

New Forests' Submission

ASFI Sustainable Finance Taxonomy Public Consultation, 1st Round, 30 June 2024

Introduction

New Forests, which is one of Australia's largest managers of nature-based real assets with A\$11.7 billion in assets under management, welcomes the opportunity to provide a submission to the Australian Sustainable Finance Institute's (ASFI) 2024 Taxonomy Consultation. We recognise the importance of providing standardised and consistent terminology and definitions, to increase investors' confidence when comparing sustainable investments and to help Australia reach its 2050 commitments.

New Forests' comments have been organised as follows: (i) a broad explanation of the importance of and critical need for standardisation and consistency amongst terminology and definitions and (ii) red-line suggestions for each Headline Ambition.

Q 1.1 Do the headline ambitions reflect Australia's highest national goals for climate and environmental sustainability?

Broadly speaking, the "Headline Ambitions" reflect Australia's highest national goals for climate and environmental sustainability, and New Forests commends the leadership of ASFI in developing the taxonomy through a rigorous evidence-based framework with multiple pathways for public consultation. As a leader in climate and environmental sustainability, we hope our experiences can speak to the importance of harmonising terminology and definitions with global best practices.

Why is it important to align national and international standards, which are developed, authorized, upheld, and underpinned by substantial legislative, regulatory, industry, and institutional obligations and processes?

Aligning terminology and definitions in international and national standards is critical for interoperability between different standards and different jurisdictions and for consistency, comparability, and reliability in implementation and reporting practices.

Aligned terminology and definitions ensure that policies, management systems, programs, governance, implementation, and reporting are consistent and comparable across different standards, jurisdictions and organisations, enabling stakeholders to make informed decisions based on common understanding and standardised data. This comparability is vital for assessing sustainability performance and financial health across companies and sectors. Moreover, alignment aids in regulatory compliance, reducing operational costs by minimising redundant efforts in management systems, implementation, data collection, and reporting. It also boosts investor confidence and market stability by providing transparent and reliable information. Globally, unified definitions support coherent policy development and effective transnational issue management.

Misalignment increases implementation, management, and reporting complexity and costs, to name a few, as organisations might need to maintain multiple systems and mechanisms to satisfy different standards. It leads to confusion, lack of commonly agreed terms, data inconsistency and ambiguity, undermining the reliability of reported information and eroding stakeholder trust. Fragmented standards can result in conflicting policy measures and hinder the effective implementation of sustainability and finance

initiatives. Additionally, a lack of alignment can impede the diffusion of best practices and innovations in sustainability and responsible finance.

Below, we provide examples found in the current Public Consultation. To start, we notice that the first two sentences of Section 3 in ASFI's taxonomy use the synonymous phrases "Headline ambitions for the six environmental objectives," "vision statements," and "broad, longer-term goals" to describe the exact same ideas in this section. For consistency with international standards, and where possible and appropriate, New Forests strongly encourages standard and uniform terminology and definitions that align with international frameworks and best practices, such as the Sustainable Development Goals (SDGs), the International Sustainability Standards Board (ISSB), Taskforce for Climate-related Financial Disclosures (TCFD) and the Taskforce for Nature-related Financial Disclosures (TNFD), among others.

At the international level, there is already a well recognised, generally accepted set of ambitions for people and the planet: the Sustainable Development Goals (SDGs), which are the focus of many national, state, and local governments as well as other economic players.

How do the 'Headline Ambitions' align with or differ from the SDGs? Recognising the SDGs are an international set of goals, they have also been adopted by Australia. We recommend that to the extent possible align the 'Headline Ambitions' (and the language used to describe them) with the SDGs.

Comments and revisions for each proposed 'Headline Ambition'¹

Climate change mitigation

Advance a 2050 net zero greenhouse gas emissions future in Australia and contribute to the Paris Agreement goal of keeping global temperature increases well below 2°C and seeking to limit temperature increases to 1.5°C based on credible, science-aligned scenarios.

To support the achievement of this ambition, rapid and sustained greenhouse gas emissions reductions consistent with Paris-aligned, quantitative interim targets informed by the best available science and based on Australia's Nationally Determined Contribution (NDC) and remaining carbon budget are required to avoid further accumulation of greenhouse gases in the atmosphere to reduce adverse climate impacts. This includes the ongoing transformation of the energy sector to zero-emissions sources.

New Forests' Comment 1: Change the first sentence of the second paragraph to read, "... informed by the best available science and based on Australia's Nationally Determined Contribution (NDC) and remaining carbon budget..."

New Forests' Comment 2: NDCs and the remaining carbon budget are determined by political processes that, ultimately, might conflict with the best available science. We recommend aligning with the latter.

Biodiversity and ecosystem protection

New Forests' Comment 3: We strongly encourage ASFI to maintain a consistent, clearly defined, and narrow set of definitions and terms (e.g. 'protect', 'conserve', and 'restore'), which will help users learn and develop a shared understanding of and vision for these concepts while also taking them into their own

¹ Revisions displayed as 'track changes' are New Forests' recommended edits to the text of each headline ambition. Subsequent comments describing those track changes were submitted through ASFI's public consultation form, adhering to submission formatting requirements.

organisations effectively and efficiently. For example, how do the terms ‘protect’, ‘conserve’, and ‘restore’ compared to the term ‘enhance’, which is used only under the water resources headline ambition?

By 2050, Australia’s biodiversity, soils and terrestrial and marine ecosystems are valued, protected, conserved, restored and ~~wisely~~ used sustainably. The impacts of climate change, invasive species and human pressures are minimised, to enable a continued flows of ecosystem services based on the principle of equitable outcomes for diverse societal needs.

New Forests’ Comment 4: Change the first paragraph to read, “By 2050, Australia’s biodiversity, soils and terrestrial and marine ecosystems are valued, protected, conserved, restored and used sustainably. The impacts of climate change, invasive species and human pressures are minimized, to enable continued flows of ecosystem services...”

New Forests’ Comment 5: Since the United Nations Brundtland Commission, formerly the World Commission on Environment and Development, defined ecological sustainable development in 1992 as meeting the needs of the present without compromising the ability of future generations to meet their own needs, the term sustainability has come into general use and has also been recognised in national, industry, or international standards. For example, in forestry there are clear sustainable management standards set out in the Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) and these are Australian and international standards. We recommend ASFI replace ‘wise use’ with ‘sustainable use’.

Elevating First Nations-led traditional practices is critical to support the achievement of this ambition. Environmental impacts should be minimised while efforts to protect, conserve and restore the environment should be scaled up over time. At least 30 per cent of Australia’s terrestrial, inland water, and coastal and marine areas – especially areas of particular importance for biodiversity and its contributions to people – should be effectively managed by 2030 through a combination of conservation, protection and restoration efforts that consider ecological representativeness; genetic diversity within and between species; improved connectivity of ecosystems; maintenance of forest cover; and the prevention of further extinctions.

Pollution prevention and control

By 2050, ensure pPeople and the environment enjoy the benefit of equivalent protection from air, water, soil, noise, light and heat pollution through the identification of pollution sources, sinks and pathways, the application of risk-based measures to prevent pollution and safely remediate contamination, and where possible eliminate all pollution sources in our lifetime.

New Forests’ Comment 6: Change the opening of the first paragraph to read, “By 2050, ensure people and the environment...” Also, this first paragraph is written as a statement, not an ambition, although it is referred to as an ambition in the subsequent paragraph. We recommend amending this to read as an ambition, consistent with other ambitions.

To support the achievement of this ambition, reduce pollution risks to the extent possible and remediate identified contamination sources, including air toxins, international convention chemicals such as Persistent Organic Pollutants, and other chemicals of concern; and eliminate waste sources as far as possible, ~~among other things~~.

New Forests’ Comment 7: We recommend that the taxonomy explicitly mention plastics consistent with the focus from the international community currently being exercised through the Intergovernmental Negotiating Committee (INC-4) Treaty. The treaty seeks to eliminate problematic and avoidable plastic

products, promote the redesign of products for better reuse and recycling, and innovate towards sustainable substitutes and solutions for single use plastics.

New Forests' Comment 8: The closing phrase, “among other things,” is ambiguous and should be removed.

Climate change adaptation and resilience

By 2050, bBusinesses, communities, landscapes and ecosystems in Australia have the capacity to resist, absorb, adapt to, transform and recover from current and projected impacts of climate change, both direct and indirect, in a timely and effective manner ~~by 2050~~.

New Forests' Comment 9: In the first sentence, move the text “by 2050” from the end of the sentence to the beginning.

To support the achievement of this ambition, immediate actions and investments are required that anticipate, prepare for, reduce, respond and adapt to climate-related risks and vulnerabilities ~~are required~~ across businesses, communities, landscapes and ecosystems to reduce the costs and impacts associated with response and recovery.

New Forests' Comment 10: In the second sentence, move the text “are required” so the sentence reads, “... immediate actions and investments are required to anticipate, prepare for, reduce, respond and adapt to climate-related risks and vulnerabilities across businesses...”

Sustainable use and protection of water resources

By 2050, pProtect, enhance and restore the integrity, resilience, genetic diversity and connectivity of aquatic ecosystems at a catchment level ~~by 2050~~ to enable a continued flow of aquatic ecosystem services based on the principle of equitable outcomes for diverse societal needs.

New Forests' Comment 11: In the first sentence, move the text “by 2050” from the middle of the sentence to the beginning.

New Forests' Comment 12: As stated previously, we question the choice of running lists “protect, enhance, and restore” in one headline ambition and “valued, conserved, and restored” in another, closely linked headline ambition. Are either of these running lists based upon scientific best practices and is it possible to be consistent across the taxonomy? We recommend adopting a single set of terms used consistently between ambitions, as applicable.

To support the achievement of this ambition, freshwater withdrawals from surface water bodies and groundwater are effectively managed so that deterioration in the water quality and biodiversity of aquatic ecosystems is halted; degraded aquatic ecosystems are restored and aquatic ecosystems with continuing ecological integrity are protected in line with Australia’s 30 per cent biodiversity conservation target by 2030.

Circular bioeconomy

By 2030, aAchieve sustainable production and consumption patterns in Australia by transitioning from the current linear “take-make-waste” economic system to a more circular economy ~~by 2030~~.

New Forests' Comment 13: In the first sentence, move the text “by 2030” from the end of the sentence to the beginning.

To support the achievement of this ambition, increase Australia's circularity rate through a focus on designing out waste and pollution; shift to renewable and long-lived materials; implement more materials-efficient production processes and circular business models; circulate materials and products (at their highest value); and regenerate nature, among other things.

New Forests' Comment 14: We strongly support the shift to a circular economy. In a circular economy, we move away from the linear process of using natural resources in various products and then disposing of them as waste. In a circular economy, natural resources are used, re-used, recycled, and re-purposed materials like paper recycling, re-use of glass bottles or taking wood waste from demolition sites and using it as feedstock in the production of wood panels. To be sustainable the economy should minimise the use of finite non-renewable resources and use renewable resources. This is why bringing the bioeconomy into focus is critical. The bioeconomy includes using renewable biomass from forestry and agriculture as the basis for a spectrum of materials in society. Wood, wood fibre, woody biomass and biochemicals can substitute for much of the materials used in in the economy, from concrete and steel in the built environment, polyester fabrics, plastic packaging, fillings, coatings, food additives, and even metals and batteries. This is essential if we are to transition to a sustainable future and bring consumption within planetary boundaries. We strongly recommend adding the prefix 'bio' to 'economy' to refer to the Circular Bioeconomy.

New Forests' Comment 15: What is a 'long-lived material' and what does it mean in this context. Many long-lived materials are toxic to the environment and have nothing to do with sustainable production and consumption?