions and sequestration being generated from existing ACCU projects. The decline in this category reflects the ageing of existing vegetation and the related decline in the ability to sequester carbon. The category does not include the sequestration from new sequestration projects incentivised through the Safeguard Mechanism. The sequestration volumes for reforestation, forest regeneration and blue carbon, soil carbon, and savanna fire management represent new sequestration projects in the Baseline Scenario.
Source: Treasury modelling

There is an important opportunity for the Interim Report to identify the opportunities for NbS to support the heavy lifting that will be expected of the land sector and nature to sequester carbon and contribute to net zero.

Key Recommendation 2: The Commission should encourage **the development of a National Restoration Strategy** as a critical strategic planning document needed to guide future Government and non-Government efforts at large-scale environmental restoration (and in turn, carbon sequestration).

This Strategy should be combined with an effort to hasten Environment Information Australia's delivery of an Investment Strategy for the Nature Repair Market, as committed to in October 2024 by the Commonwealth by former Minister for the Environment and Water, the Hon Tanya Plibersek MP[3].

For additional context, this would align with the Government's commitment to Target 2 from the Kunming-Montreal Global Biodiversity Framework[4] (under the UN Convention on Biological Diversity), as reproduced in the relevant Commonwealth Government target, "*Priority degraded areas are under effective restoration by 2030*" in *Australia's Strategy for Nature 2024-2030*[5]; noting that the Commonwealth Government has yet to develop a detailed national approach to delivering this particular target.

Key Recommendation 3: Instigate a Treasury or Productivity Commission review into federal and state tax and financial incentives and barriers to private land conservation.

If large-scale reforestation and forest regeneration is expected to do the heavy lifting to sequester carbon in the land sector, private landholders must not be penalised under Australia's tax settings for engaging in environmental restoration activities, and indeed, should be actively supported and subsidised given the economic social benefits.

This squarely aligns with Recommendation 28d of the Samuel Review, namely:

> "*Recommendation 28: To foster private sector participation in restoration, the Commonwealth should formally investigate and consider:*
> *…*
> *d) changes to the tax code that can deliver environmental restoration.*"[6]

Federal environmental law reform and environmental offsetting

Key Recommendation 4: Australia's economic prosperity is fundamentally dependent upon nature[7]. Either Treasury or the Productivity Commission urgently needs to forecast the economic impacts from the accelerating decline of Australia's

[3] https://minister.dcceew.gov.au/plibersek/speeches/speech-australian-land-conservation-alliance-conference
[4] https://www.cbd.int/article/cop15-final-text-kunming-montreal-gbf-221222
[5] https://www.dcceew.gov.au/sites/default/files/documents/australias-strategy-for-nature-2024-2030.pdf
[6] p146, https://www.dcceew.gov.au/sites/default/files/documents/epbc-act-review-final-report-october-2020.pdf
[7] See: World Economic Forum: https://www.weforum.org/publications/nature-risk-rising-why-the-crisis-engulfing-nature-matters-for-business-and-the-economy/; Australian Conservation Foundation (using the World Economic Forum methodology): https://www.acf.org.au/news/the-nature-based-economy-how-australias-prosperity-depends-on-nature; and Cyan Ventures: https://30by30.org.au/nature-economics-report/; also, more broadly on the importance of nature to the economy, see: Dasgupta, P. *The Economics of Biodiversity: The Dasgupta Review*, HM Treasury, Government of the United Kingdom; https://www.gov.uk/government/publications/final-report-the-economics-of-biodiversity-the-dasgupta-review

biodiversity[8] and – given the expected climate impacts upon carbon stocks (as contained in nature) – the implications this has for the net zero transition.

This would also be an opportunity to forecast the impacts of the decline of Australia's biodiversity upon Australia's productivity and economic growth.

Key Recommendation 5: The Report needs to be much clearer-eyed about the ongoing challenges and chronic failures and in environmental offsetting schemes across Australian jurisdictions. Further, Australian environmental offsetting schemes should be encouraged to incorporate a contingency to provide assurance of net zero gain (or ideally, absolute net gain) outcomes for the environment.

Further to Key Recommendation 4 above, the current Interim Report appears to misapprehend the current efficacy of offsetting regimes in the States and Territories. All recent formal reviews across Australian jurisdictions have found offsetting to be ineffective in practice, and thus only serving to facilitate a somewhat slower decline in biodiversity rather than fully compensating for environmental destruction.

For example, in its report on the *Effectiveness of the Biodiversity Offsets Scheme*, the NSW Audit Office found that:

> "*The Department of Planning and Environment (DPE) has not effectively designed core elements of the NSW Biodiversity Offsets Scheme…*
>
> *The effectiveness of the Scheme's implementation… has been limited… Key concerns around the Scheme's integrity, transparency, and sustainability are also yet to be fully resolved. As such, there is a risk that biodiversity gains made through the Scheme will not be sufficient to offset losses resulting from the impacts of development, and that DPE will not be able to assess the Scheme's overall effectiveness.*"[9]

The NSW Parliament reached similar conclusions in their Inquiry into the Integrity of the NSW Biodiversity Offsets Scheme[10].

Even the Commonwealth's *EPBC Act* offsets are ineffective and failing. As per the Samuel Review:

> "[the] *EPBC Act environmental offsets policy… is ineffective at compensating for loss and inconsistently implemented. The decision-making hierarchy of 'avoid, minimise and only then offset' is not being applied – offsets are too often used as a default measure not as a last resort…*"[11]

[8] *State of the Environment Report*, 2021, Government of Australia: https://soe.dcceew.gov.au/
[9] p2, https://www.audit.nsw.gov.au/sites/default/files/documents/FINAL%20-%20Effectiveness%20of%20the%20Biodiversity%20Offsets%20Scheme.PDF
[10] https://www.parliament.nsw.gov.au/tp/files/83368/Report%20No.%2016%20-%20PC%207%20-%20Integrity%20of%20the%20NSW%20Biodiversity%20Offsets%20Scheme.pdf
[11] p44, https://www.dcceew.gov.au/sites/default/files/documents/epbc-act-review-final-report-october-2020.pdf

These adverse findings on the efficacy of Australian government environmental offsets schemes are consistently supported in the academic literature[12].

One way to help address the current inefficacy of Australian government environmental offsetting schemes is to build in a contingency to provide more confidence to government and the community that environmental destruction – as well as the substantial time lags in implementing compensating activities after money is received into an offsets fund – will be genuinely accounted for; that there will genuinely be a net zero gain for the environment, or, ideally, an absolute net gain for the environment.

The following line from page 44 of the Report is tautological, and should be amended as follows:

> "~~**If implemented well,**~~ **T**hese schemes ~~**can also**~~ **will need to be reformed to** improve environmental outcomes.
>
> **The incorporation of contingencies in offsetting formulas could assist in providing public confidence that net zero outcomes (and possibly absolute net gains) for the environment will be achieved in practice.**"

Further:

> "The Australian Government should assess whether it can allow proponents to use more of these state schemes to discharge their obligations under the EPBC Act. To meet EPBC Act requirements, states and territories ~~**may**~~ **will** have to update or improve their schemes."

Key Recommendation 6: The Report should highlight the need to resource the environmental assessment of development applications under the *EPBC Act* and relevant state-based legislation. Federal environmental departments have been chronically under-resourced. As of 2022, Australia's Federal environment budget was only 2% larger now than it was 10 years prior, despite 10 years of economic growth that averaged approximately 2.4% *annually*[13].

Key Recommendation 7: It is incorrect for the Report to state on page 44 that "[t]*he core business of the body administering the fund is to deliver offsets, making them better placed to carry out projects that produce the greatest environmental gains.*" The Report should be much more cautious in asserting that developers are, by default, less well-placed than governments to deliver on-ground offsets.

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[12] For example, see: https://conbio.onlinelibrary.wiley.com/doi/full/10.1111/csp2.13070; https://conbio.onlinelibrary.wiley.com/doi/full/10.1111/csp2.13271; https://besjournals.onlinelibrary.wiley.com/doi/full/10.1002/pan3.10494; https://www.nature.com/articles/s44358-025-00023-2.

[13] Question on Notice #SQ22-00066, Budget Estimates, 15 November 2022, Environment and Communications Committee, The Senate; https://www.aph.gov.au/api/qon/downloadestimatesquestions/EstimatesQuestion-CommitteeId8-EstimatesRoundId19-PortfolioId46-QuestionNumber155

In practice, often the core business of government bodies that administer offset funds is to process the environment clearance and/or development applications in a timely manner, which in turn often leads to contributions into an offset fund. The fact that offset funds have steadily accrued across most Australian jurisdictions is largely due to either:

- critical failures in the underlying offsetting scheme design (e.g. an inability to secure like-for-like offsets at a cost commensurate with payments into the fund, either due to insufficient offset payments, or unavailability of on-ground offsets); and/or
- a lack of resourcing and expertise to secure the on-ground offsets where they are genuinely possible.

In short, even if the assertion that delivering offsets *should* be the core business of offset fund administrators is correct, for most jurisdictions, this does not automatically make them better placed than well-resourced developers to deliver projects that produce environmental gains.

Most developers with complex offsetting arrangements have a much greater capacity and resourcing to engage third-party providers than the small 'on-ground offsetting' teams found in the chronically under-resourced environment departments found in most jurisdictions. 'On-ground' offsetting is often hard and complex to secure, and resourcing and capacity can matter more than subject-matter expertise. Whilst it might be more efficient for developers to pay out their offsetting liabilities and walk away leaving the government to discharge the liability and its associated risk (i.e., 'now the government's problem'), it has not proven to be effective in practice.

The following amendment is thus suggested:

> "***A*** ***~~The~~*** *core business of the body administering the fund is to deliver offsets*. ***However, unless they are well-resourced, they are not necessarily ~~making them~~*** *better placed to carry out projects that produce the greatest environmental gains.* ***It is therefore important that these bodies are resourced adequately to be able to deliver offsets.***"

Key Recommendation 8: Recommendation 2.4 should not proceed to the final Report.

Whilst the renewable energy transition is important and necessary for Australia, the purpose of the EPBC Act is to optimise the protection of the environment **in the public interest**, not to discriminate in favour of particular classes of development applications. As currently framed, the carveout proposed by the Recommendation would set a deeply unsettling political precedent that would be likely to be utilised for other carveouts that are much less genuinely aligned to the public interest, let alone aligned with the public environmental interest purpose of the *EPBC Act*.

As with the Commission's preference for technology-neutrality as an optimal economic approach, the optimal, appropriately neutral and non-distortionary economic approach would be to amend draft Recommendation 2.4 as follows (edits in **bold**):

> The *Environment Protection and Biodiversity Conservation Act 1999* (Cth) should be amended to require the minister to consider the **likely environmental benefits from a project** **~~needs of the energy transition~~** when deciding whether to approve **a** **~~an energy~~** project that will have a significant impact on a matter of national environmental significance.

Further recommendations

Recommendation 9: The Report should retain is recommendation that encourages the introduction of national environmental standards, as recommended by the Samuel Review ("[n]*ew, legally enforceable National Environmental Standards are the centrepiece of the recommended reform*"[14]), and the Senate Inquiry into the Nature Positive Bills[15].

Recommendation 10: Whilst both are worthy public policy goals, the **efficacy** of environmental offsetting is much more important than efficiency, for economic public interest reasons as well as environmental public interest reasons.

Again, State-based schemes have plentiful examples where proponents have made payment into an offsets fund, the environmental impacts have occurred, but the offsets have then not been delivered. This is neither effective nor efficient and is instead a failure of public policy.

Draft recommendation 2.1 therefore needs to be updated as follows:

> "• make offsetting arrangements more efficient **and effective.** **~~such as by enabling developers to meet their offset obligations by contributing to an Australian Government offsets fund.~~**"

Recommendation 11: The mitigation hierarchy described on p44 of the Interim Report references 'avoid' and 'minimise' but does not reference the next step of the hierarchy, 'restore/rehabilitate', as is the standard in international guidance[16]. The Report should be amended as follows (edits in **bold**):

> "After all reasonable steps to avoid**,** **~~or~~** mitigate**, and rehabilitate or restore** a project's environmental impact have been taken…"

Recommendation 12: That draft Recommendations 1.1, 1.2, 1.3 (albeit with a cautious phase-out of the tax exemptions for electric vehicles, based on adoption rates), 3.1, 3.2, 3.3, and 3.4 continue to the final report.

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[14] p vii, https://www.dcceew.gov.au/sites/default/files/documents/epbc-act-review-final-report-october-2020.pdf

[15] https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/NaturePositivebills/Report

[16] International Union for Conservation of Nature: https://iucn.org/sites/default/files/2022-06/iucn_biodiversity_offsets_policy_jan_29_2016_0.pdf; also: Forest Trends https://www.forest-trends.org/bbop/bbop-key-concepts/mitigation-hierarchy/.

Thank you again for the opportunity to provide feedback to the Inquiry into Investing in cheaper, cleaner energy and the net zero transformation. ALCA and its members look forward to opportunities to continue to engage with the Productivity Commission in the development of the final Report. If you have questions regarding this submission, please do not hesitate to contact ALCA via [redacted] (Mr Michael Cornish, Policy Lead).

Yours sincerely,

[redacted]

Dr Jody Gunn

CEO

Australian Land Conservation Alliance

About the Australian Land Conservation Alliance

The Australian Land Conservation Alliance is the peak national body representing organisations that work to conserve, manage, and restore nature on privately managed land. We represent our members and supporters to grow the impact, capacity, and influence of private land conservation to achieve a healthy and resilient Australia.

Our nineteen members are:

- Arid Recovery
- Australian Wildlife Conservancy
- Biodiversity Conservation Trust NSW
- Bush Heritage Australia
- EcoGipps
- GreenCollar
- Greening Australia
- Landcare Australia
- Nari Nari Tribal Council
- Nature Foundation
- North Australian Indigenous Land and Sea Management Alliance
- NRM Regions Australia
- Odonata
- Queensland Trust for Nature
- South Endeavour Trust
- Tasmanian Land Conservancy
- The Nature Conservancy Australia
- Trust for Nature (Victoria)
- World Wildlife Fund - Australia

ALCA member land conservation efforts have influenced over 9.3% of Australia with more than 4,000 landholders. We have over 70,000 supporters and our combined annual turnover exceeds $370 million. Together ALCA and its members address some of the most pressing conservation issues across the country, including restoring endangered ecosystems, building the protected area estate, tackling invasive species, expanding private conservation finance, and funding and using nature-based solutions to tackle climate change.

Through their active land management, ALCA member organisations are deeply embedded in rural communities and economies, providing jobs, securing significant regional investment, and safeguarding remaining native habitat, with its many positive spill-over effects for community, wellbeing, and food security. We seek to demonstrate the role and value of private land conservation as a cornerstone of the Australian economy.

Some ALCA members are statutory entities; the views expressed in this submission do not necessarily represent the views of the Government administering those statutory entities.