

**Submission on the Climate-related Financial Disclosure Consultation paper released by
The Treasury in December 2022**

Emeritus Professor Jon Altman
School of Regulation and Global Governance
The Australian National University, Canberra
17 February 2023

I seek to make a very brief submission on the Financial Disclosure Consultation paper that I only became aware of as I was finalising a submission on the exposure draft of the *Nature Repair Market Bill*. I also made submission in September to the Independent Review of Australian Carbon Credit Units. I anticipate that the issues that this consultation paper canvasses will have further rounds of consultation during 2023 and possibly beyond.

By way of brief background, my training is in economics and anthropology and for the last four decades I have undertaken university-based and applied research focused on exploring forms of economic development that might accord with First Nations aspirations in all their diversity. Over the past two decades my work has increasingly focused on describing, analysing, and advocating for biodiversity conservation effort on First Nations titled lands in general and Indigenous Protected Areas in particular.

Of possible relevance to the issue of Climate-related Financial Disclosure, and to be transparent, since 2009 I have been a foundation director and secretary of an environmental philanthropy Karkad Kanjdji Trust that looks to source financial support for locally driven projects for several ranger groups in Arnhem Land. I am also a director (since 2018) of Original Power that auspices the First Nations Clean Energy Network that I assist as a policy and research adviser; and I work with the Australia Institute as chair of its research committee and with Arnhem Land Fire Abatement (NT) Limited in research.

All the views expressed in this brief comment are mine alone and do not necessarily reflect those of any of the companies mentioned above. Nevertheless, I do make some observations that reflect some of my experiences with these companies.

As an overarching statement and based on my research experience with Arnhem Land Fire Abatement (NT) Limited there is little doubt that that any mandated requirements for Climate-related financial disclosures will be of benefit to the Carbon Market and increased demand for and trade in Australian Carbon Credit Units. From the standpoint of Indigenous carbon projects this is a big plus because it is likely to drive up the price of ACCUs and so generate revenue that will result in greater investment in carbon abatement and sequestration and associated environmental, economic, social, and cultural co-benefits.

It is patently obvious that other countries are introducing such mandatory requirements for disclosure and Australia needs to align with international best practice or risk losing market competitiveness. It is also patently obvious that the biggest emitters of Scope 1, 2 and 3 greenhouse gas emissions should be the first targeted given that there will be inevitable capacity constraints on the ability of the regulatory framework to audit compliance. I do not have expertise to comment on how the process should be rolled out or which regulatory

institution should be tasked with ensuring strict compliance with reporting requirements that accord with international standards.

What has triggered my interest in the consultation paper is the absence of any substantive discussion of the implication of Climate-related financial disclosure for First Nations interests in Australia. I am not making this point to virtue signal. Rather I make the point because there is an evident mismatch between the extensive referencing to First Nations interests in several recent government positions articulated in:

- the *Nature Positive Plan* (with 53 references to First Nations people) response to the highly critical Samuel Review of the Environmental Protection and Biodiversity Conservation (EPBC) Act and the *State of the Environment Report 2021*;
- the report of the Independent Review of Australian Carbon Credit Units (with 38 references to First Nations people) and the government's immediate positive response in accepting all its recommendations in principle including on some important First Nations specific issues; and
- the high priority given to First Nations landholder interests in the current parallel development of the Nature Repair Market Bill by the Department of Climate Change, Energy, the Environment and Water (DCCEEW) that looks to establish a Nature Repair Market.

Additional to these examples of direct relevance to climate-related financial disclosure issues, there is a broader effort both nationally (the Voice and the National Cultural Policy—Revive: a place for every story, a story for every place) and sub-nationally (with treaty and/or truth telling processes underway in most States and Territories) to engage with First Nations peoples and priorities that seems to be missing in this consultation paper.

The only specific reference to First Nations stakeholders in the consultation paper is in its consideration of 'other implementation issues' where reference is made to the work of the Taskforce on Nature-related Financial Disclosures (TNFD) and the establishment of the International Sustainability Standards Board (ISSB) announced at COP26 in November 2021. These mechanisms look to develop a comprehensive global baseline of sustainability disclosures for capital markets that will eventually include social and governance alongside environmental (climate and nature) disclosures. It is noted in the consultation paper that such disclosure requirements might include relations with First Nations stakeholders.

This one passing reference to First Nations stakeholders seems to be especially at odds with the emerging recognition that as Australia embarks on a national project to rapidly decarbonise, the involvement of First Nations lands and people is likely to be of fundamental importance. I have emphasised this often-overlooked fact in my submission to the Independent Review of Australian Carbon Credit Units and on the exposure draft of the *Nature Repair Market Bill*.

To summarise very briefly, the First Nations estate (land rights and native title exclusive and non-exclusive determinations) now covers 4 million sq kms (52% of terrestrial Australia) and could expand to 5 million sq kms or more when currently registered claims are determined. And the current 81 declared Indigenous Protected Areas cover over half the Australian

National Reserve System that covers 20 per cent of the continent. At the COP15 UN Biodiversity Conference Australia was a key signatory to the Kunming-Montreal Global Biodiversity Framework that sets out global goals to halt and reverse biodiversity loss by 2030. As an element of this framework Australia has committed to expand its terrestrial and marine conservation estates to 30 per cent by 2030. Such expansion will be highly dependent on the voluntary inclusion of First Nation titled lands into the National Reserve System.

First Nations peoples and lands will be front and centre of national goals to decarbonise (through emissions reduction and the generation of renewable energy) while simultaneously maintaining and enhancing biodiversity outcomes and the production of ecological services while protecting cultural heritage. There is an emerging set of Indigenous organisations including the Indigenous Carbon Industry Network, the First Nations Clean Energy Network, Country Needs People, and the First Nations Heritage Protection Alliance that document First Nations contributions in these areas and advocate on their behalf. As the consultation paper is further developed it would be useful to consult these organisations as well as the Indigenous Land and Sea Corporation and the National Native Title Council that have national mandates.

I realise that this consultation paper was completed prior to the release of the report of Independent Review of Australian Carbon Credit Units. The review recommended (at recommendation 13) that procedures need to be developed to support transparency of different project characteristics and types of co-benefits associated with ACCUs that extend beyond reduced emissions and carbon removals and include non-carbon benefits to proponents, the broader community, and to the environment. The review notes that current arrangements for attributing project characteristics and economic, social, environmental, and cultural co-benefits to ACCUs are not mature. This weakens incentives for market participants to supply, demand, and resource these value-adding outcomes. The review also notes that when a co-benefit is claimed, the proponent should use an appropriate method, verifying the claims made in relation to the co-benefit.

While the review did not go into specifics, it is noteworthy that ACCUs currently sold in the voluntary market already attract a premium if generated on First Nations land by Indigenous savanna burning projects. This was highlighted in several submissions to the review including by the Indigenous Carbon Industry Network, Arnhem Land Fire Abatement (NT) Limited and myself. As noted above the Australian government accepted all the reviews recommendations in principle including this specific one on co-benefits.

The focus of the Treasury consultation paper is on the Australian government's climate reporting commitment, but it notes that markets are increasingly seeking information about broader sustainability-related financial risks. I do not want to over-labour the point in this brief comment, but it is likely that increasingly climate-related financial disclosures will need to document how businesses interact with First Nations lands and people as this will have bearing on both climate-related risk and opportunity. It is noteworthy that such future disclosure requirements might also require First Nations entities to make climate-related financial disclosures depending on the breadth and scale of coverage. For example, for an Indigenous carbon project Scope 1 coverage might calculate direct greenhouse gas

emissions reductions from owned or controlled sources reflected in verified calculation of ACCUs generated. Scope 2 might require documentation of indirect greenhouse gas emissions from inputs, especially fuel, used in the generation of these ACCUs. Scope 3 coverage that would include all other greenhouse gas emissions that occur upstream and downstream in a company's value chain might be difficult for a small entity to calculate except by some agreed indirect methodology.

In conclusion, as Treasury further develops the Climate-related Financial Disclosure framework for Australia, it is imperative that First Nations interests are more comprehensively considered, and their peak bodies more fully engaged given their likely centrality to the national project of decarbonisation. Such considerations could better align with DCCEEW consultations simultaneously underway on the Carbon and Nature Markets; and with broader national and sub-national strategies for First Nations inclusiveness in policy-making.