

Offsetting Us Up To Fail: The myths of 'nature markets' explained

Richard Denniss

Executive Director at the Australia Institute

Polly Hemming

Senior Researcher, Climate & Energy Program at the Australia Institute

In conversation with

Ebony Bennett

Deputy Director at the Australia Institute

Ebony Bennett [00:00:03] Good to everyone. I'm Ebony Bennett, Deputy Director at the Australia Institute and welcome to our webinar series today. I want to begin by acknowledging the traditional owners of the land on which we all live and work. It's Ngunnawal and Ngambri country and I pay my respects to elders past and present. Sovereignty was never ceded, and this always was and always will be. Aboriginal land as you will know if you've joined us before, the Australia Institute aims to do these webinars at least weekly, but sometimes those timings do differ. So head on over to our website, Australia Institute dot org dot AU to find some of our upcoming webinars. Next week will be our final Poll Position for the year. With Murpharoo and Pete Lewis and we've got a special webinar coming up on the 1st of December that we're doing as part of the Nordic Talks podcast series. That's going to be on basically where Australia's education system is up to a decade after Gonski and what we can learn about equity driving excellence in the Finnish school system. That will be with Finnish education expert Patsy Solberg as well as Correna Haythorpe ahead of the AIU. So look out for that one. That's on the 1st of December 130 and you can find that on our website at Australia Institute. Dot org, dot AEW. Just a few tips before we begin today to make sure things run smoothly. If you hover over the bottom of your screen, you should be out of, say, a Q&A box where you can type in questions for our panel today. You should also be able to upvote other people's questions and make comments. A reminder to please keep things civil and on topic in the chat or we'll put you out. We don't do it often, but we will if we have to. And lastly, a reminder that this is being recorded. It'll go up on Australia Institute TV later today. That's our YouTube channel and we're hoping to turn it into a podcast next week. If you have to duck out for any reason, you can catch up with it there. So basically you might have missed it at the time, given all the news that's been around, especially given how many climate and environment announcements that we've had in the second half of this year. But back in August at the G20 environment ministers meeting that was in Bali, I believe Environment Minister Tanya Plibersek said something that had a few of us and probably a few of you scratching your heads ever since. It wasn't long after the well overdue and devastating state of their environment report had been released. And if you need a quick recap of that, things are bad in the environment. To put it mildly, Australia's ecosystems. That's right, yeah.

Australia's ecosystems are in many respects collapsing thanks to climate change, habitat loss, invasive species, pollution, mining, land clearing, all kinds of things. And two world leaders. Minister Plibersek suggested that Australia could potentially reverse this environmental crisis and the same crisis being faced by other countries with or by creating what she called a green Wall Street or a trusted global financial hub where the world comes to invest in environmental protection and restoration. Now, I'm not sure how many of you are familiar with the history of Wall Street, but this didn't exactly inspire me with confidence, nor was I really very sure what it actually meant. So I think that's a good question for us to explore today. And I'm a little bit worried about making Wall Street kind of our aim with this. But we are increasingly hearing business and government throwing around a lot of terms like nature based solution, nature, capital, green economy. Two words that we already hear around climate like climate finance, net zero carbon markets and all those kinds of things. And if you've been following the COP 27 UN Climate Conference last week, you probably could have played buzzword bingo with a few of those terms. So speaking of cop, it's against that backdrop of climate and biodiversity crises that we were so starkly reminded of last week that we really wanted to dive into this topic today in some more detail. What is green Wall Street? What are environmental markets? Are they good policy when it comes to climate and biodiversity? Can we save the environment and get rich at the same time? It sounds too good to be true. Joining me to unpack it all today is executive director of the Australia Institute, Dr. Richard Dennis, Specialist, in exposing jargon and a kind of babble, and our senior researcher in the climate and energy programme, Polly Hemming. Polly has a background in government education and science communication and she. He's really been key in driving Australia's national conversation around greenwashing and carbon markets. And Richard, I'm sure many of you are familiar with his regular guest and has spent the last 20 years moving between policy focussed roles in academia, federal politics and as head of the Australia Institute. He's one of Australia's best economists, so I'm delighted to be joined by both of you today. Thank you. Before we start, I know I've kind of alluded to the State of the Environment report and things being pretty bad there. But in terms of climate, I guess after cop and where are we at with Australia's emissions? Are they falling.

Richard Dennis [00:05:45] No, they're going up.

Polly Hemming [00:05:47] Well technically if we count actual emissions we only emitted 1.8% less than we did in 2005. So they they've gone up, flatlined, gone down a wee bit and gone up a bit. Thanks. No. So no.

Ebony Bennett [00:06:05] No, no. We haven't.

Polly Hemming [00:06:06] Got.

Richard Dennis [00:06:07] In our economy.

Ebony Bennett [00:06:07] Okay. So but Chris Bowen's been telling us that Australia is back when it comes to climate. How accurate is that as a statement?

Richard Denniss [00:06:17] Oh, still the world's third largest fossil fuel exporter with exciting plans to get bigger. Lots of gas, lots of coal. Look, we're transitioning our energy market. Old coal fired power stations are falling over through old age, which is great. We're replacing them with renewables, but we're doubling down on coal and gas and that's what's going to drive our emissions up the resources sector.

Polly Hemming [00:06:39] Well, not just doubling down on it, also continuing to subsidise it with, you know, well, \$11 billion in the last financial year. So, yeah, you're right. Decarbonising electricity. But transport emissions going up, mining emissions going up, emissions from gas export going up.

Richard Denniss [00:06:55] And still logging native forests in Tasmania. Bob Brown less arrested you know for trying to stop native forest logging while we're saying we're trying to create a market for nature.

Ebony Bennett [00:07:06] Okay. So that yeah, that's a nice picture. I've got to be there at the moment and sounds like still not really great when it comes to reducing emissions so green Wall Street and this idea of nature based markets and all of that, there's quite a lot of jargon in how the minister and others have been talking about this, but it feels like something that we need to keep pretty simple. I mean, poorly. What is what is going on here? What is green? Wall Street for a start. So.

Polly Hemming [00:07:42] So I might start off sounding so tired. You've just. It's really good that you set the scene there. Emissions aren't going down. Land clearing is still happening rampantly. We're not decarbonising. Government is still not regulating industry adequately. We're still subsidising and approving fossil fuels. But at the same time. The got the Labour government was elected and this State of the environment report landed in its lap. And so it has to be seen to be doing something and rather than actually regulating the industries that are doing this damage because because apparently that's not even an option or, or not subsidising them. The idea is that we'll let the market take care of it. So it's.

Ebony Bennett [00:08:30] Really.

Polly Hemming [00:08:31] It's not new. But like Minister Plibersek said, the Government can't afford to do this alone. That was actually sort of premised this whole idea of green Wall Street. Really what

it is, is that it's about sort of shrinking democracy, taking this away sort of out of the public sphere and just letting the market take care of it, which has worked so well.

Ebony Bennett [00:08:52] Yeah. And we saw in many other areas.

Polly Hemming [00:08:54] Other public.

Ebony Bennett [00:08:55] Good. Yeah.

Richard Denniss [00:08:57] Aged care.

Ebony Bennett [00:08:58] Disability care. Yeah. Rich, I might just get you to be a bit closer to the microphone there. A couple of people are saying you're a bit quiet. But Richard. Yeah? This idea of. Nature being a market and refashioned as the idea of natural capital. The idea that nature is money, basically. How does that work? Is that going to work?

Richard Denniss [00:09:22] Not so much.

Polly Hemming [00:09:24] Beauty ain't goodbye.

Richard Denniss [00:09:27] It stops. Nonsense. Look, let's be clear. There's nothing to stop Woodside or Rio Tinto or BHP going and buying a whole bunch of land right now and planning a whole bunch of trees right now and protecting some nature. If they wanted to do that last year or ten years ago tomorrow. Right. But you know what they have? They never have. Wonder why. Maybe they thought their job was to maximise profits from expanding fossil fuel production. So all this market stuff, what we're saying now is that, as Polley said, rather than the government which can't afford \$250 billion worth of stage three tax cuts but says it couldn't afford \$1,000,000,000 or two to, you know, protect our endangered species. Of course, it could afford to if it wanted to. Rather than the government stepping in, regulate to stop old growth logging, stop subsidising fossil fuels or stop land clearing in western New South Wales. What we've done is created a market where Woodside or Santos who could have predicted nature of their whole career and chose to harm instead, where what they can now do is expand their fossil fuel production as long as someone else promises to sequester some carbon.

Polly Hemming [00:10:42] But but just stepping back a bit, like to answer that question about sort of more broadly, where is this coming from? It's it's sort of the idea that everything has to be couched

in economic terms because governments make policy according to economics. And so if you then this is sort of by proponents and government and a lot of NGOs and other groups have sort of bought into this idea that nature is capital, nature is money, as you said. And so we need to account for it in economic terms. And, yes, that the markets come into that. But it's bigger than that. We do we talk about natural capital and and climate finance and stuff. And the idea is that it's it's investable and it can make a profit at the same time as sort of saving us environmentally. So it's a it's a broader kind of narrative and markets are one part of them.

Ebony Bennett [00:11:36] Richard, I was just going to ask you, because I know you've spoken about it or written about it in a couple of your books previously. But this idea that, you know, economics struggles to value some things is nature. One of those things, how hard is it to put a price on saving koalas, basically?

Richard Denniss [00:11:56] Well, it's easy as long as you don't mind being wrong. But pick a number you know. Is a koala worth a hundred bucks? A thousand bucks? A million bucks? We could pick numbers. You could. I could. The minister could. When we say let the market fix it, what we're doing is we're saying, well, let's let Santos or Woodside decide how much it's worth. But to be clear, when we have these markets for carbon or markets for koalas or markets for nature, the driving force is not to protect the climate or to protect the koala. The driving force is I want to expand my fossil fuel production or I want to clear some land so I can do a property development where the koalas leave. So the reason that companies that never voluntarily went and spent their shareholders money protecting nature and now saying, Oh, please, let's create a market so I can protect nature, is that this whole idea of offsetting is if I'm allowed to expand my carbon pollution, if poly promises to sequester some pollution, well, I'll pay polly some money to do that. But to be clear, I'm not valuing the climate or not valuing a koala. I'm valuing the profits that I get from expanding. Yeah. And so what we've really now said to the fossil fuel industry is if you want to expand so that you can make more profit, you have to go pay someone to do some good. Now, there's lots of moral problems there. There's lots of ethical problems there, but there's a fundamental economic problem here, and that is that the cheapest solution for the fossil fuel industry is to find someone who's willing to lie or exaggerate. And I'm looking at you polly bit liar exaggerate how much they they're going to save.

Polly Hemming [00:13:45] But this is not how any of its pitched. I know you can collect all of it, but but again, starting from from this premise, where's it coming from? We've actually got a slide. I know this is not usual webinar format, but I just want to demonstrate sort of how this is being pitched to the public and to investors and to two environmental groups, sort of the way it's being framed. Like no one is actually saying we're setting up this market so would Woodside complete can keep polluting it's it's framed in a. Much more sort of prosperous and promising ways, though. Is that sign up now? Yes.

Ebony Bennett [00:14:25] We've got some of the headlines that you can see here. Nature credits could make Australia the Green Wall Street for the world. Tanya Plibersek says blue carbon will be the next frontier of carbon crediting. Yeah, those are, those are the headline.

Polly Hemming [00:14:40] Yes. I don't think nature based solutions, it's natural capital, it's green economy. It all sounds amazing. Like it's something that I'd want to invest in, notwithstanding I don't really know what it means, which is. But that's partly why it works so well, because no one really does, but you don't want to admit that. So I just kind of wanted to take it really high level. This is this is the way it's being promoted and this is the way it's being promoted by, you know, big climate investment firms. And then, yes, of course, we hone in on on what green Wall Street actually is and it is the biodiversity and carbon markets.

Ebony Bennett [00:15:15] Yeah. And so the next slide that we've got here is the species prospectus.

Richard Denniss [00:15:20] I love this.

Ebony Bennett [00:15:21] About how we're going to save I think the mahogany glider.

Polly Hemming [00:15:26] Yeah. So I just wanted to, to really demonstrate that this is not new thinking, this is the idea of the environmental accounting and the green economy has been around since the seventies. We didn't call it nature based solutions then we called it well, they called it I'm 40 young, called it ecosystem services. And actually the idea was just to demonstrate that if you did a development or anything that caused damage, it would risk those ecosystem services like flood mitigation and carbon sequestration and things like that. The problem is someone then said, whoa, if we if we sell these ecosystem services, then we can make a buck at the same time as saving the environment. So it's not a new conversation internationally? Definitely not a new conversation in Australia. These idea of environmental markets trading these ecosystem services or sort of privatising we had water markets in the eighties. The carbon market has been around since 2012 13. The Productivity Commission wrote a report in 2002 called Environmental Services and Environmental Markets. Then I wanted to get to this, Jim, which like this isn't even the sophistication of a market. In 2000, I think 17 or 18, the Coalition said, we'll just put out a prospectus called a Threatened Species Prospectus and Will and it's an emerging, innovative new funding model. We'll just invite people to give us money for the environment, and that's what you can find that prospectus online, that's what that is. It's basically just saying not we can't afford to spend money on the environment, but we're not going to. And so we need people to partner with us to save the mahogany glider or all these these other things. So it's absolutely not a new idea. And the reason why, I guess I wanted to have that slide showing how this is all pitched is because it's pitched as these markets are nascent or this is this could save the world. It hasn't been given a chance. It's just too young, which is fundamentally not true in the same way that, you know, carbon capture and storage proponents always say if it's given a chance, if it's scaled up, it could work. It's it's been given

a chance and fundamentally, it hasn't worked. So what is new here is that we have a whole lot of people in the finance sector realising they can make a lot of money. Government doesn't want to keep funding environment, so it's great for them to promote it. But you also have environmental groups thinking that what I see is the biggest trap is that economics is the only viable language. Like that's the language of power. So we have to speak the language of power. Ultimately, every time they lose though, and of course the urgency is as now increase. You have so many problems climate, biodiversity, indigenous livelihoods. Wouldn't it be great if we had this solution that can solve all those problems at once? And lo and behold, nature based solutions and natural capital is the way to do that.

Ebony Bennett [00:18:26] And Richard, I mean, you've already touched a little bit on the limitations of that kind of an approach, but I don't think we've got it in the in the slide. We've got a separate one coming up. But Paul, you tweeted about it. This idea that a developer could kind of log koala or sugar glider habitat in one area, but then offset by paying 600 bucks to save a koala somewhere else. And somehow.

Richard Denniss [00:18:53] That. Yeah, and that's literally what we're doing. We're saying it's okay to do harm, whether it's to the atmosphere or to a species or to a habitats, okay? To do harm as long as someone else does some good. So yeah, we've got, as Paul said, this sort of bizarre idea of a nature market. Well, let's let's put it slightly different. Let's say we wanted to have a community market. We wanted to improve the community in Australia. So if you were going to harm some part of the Australian to go.

Ebony Bennett [00:19:26] Out and start bar.

Richard Denniss [00:19:27] Fight.

Polly Hemming [00:19:28] No harm.

Richard Denniss [00:19:29] No more bar fights. And as long as Polly promises to not start any bar fight, we'll call it even. Yeah.

Polly Hemming [00:19:37] This isn't avoiding violence and avoided violence.

Richard Denniss [00:19:40] Credit for the for the practitioners out there. I can actually see the so-called aggregators getting excited about this idea. So, you know, so the sort of ethics of this are bizarre but even clearer. The economics of this are bizarre. If we're trying to stamp out smoking

across Australia, we don't say, Oh, it's falling in one group, it's rising in another group, so we'll call it even. Like if we were trying to suppress smoking across the community, we would try to suppress smoking across the community. So yeah, the economics of these are bizarre. And the idea that when we already know that we already have a shortage of koala habitat, that we would let a property developer destroy some of what remains of our koala habitat as long as someone else promises to plant some trees and hopefully over time the koalas will hang out in them. Like all of the risk is on the koala here. Like let's let's be clear that these offsets, if the if the promises are broken, we have no way to go back and unscramble this egg.

Polly Hemming [00:20:45] Is it is it worth at that point just explaining sort of what these markets, I think say? So we're talking about that. As I said, this whole sort of framing of natural capital is broader but within it. And what is relevant to Australia are these two things will the carbon market and the biodiversity market and the carbon market? Well, they're similar things, but sort of trying to achieve different things like the carbon market wants to reduce emissions and biodiversity market wants it wants more habitat. That they're funded. They're both market based solutions. They both concern sort of free trading of a commodity between private actors rather than government. Although to be clear, it's government that is kind of has created the whole market. This is not something that has arisen because there was a demand that the government is channelling demand by saying developers have to offset or if you've polluted too much, you have to buy carbon credits excuse me to neutralise your your pollution.

Ebony Bennett [00:21:49] So sorry. I'm just going to interrupt there. I've got one question here in the chat about the difference between offsets and carbon credits. Yeah, just outline that for us.

Polly Hemming [00:21:59] What I was going to get to. So in Australia we have this carbon market. We have a scheme where the Australian government issues carbon credits to projects who have reduced or avoided emissions. So they might do that by very really actually planting trees. More often than not it's just not cutting trees down or capturing landfill gas and you carry out these activities according to certain rules that known as methods. And once you show the government that you've carried out this activity according to certain rules, they will give you a carbon credit. The carbon credit represents a reduction. And in Australia, what's weird is you either sell that credit back to the government and that sort of helps us nominally meet our climate target. That's what it's meant to do. Or you sell it to a business who is continuing to pollute, but they need to cancel out their emissions. So a lot energy Australia emits a tonne of CO₂, they purchase the carbon credit which represents a reduction and in theory someone's reduced emissions over here. So it's okay for them to to emit that extra ton. So a credit just represents a reduction in the same way of biodiversity. Credit represents an increase in habitat somewhere. The credit itself is not the problem, it's what it's used for. And and when you start sort of talking about people making profits from them, that's when these things start to get rorted. So yeah, the credit just represents that that activity has taken place. Biodiversity offsets so that we'll have this federal biodiversity market that that Minister Plibersek's flagged and that is going to be based on the Australian carbon market, which is incredibly concerning for a lot of reasons. We have state based biodiversity offset schemes I think in every

state in Australia and not really in market. New South Wales has these biodiversity credits like the koalas habitat credit you talked about. Otherwise, what you can do is what a developer does is that they have a development proposal. They say, we're going to clear this much land. The government says, well, if you clearing that much land that has this species on it, this ecosystem on it, this habitat, then you need to compensate that for some compensate for that in some way. You either can just pay into a fund and government will sort of work out how to compensate or you carry out an activity yourself that compensates for it, or you buy one of these biodiversity credits. That's kind of how the two markets work. That is one fundamental difference is that carbon is one commodity and we've already seen widespread fraud in the carbon market. We don't even know whether most carbon credit projects actually store or avoid carbon.

Ebony Bennett [00:24:46] Yeah, we might get to that in just a second.

Polly Hemming [00:24:48] Think about how bananas that gets. That's happened with one commodity. Just carbon. Well, carbon dioxide. Biodiversity is bazillions of things. It's it's a whole functioning ecosystem. The hint is in the name Richard, it's you always say, how do you make that? Like, how do you make that one fungible trading unit?

Richard Denniss [00:25:13] How do you get the diversity? So everything I agree with everything Polly just said, here's another way of thinking about it. You. The credits are issued for people who've done something good or who claim to have done something good under the rules.

Ebony Bennett [00:25:28] Yeah.

Richard Denniss [00:25:28] So let's assume all the credits are legit, which they're not. But let's assume that all the credits are fine. Yeah. Credits are paying a way to incentivise landholders to, you know, look after their land.

Polly Hemming [00:25:40] Arguably a very complicated, complicated way.

Richard Denniss [00:25:43] It could just government could have more national parks, not complicated, it could ban old growth logging.

Polly Hemming [00:25:48] It's complicated.

Richard Denniss [00:25:49] It's to pay farmers some cash to do something good. Not complicated. But imagine we didn't want to do anything simple. We wanted to create a way for the finance sector to profit while we're doing it. So we create all these credits as a way to incentivise people to do a good thing. So if those and let's just focus on carbon dioxide and, you know, here are some trees that grew and secured a ton of carbon. And here was a forest that was about to be chopped down. It was saved. It secured a ton of carbon. That's good. No problem with those credits. The dangerous stuff is when because we've created a credit, we'll let Pauly have a debit. And that is she'll pollute more, she'll.

Ebony Bennett [00:26:32] Open a new account.

Richard Denniss [00:26:32] You open a new gas mine, a new coal mine, and then we'll say, but we'll call it Evens. So credits are fine then. All right.

Ebony Bennett [00:26:42] Yeah. Particularly because the idea is we're supposed to be reducing all these harmful things, reducing emissions, reducing habitat loss. That is supposed to be the aim.

Richard Denniss [00:26:51] Exactly. So it's the use of credits. And this is complicated. So I'm glad someone asked the question. It's the use of credits which are kind of fine, maybe unnecessary, but not the problem. It's the use of credits as an offset by people who are doing harm. So if we were paying money to people to plant trees that some koalas might live in and the koalas didn't show up, oh well, we wasted a bit of money. But if we're paying someone to plants and trees that the koalas might live in to legitimise poorly destroying.

Ebony Bennett [00:27:25] Habitat where they actually live. Yeah, it's horrible.

Richard Denniss [00:27:28] Yeah, this is unfixable, this is wrong, and it's not good for the economy. So it's the use of credits as offsets. I can't stress this enough that that's the problem.

Ebony Bennett [00:27:40] Yeah. So policy.

Richard Denniss [00:27:42] Which is.

Ebony Bennett [00:27:43] Sticking with that idea for the moment. If the objective is to reduce emissions. If the objective is to reduce habitat loss. This should be a last resort. Is it a last resort or is it the first thing that business goes to when they're about to do some harm?

Polly Hemming [00:28:06] So this is the fundamental problem. I mean, even the carbon offset scheme was only meant to be a very small part of our climate policy. And the idea is, with any kind of offsetting, you have this avoid reduce sort of hierarchy where you meant to avoid the damage in the first place, do everything you can to minimise harm. And then offsetting of any kind is as a last resort. Of course, that is not how it's happening. We are having Woodside's gas developments approved in WA. That's by the State Government or the EPA because they're proposing offsetting a small amount of their emissions. And that's the other thing that Richard was was I think getting to is that. Even if these credits did represent what they're supposed to, some have habitat restoration or avoidance which is a problem that that I'll talk about. But no one eye. Not all developments have to offset their damage. Not all big gas projects have to offset all their emissions. You can make a claim of being carbon neutral gas company because you've offset your offices. So even if these credits were legitimate. No one is proposing offsetting the entirety of the damage that they're causing. So you just offset a fraction and the result is still more emissions or more clearing that that's kind of the problem. They're now being used to justify worsening things, not we've done everything we can. And and not only do we have this crediting scheme, but we also have government throwing a whole lot of money to environmental restoration and and resourcing it and policy alignment there. It's a this is our only climate policy, literally. Carbon credits are pretty much the lynchpin of out of our climate policy.

Ebony Bennett [00:30:04] And that brings me to our last slide and some of the problems that have been identified with the integrity of this market in particular. Let me just bring this slide up again, if I can. The prospectus the prospectus is fantastic, but poorly. Can you tell us about some of the integrity questions that are now being raised and the review that's underway at the moment?

Polly Hemming [00:30:30] Yeah. Yeah. And this slide is really to show sort of the flipside to all those really promising, alluring headlines about, you know, natural capital is a boom industry or whatever for every one of those headlines is another headline that says, you know, land clearing has tripled in New South Wales over the last decade decade. 22 football fields worth of clearing was happened in Queensland in one year alone and and so the environment this is why I'm glad you had sort of that upfront. It. I'm glad you had that slide up upfront because we now we can see with our eyes like the evidence these emissions aren't reducing, land clearing is increasing, that our ecosystems are collapsing. We have that evidence, but we also are seeing manifest problems with these markets or these schemes. So the Emissions Reduction Fund has failed to reduce emissions. There's evidence that it's increasing emissions. It only ever generated 117 million tonnes roughly of of emissions reduction anyway, which is less than a third of of Australia's emissions just for one year. It's currently under review, its governance is under review, yet we're forging ahead with a whole new federal biodiversity market off the back of that state schemes have have failed. Auditor-General's have done have carried out reports like they've just been a manifest failure and an offsetting never either reduces emissions or increases habitat. It only ever best best case maintains sort of it flatlining or maintains decline. And there's a lot of academics who've written about biodiversity offsetting and and the how that the entire model is flawed because it only ever maintains decline.

Ebony Bennett [00:32:21] So we're just going to go to questions from the audience very shortly. But Richard. If we want to do better, what are some incentives that we could do?

Richard Denniss [00:32:33] Well, I mean, the problem is we're letting the economy babble of carbon markets and biodiversity markets conceal simple truths. If we wanted to reduce emissions in Australia, this is a giant. If if we wanted to reduce emissions in Australia, we should stop approving things that would cause emissions to go up. This is not complicated. If you were trying to phase asbestos out in Australia, you wouldn't approve a new asbestos mine and you certainly wouldn't approve a new asbestos mine as long as someone built a mask factory.

Ebony Bennett [00:33:07] Yeah, this.

Richard Denniss [00:33:07] Is this is crazy stuff. So if we wanted to reduce emissions, we should stop approving things that will increase emissions. We should stop subsidies to things that increase emissions. We subsidise fossil fuel extraction. We subsidise fossil fuel use. And we subsidise native forest logging. And then if we stopped approving new things and we stopped subsidising harmful things, we should then use the power of regulation to stop people who are still clearing land that we don't want cleared. We don't actually have to pay people to tell them to not clear land. We can actually tell them to not clear land. Yeah. Now we might want to pay compensation. We might want to pay them to spend money to really make their land conducive to restoration. But again, there's all these simple things we could do. And the problem is that the green Wall Street stuff, the green capital stuff, and, frankly, the greenwashing by the government and increasingly parts of the climate movement that are saying, look, we can all get rich while we're tackling climate change. Just don't ask any awkward questions. All of this sort of new narrative, new language is just concealing simple analysis of what's taking place. So if we wanted to reduce emissions, we could do what Europe's doing, indeed what large parts of America are doing. We could be investing far more in renewable energy. We could be investing far more in public transport. We could be investing far more in energy efficiency. Look, we know this stuff, but because everyone's now got excited about offsets and look, there's no pressure at the moment. Where's the campaign to increase the renewable energy target? Where's the campaign for a big increase in battery storage? Where's the campaign for a massive increase in public transport? Where's the campaign for the electrification of buses? Oh, don't worry, Richard Green Capital. Carbon market offset.

Polly Hemming [00:35:05] Just just to add to that, because it is important to talk about solutions, I did have a couple of things that I wanted you to answer for people, because it's a question I had for you. But there's this. This sort of solution has come about because apparently the old way of protecting the environment or reducing emissions has failed. To be clear. No one ever tried the old way, like even though we had the EPBC Act, where we have sort of very loose regulations, not even those were implemented. Like we have fenced off large tracts of of national park, but they haven't been subsequently resourced to to protect or maintain that land. The the old ways that didn't work

have never actually been tried. The regulation, direct incentives and and just adequately managing things sounds simple and therefore boring. But they.

Ebony Bennett [00:35:53] Actually.

Polly Hemming [00:35:54] Work. And, and I do want to talk more about solutions maybe at the end after some questions. But but Richard, I want you to answer this question like. A who's buying? Who's the market for this? And. Everyone always argues that you need to put a price on nature, too. Can you explain? Because that was something that you and I talked about. Yeah.

Richard Denniss [00:36:15] So to be clear, as I said at the outset, nothing has ever stopped Santos from buying land and looking after. They just haven't. For some reason, they've put all of this.

Ebony Bennett [00:36:24] Is not to.

Richard Denniss [00:36:25] Put their money into making enormous profits from gas instead. Now there are wonderful organisations in Australia that have been buying land and restoring it and protecting it for years. And, and you know what? Again, Woodside and Santos weren't giving them hundreds of millions of dollars saying Keep up the great work, love what you're doing there. So we've always known how to pay people to look after nature. And well-meaning people, myself included, at times, have donated to exactly these sorts of land protection funds that literally buy land whose buying all the offsets are people that want to do some harm. And they're not. They're not doing it just for PR reasons. They're doing it because the laws now says We've created this market. It's okay to expand my harm because I bought an offset. So the reason that money is flooding into this nature, capital market stuff, the reason the money is now flooding in is not some upwelling. Oh, yeah. You know, now it's finally time to plant some trees. It's all. I just got to spend a little bit of money doing this, and I can make a lot of money doing that. So the economics of this make perfect sense for the polluters. But for for people, you know, including people that are profiting from for from selling these credits to pretend that all of the money flooding in is from people that want to transition away from fossil fuels. I can't stress this enough. You won't have a growing market for carbon credits. You won't have a growing demand for carbon credits if you don't have growing emissions. If we would transitioning away from fossil fuels, we'd be predicting the carbon market would collapse. Yeah, the reason we're predicting all this growth in demand for carbon credits is because we're predicting enormous amounts of new sources of pollution. And sorry, just one last thing. We've got this. You know, the next year, the government will introduce its so-called safeguards mechanism, which is the only climate policy this government has proposed. And it's built entirely around the idea that it's okay for new coal and new gas to open as long as there's some new offsets. And yeah, this is nothing to do with good economic designed policy. It's just a good political solution to a government that's got some climate ambition that doesn't want to upset the gas industry. Well, how about we kind of make everybody happy through offsets?

Ebony Bennett [00:39:00] I'm going to go to questions from the audience now. Thank you very much for all of your questions. Chloe Mason asks, Does the minister's hype about green capital come from a department hollowed out over the last decade by having a neo liberal government? I know Richard's written a lot about neo liberalism, but I'll put that to both of you.

Richard Denniss [00:39:22] Yes. I mean, yes.

Polly Hemming [00:39:25] I mean, I think it goes back. But before that to the coalition to be to be clear, I think it's never been a priority. You know, even things like what I referred to the National Reserve System, which, which sounds great, you protect a whole lot of land but not adequately resourcing it. But yes, of course, that was one of the things I was going to going to mention as solutions is that the entire public service has been completely hollowed out. So you don't have anyone administering these these programmes, you don't have anyone even helping Indigenous Rangers. Someone was saying to me the other day, they can't find anyone in the department to help them fill out a contract like you'd need to have. You need to restock off your entire department climate and environment so you can administer programmes adequately, stop getting consultants who are going to say what you're going to do anyway, but also have it have actual expertise and content knowledge within those departments. And it's a really good point.

Richard Denniss [00:40:24] Yeah. And I'll go further. Not just hollowed out, but corrupted when the Australia Institute put out research questioning the integrity of a lot of these credits. Right. So people promising to chop down trees that were never going to chop them down, getting paid a lot of money to do nothing. When we first made these revelations, the regulator, the clean energy regulator, actually had a go at us. They didn't say, oh, well, okay, better have a close look at that. Thank you for doing our job for us. Let's get to the bottom of this from a regulator, flat denial. Similarly, when some of the companies who were getting paid, the credits went, you know what, we're getting paid too much. The regulator said, no, they're not. No, they're not. That's fine. Everything's working fine. So, yeah. Not only have we got a hollowed out public service, there are parts of the public service that are actually running full cover for this greenwash, for denial. And then, of course, we've got the revolving door of people leaving the public service, leaving the regulator, and now working for the so-called green groups that are out there spruiking this stuff. Who used to be, you know, the regulator who was supposed to be on top of this. So there's enormous governance problems here.

Polly Hemming [00:41:41] Actually, that's a really good point. I think the mandate has also been changed as well. So if you look at something like the clean energy regulator, it invites industry to help it co-designed carbon credit methods and the Department of Environment previously used to enter into it. So that's where that prospectus came from. But enter into to partnerships and co-design. And so it's it's not as if we have sort of a, a skeleton public service that's still trying to do the

best, its the best it can. If the mandate is changed as well. So it's to serve industry or turn a blind eye or invite industry on what are best environmental policies.

Richard Denniss [00:42:22] Mm.

Ebony Bennett [00:42:23] The next question that I've got is from Brad. Telstra shown. I hope I'm pronouncing that correctly, Brad. Sorry if I haven't. He says Richard says credits are fine, sort of, but it's the use of credits as an offset that is. The issue, however, isn't having a market for credits an integral part of having the credits in the first place? He asks. Credits without an offset market would be worth nothing and be of no value. Is that correct? Or does the government have a fund to pay for credits which aren't used to offset anything? No.

Richard Denniss [00:42:53] Great question. So the credits that we've had to date have nearly all been purchased by the government through the so-called Emission Reduction Fund. So you're spot on without a polluter who wants to pay for some greenwashing? Why would anyone buy the credits? And the answer is because we had a Commonwealth fund that set up that set up a payment mechanism for them. Now, when I say credits are fine, sort of, as Paul said, there's shorter routes to victory here. We could have taken that same emission reduction fund and gone and bought some land and planets and trees on it ourselves. We could have taken that money and gone and paid farmers to just do some good things and like any grant programme, then check that they did it. But instead of doing the simple stuff, we used the Emission Reduction Fund to create a kind of credit system to incentivise all this action. And that's why I said they find sort of. But when it was the government paying. For these credits, they might have wasted some money. But as long as something got sequestered, as long as something good happened, then no harm was done. Even if some money was wasted. But the minute you create the market where it's the polluter that's creating the demand, the polluter that's paying for the offset. If we know that Santos is going to increase emissions by a tonne and we know they bought a ton of credits, that was probably only worth a kg. Then we just caused more climate change. So when the government was overpaying for the credits, we were wasting money. But when Santos and Woodside paying for dodgy credits were causing climate.

Ebony Bennett [00:44:40] Causing climate.

Polly Hemming [00:44:40] Change, the other that's that's such a good question that's kind of nailed at this whole webinar. I wish we'd started with that.

Richard Denniss [00:44:47] Bring him on.

Polly Hemming [00:44:49] When you when you can make a profit from something, that's when things get rorted. So the whole premise, I'll keep it quick of the Emissions Reduction Fund where the government was buying these credits, was that they were buying them on lowest cost abatement. So you had to try and sell your credits as cheaply as possible to the government. And it's really to run a good carbon credit project or run a good biodiversity project. There's high transaction costs. But if someone saying to you, I'm not going to pay you that much to keep your profit margins high, you're going to cut as many corners as you can and do things as cheaply as possible. So you're it's still worth your while financially in even generating those credits. So this is why sort of direct incentives would be much more efficient because you remove the the temptation for rorting, which is the rule, not the exception, isn't it, when you have these sort of markets with no competition at all and then of course you had people sweeping in these carbon aggregators saying to landholders, we'll help set up your projects if we can take a cut of your credit and some of the money that you get when you sell them. And, and so the entire existence of of the fund was instantly it's amazing they didn't say it beforehand. Possibly they did is that it was just rife for rorting and and lack of outcomes.

Richard Denniss [00:46:11] Let me give you an example. Like I say, I'm I want to plant some actual trees and water, some actual trees and sequester, some actual carbon in the trees. And Polley just wants to rely on some accounting tricks and some dodgy use of satellite imagery to prove that she saved a tonne. We're both beating in the same market. She's always going to win. So the problem with going down the credit approach is that you actually create an incentive to to do the reporting because the reporters will win at the auction every time. Yeah. And again, you've got a regulator sitting there saying everything's fine, everything's fine. Well, you know, the polluters just want the cheapest credits they can get. And the emission reduction fund, just one of the cheapest credits they can get. So the lower the integrity, the cheaper they are.

Ebony Bennett [00:47:02] Cheaper they are, yeah. The next question that I've got, Polley, I think might go to you and it's about shell advertising, a CO2 neutral petrol. I believe we've spoken about this recently.

Richard Denniss [00:47:15] This question of.

Ebony Bennett [00:47:16] Carbon neutral petrol claiming carbon credits, meaning CO2 compensation and. There's other element that that's getting a bit technical for me. But in Germany and France, governments have laws requiring company evidence to state how emissions are being actually reduced before being offset. And Chris says the HPC advocates and their Teal MP are advocating for Similac. Yeah, where are we at in Australia in terms of claims like that?

Polly Hemming [00:47:50] Will Shell and others should just come to Australia because if you make a claim of a carbon neutral petrol, the Government will literally certify it and say that you're a progressive climate leader. The agency has said that it is cracking down on greenwash. And so just

just to step back, we have talked about this Ampol makes a claim that it has a carbon neutral petrol and it is certified by the Australian Government. Nominally it has to say how it's reducing emissions or sort of put something on on the government, this government schemes website showing how it's reducing emissions and taking climate action and then showing the offsets that it's bought. The PSA has simultaneously said that it's cracking down on greenwash. I think ad standards, which is self-regulated in Australia, have also said that they're going to be reviewing their their standards. But someone made a complaint about ampol carbon neutral petrol to add standards and that standard said there was no problem and that is in part because it was certified by the Australian Government, which kind of leads me to ask the question and and I've written about this and if you do a quick search for ampol carbon neutral petrol, you might find it. But if the agency is as an arm of government and ask an app for the regulator saying they're cracking down on greenwash, they're one arm of government. Are they actually going to be able to adequately give advice or prosecute greenwashing if it's the government itself that's approving a project and and approving the climate claims? So I don't know, like to be fair agencies in the middle of it's sort of it's Internet sweeps and and this sort of reform, I don't know where they'll come out at the end, but to me, it just seems really hard to see how there will be genuine appetite to go against. But how is the government going to go against itself? Yeah.

Richard Denniss [00:49:43] Great question. And polities previously called this state sanctioned greenwash, which I think is a really important concept. And to be clear, while ad standards in Australia gave that ad a tick of approval in the Netherlands, an almost identical ad was had to be withdrawn. So apparently climate science is different in Australia or Northern Europe. Either the climate science is different or our regulatory standards are. And I think it's obvious it's the latter.

Ebony Bennett [00:50:11] I've got or excuse me, I've got a question here from someone who's talking about a really specific development at Tuna Harbour in Morten Bay in south east Queensland near internationally, Ramsar listed wetlands for a building of 3600 units. And the corporation has said that they're going to offset the mudflats by building rockfalls where birds can roost, bearing in mind that the mudflats walker will concrete over are where the birds forage for foods and they're going to bury 29 hectares of fading habitat and a bunch of other things. The question is what additional information can community groups or communities who are kind of trying to fight against these habitat destruction? What can they bring to the table in submissions against these types of developments?

Polly Hemming [00:51:09] It's an excellent question. I would just be looking for as many case studies as possible with and that will be abundant, sadly, where developments have been allowed to go ahead. And they are and on the basis that they offset. And then there has been some perverse outcome. I don't know if that's that's an adequate response. It's a really good question about what you can actually do on the ground or to do.

Richard Denniss [00:51:34] Yeah. Look, I don't know about the specifics, but it raises all of the problems that Polly was alluding to before about specifically in the biodiversity market space. You want diversity. There's a hint in the name we're trying to get diversity. So let's go up a level like imagine you were going to close down a school in a particular community, but you were going to open another school nearby. There was some planning reason you had to move the school. You can imagine that some people would prefer the old school stay where it is, and you can imagine that some people will be happy with the new school. There's no right answer there, but there's disruption. Simply closing a school here and opening one here. But at least you kind of know at the end the amount of school this is going to be similar. We're talking here about bio diversity. We're going to we're going to concrete over a part of January and say, don't worry, I'm going to make some niceness over here. Have you talked to the birds about it? They'll be fine. You know, what about all the subsoil species that the birds feed on? Yeah, should be right. You know, what about as climate changes, will the newly evolving bit of niceness that hasn't grown yet? Are you sure it will grow in the eye? Pretty much, yeah. So the whole idea that we can kind of destroy a part of a wilderness area or a valuable piece of ecology because we're going to fix up another bit is based on the idea that a cafe closing and a cafe opening, a fine school closing and a school opening is fine.

Ebony Bennett [00:53:12] But ecosystems don't work like that.

Richard Denniss [00:53:14] This is not good omen.

Polly Hemming [00:53:15] Actually, this is a good point. Like you could say, it's for biodiversity credits. Did you say that was in Queensland that. Yes, southeast Queensland. They have credits that might just be offsetting, but. You can have a biodiversity credit that has a floor price and I think they do in New South Wales and you can say right koalas or whatever that bird was, I'm sorry if gotten like is a bazillion dollars so develop but if you want to develop then you have to pay a bazillion dollars for this this bird or koala credit by putting a price on anything you are saying. We are at some point if someone has enough money, we are willing for that species to go extinct. We will be with someone can buy it. So which is completely flawed. Like you can say koalas a gazillion dollars at some point you might get some.

Richard Denniss [00:54:08] Oh yeah.

Polly Hemming [00:54:10] That's what I was going to say. And I'm going to preface with an adjective. You might get an individual like saying, I've got \$1,000,000 and I'm going to buy all the koala credit, like I'm going to whatever. It could happen. You could get a maniac who does that. This is where you naturally need regulation. So I know this doesn't help this in this instance, but the fact that something has a price on it means it can be bought. And yet there's some things that you you need to be aware of if you're putting a price on them.

Ebony Bennett [00:54:40] It reminds me it's not the same thing because that's not habitat destruction. But just speaking of ecosystems, when I worked in the Senate for a little while, I remember one time Parliament House decided to poison all the Bogong moths because they used to really flock to Parliament House and so on. So they they poisoned all the Bogong moths that were annoying people, but then all the birds started dying because of course all the birds ate or the.

Richard Denniss [00:55:05] Duck I.

Ebony Bennett [00:55:07] Thought was hideous. It's just like it's the kind of blinkered thing.

Polly Hemming [00:55:12] I guess you don't that you get that that question said that it's protecting the roosting area but paving over the mudflats where they forage, where they so intrinsically interconnected biodiversity market.

Richard Denniss [00:55:25] We want diversity and to put a value on each particular bit of it. Yeah. Misses the point.

Ebony Bennett [00:55:32] Yeah. The next question is from Anne Kruger, who says with carbon credits as bad as they are, what happens when this area of trees is burned down in a bushfire? We have the original offset carbon plus the released sequestered carbon. Is that a thing that happens?

Polly Hemming [00:55:49] Hmm, yes, it is. And it's broader than carbon credits. So Australian Government, while we've said emissions have only dropped by 1.8% since in the last year, since 2005, the Australian Government will tell you actually they've dropped about 20% and that's because we have increased because of rain, not we have through rain, increased forest cover and so our emissions accounts look a lot better than, than they actually are. And the reason why I bring that up is because what happens when we have catastrophic bushfires and flooding that knocks all those trees down in Australia, what do our emissions accounts look like? They're in the in the very in the case of carbon credits, theoretically if you have the carbon projects that has planted trees or preserve trees and then it burns down, you are you are liable. So you.

Richard Denniss [00:56:41] Have.

Polly Hemming [00:56:41] To pay the money back or somehow liable. But it's an excellent question because Ampol or origin or whoever Energy Australia has still admitted that time. You can't you can't then say to EnergyAustralia, can you please pay that back and it doesn't have to be fire and excuse me, a research by independent academics and and the Australia Institute has shown that, you know,

a good two thirds of the carbon credits in Australia don't represent real reductions, but they haven't just been bought by government, they've been bought by gas and coal and and companies and retailers to justify and meeting CO2 into the atmosphere if they're not real. And Ampol and origin energy are amongst those. If they're not real, if this review finds confirms that they're not real, it's too late. The damage has already been done. It's that it's.

Ebony Bennett [00:57:35] Dirty.

Polly Hemming [00:57:36] Extra. It's already up there.

Richard Denniss [00:57:37] Yeah. Yeah. So to be clear, even if someone repaid the money because there was bushfire, even if the rules were enforced and there's no evidence that they.

Polly Hemming [00:57:46] Are.

Richard Denniss [00:57:48] Paying back some money doesn't help. Yeah. We're not actually trying to balance the budget here. We're trying to actually tackle climate change. So yeah, when it when it rains and trees grow, we're like, hooray, we're tackling climate change. And when there's an enormous bushfires that that.

Polly Hemming [00:58:03] Count that yeah. We don't.

Richard Denniss [00:58:05] You know, act of God nature. Don't worry so much about that. This is why we actually have to decarbonise the economy. And I guess I should have made this point sooner. I think if you wanted to summarise my concerns overall with this, the more effort and time we spend talking about offsets, the less. We're decarbonising the economy. But what we actually.

Ebony Bennett [00:58:30] In real terms.

Richard Denniss [00:58:32] What we actually need to do is burn less fossil fuels. This is not complicated. We've been telling ourselves this for 30 years. And now when we're kind of getting close to sort of all the deadlines, everyone's like, Ah, let me just shift the conversation away from why we need to burn less coal, why we need to burn less gas, why we need to burn less coal. Oil. No, no, it's okay. So every million dollars we spend buying an offset is \$1,000,000 we didn't spend installing a solar panel. And until we kind of again, we got to strip away all the econo babble when

now spending a fortune covering up our great greenhouse gas emissions. Yeah, we're supposed to be spending a fortune, reducing them, decarbonising our economy.

Polly Hemming [00:59:19] And just to be clear, that doesn't mean we don't protect those trees. It doesn't mean we don't grow new trees. It doesn't mean we don't restore ecosystems. Absolutely. That should be happening if the private sector is willing to pay for it with no return, which is highly unlikely, then that is very welcome to like it has to be done in conjunction.

Richard Denniss [00:59:42] Going to.

Polly Hemming [00:59:42] Buy fossil fuels.

Ebony Bennett [00:59:43] Yeah, I'm afraid that's all we've got time for. Thank you so much. We had about north of 550 people on the line with us today. Thank you so much for your interest. I'm sure this won't be the last time we touch on this topic. There's a review underway into the integrity of our offsets or carbon credits. Now I'm confusing myself about what it's in to, but anyway, there's a review underway. There's a bunch of other work coming down the pipeline, and this isn't an issue that's going to be resolved any time soon. We had a couple of questions about fossil fuel subsidies and other things. The Australia Institute obviously does a lot of work around the scale of fossil fuel subsidies in Australia, so we'll be looking at that in future as well. And thank you all for your interest and questions today. It is a kind of a complicated thing to talk about, so we really appreciate you taking an interest in all your fantastic questions. Thanks to Richard and Polly. Thank you to all of you for joining us. You can head on over to our website to find some of our work in this space and make sure to follow Polly Hemming and Richard Denniss on Twitter, where you'll see them kind of attack the greenwashing in real time and call out some of these issues as they pop up. Don't forget to join us in a few weeks for the last pole position and for our big special on Nordic talks about the Finnish education system and how we can tackle equity in Australian schools and check out our podcast, follow the money and make sure you subscribe. You can find that on iTunes or wherever you normally listen to podcasts. Thank you so much, everyone. We'll see you next time by.