

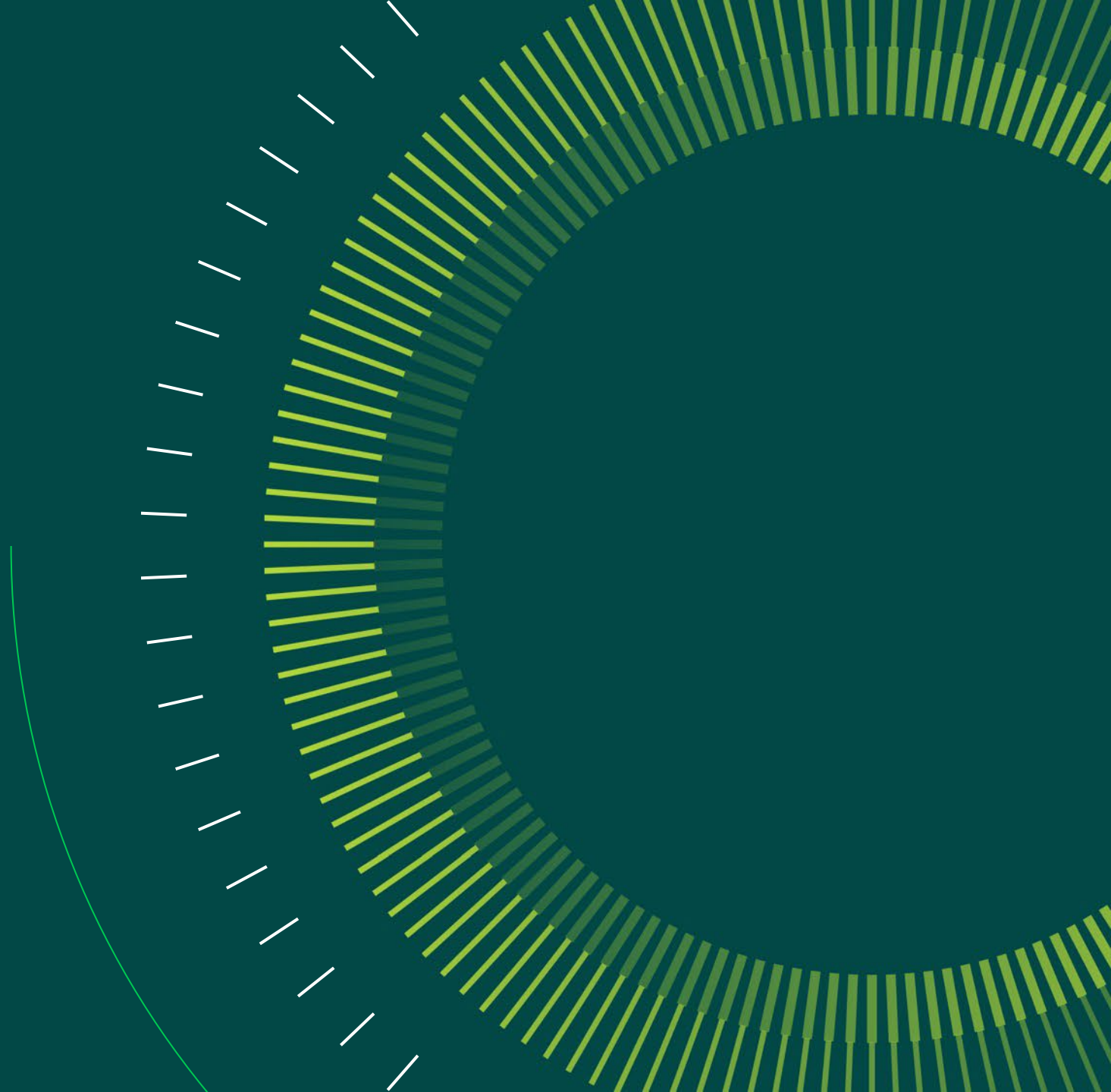


# Challenges and alternative approaches to biodiversity financing in Australia

**Investing to deliver on our ambitions for a  
thriving, low emissions future**

Presented by **Kala Saban**

25 July 2024





The CEFC is an experienced specialist investor: we're Australia's 'green bank' investing in our transition to net zero by 2050. With access to more than \$30 billion from the Australian Government, we're backing economy-wide decarbonisation.



# Investment priorities

## Sharpening our investment and emissions impact



**Impact**  
Improve natural capital  
Lift carbon sequestration

**Goal: Make better use of our land to close the emissions gap**

**Goal: Drive cleaner, greener energy to deliver net zero**

**Impact**  
Decarbonise energy  
Switch to alternative fuels

**Goal: Transform energy and resource use to lower emissions**

**Impact**  
Enhance energy efficiency and performance  
Use low carbon materials

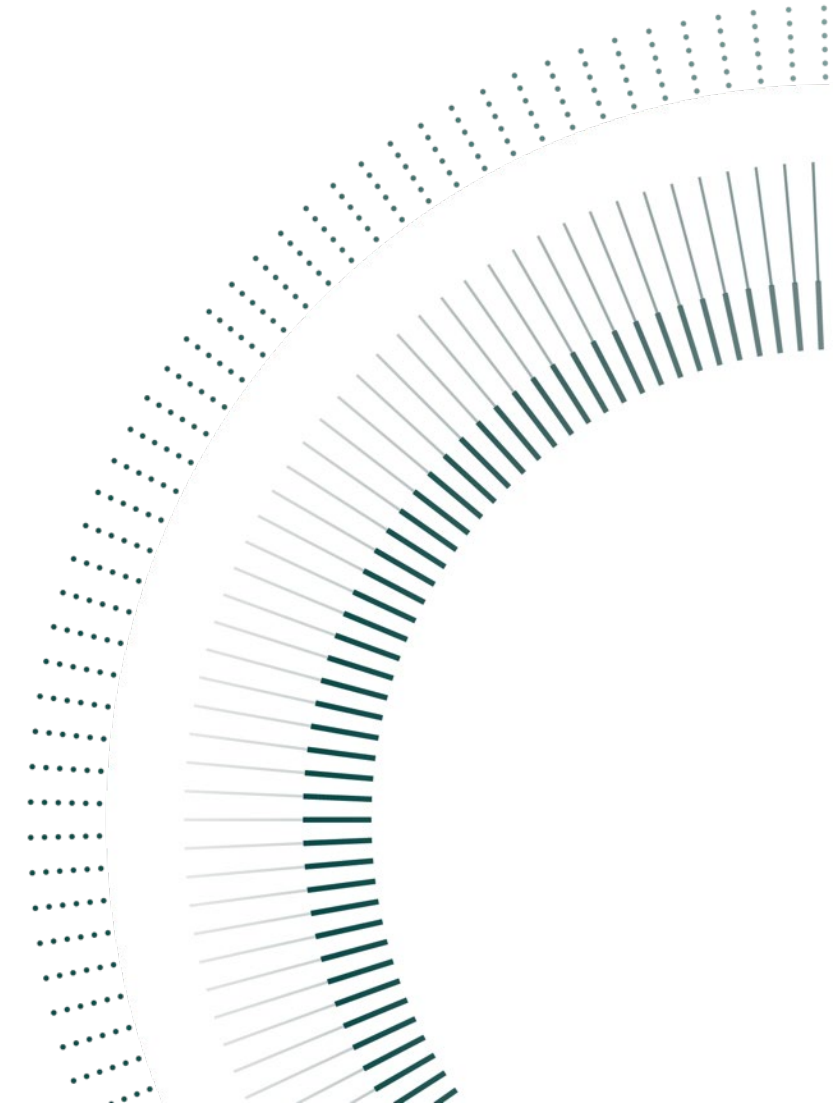


# Importance of nature / biodiversity finance

## Nature's ecosystem services support many economic activities



- The AEMO 2024 ISP Step Change scenario requires significant investment for the energy transition, including 100 GW of new wind and solar projects and 10,000 km of transmission projects by 2050. These investments require biodiversity offsets to compensate for the environmental impact.
- As per DCCEEW 2022, Australia's emissions projections indicate that the share of emissions from Agriculture and forestry sectors is expected to exceed 20% by 2030.
- Nature loss is the fourth greatest risk over the next decade, per the World Economic Forum's 2023 Global Risks Perception Survey.
- The World Bank projects a \$2.7 trillion annual GDP reduction by 2030 under a partial ecosystem collapse scenario.
- Biodiversity loss and climate change are linked; addressing climate change requires addressing biodiversity.



# Biodiversity offsets and natural capital investment

## Focused on achieving different but complementary outcomes



### **Biodiversity offsets**

- Used as a mechanism to address unavoidable impacts on biodiversity from clearing native vegetation, including threatened species, due to development projects.
- Currently, project developers are responsible for purchasing biodiversity offsets to mitigate these impacts (i.e. no net loss to the environment).
- An environmental advisor quantifies the biodiversity type and amount, which is then assessed by an independent statutory body.

### **Natural capital**

- Key to offsetting emissions from sectors that are hard-to-abate as we reach net zero.
- Focuses on both reducing emissions and removals for positive environmental impact.
- Requires high use of new technology to accelerate decarbonisation, similar to the energy sector.
- Recent CEFC investments in agriculture showcase this transition, with commitments to lower emissions and improve land protection.

# Challenges to scaling up biodiversity offsets finance

## Coordination and changes needed to attract investments



### Investable and replicable business models

- Currently, biodiversity offset costs are included in project costs and financed by investors, factored into their return requirements.
- To develop large-scale, bankable biodiversity offset projects separately, we need to address the question of return lines and who pays.
- Nature-related financial disclosures (TNFD) are likely to increase demand for biodiversity.

### Landowner buy-in

- There is a risk of landowners backing out during surveys and negotiations processes.
- Landowners will also need to maintain specific land activities, keep records and prepare incident reports, which need to be factored into financial returns.

### Lack of projects at scale / supply

- Individual biodiversity projects are smaller and more tailored to specific conditions than those typically funded by financial institutions. Purchasing credits through the open market depends on the availability and price.
- The proposed Nature Repair Market aims to enhance the supply of biodiversity.

### Timing to complete the offset

- Planning authorities often require offsets to be acquired before project impacts, usually before construction starts.
- Negotiating stewardship agreements and purchasing credits on the open market typically takes longer.

# CEFC financing terms

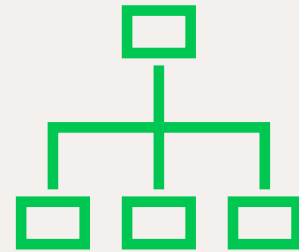
## Flexible approach to maximise impact



**The CEFC has a flexible approach to investment, which recognises the needs of our evolving market.**

We do not have standard terms. We tailor our investment terms to meet the bespoke context and challenges of each project.

### Structure



We can invest across the capital structure:

- Project finance debt
- Corporate senior debt
- Hybrids and subordinated products
- Non-controlling equity interests.

### Tenor



We can take a long-term view.

Longer term investment horizons can increase project certainty.

### Concession



We can lower investment returns where necessary to drive policy outcomes - reducing costs for energy consumers, solving financeability challenges, and accelerating project delivery.

RTN Fund is not a grants program.

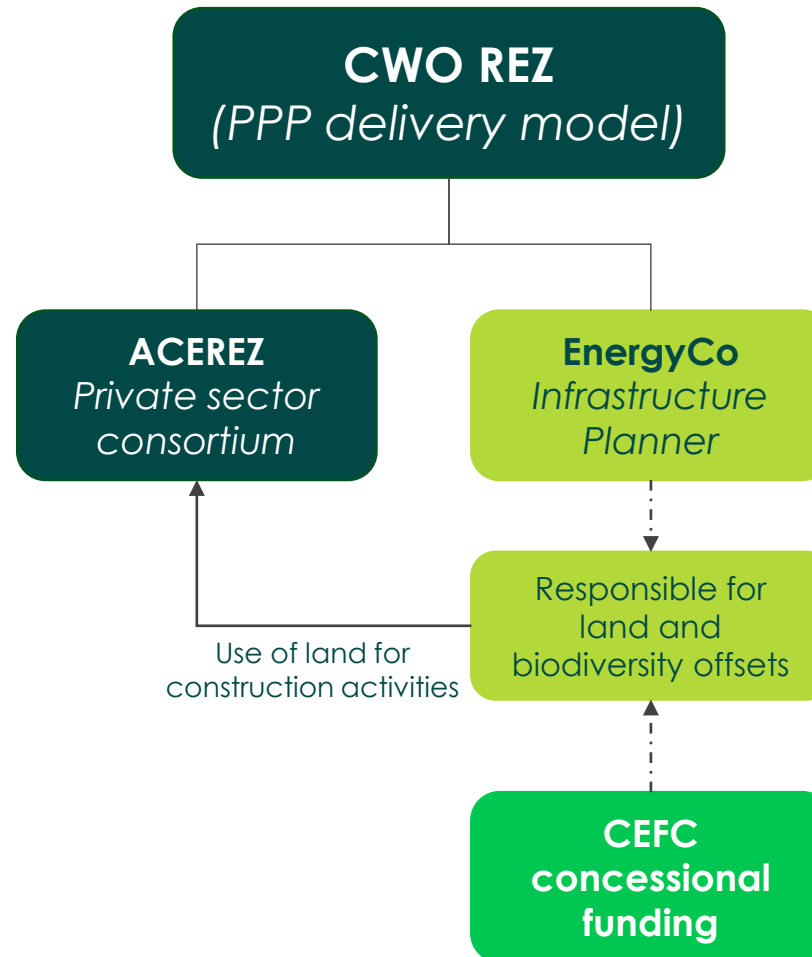
# Central-West Orana REZ: land and biodiversity offsets financing

## Enabling an innovative financing structure to reduce consumer costs



### CEFC concessional finance investment to EnergyCo

Enables EnergyCo to separately finance the capital expenditure relating to land acquisition and biodiversity offsets within the CWO REZ, at a lower cost of funds.



### Benefits to market from CEFC involvement

#### Lower consumer costs

EnergyCo estimates the finance agreement has the potential to deliver as much as ~\$240m (nominal) in benefits to NSW electricity consumers.

#### Support CWO REZ

Supporting CWO REZ as the first declared REZ in Australia and a priority project in AEMO's Integrated System Plan.

#### Ease financing task

This transaction will ease the overall financing task across the broader REZ for the Network Service Provider.



# CEFC natural capital commitment

The CEFC has committed more than \$440 million to natural capital



## New Forests

\$75m

Harnessing the power of natural capital through a commitment to plantation forestry that supports carbon sequestration and sustainability. Investment targets one million tonnes of carbon abatement over 10 years.



## Gunn Agri Partners

\$50m

Lifting productivity and optimising land use with science-led initiatives to regenerate underperforming farms while lowering their carbon intensity and improving sequestration.



## Paraway Pastoral

\$75m

Showcasing new technologies and practices to reduce on-farm methane intensity on its journey to net zero emissions. The company has pledged to cut its on-farm methane intensity by at least 30% by 2030.



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