The Australia Institute Climate Integrity Summit

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15.00 Panel 3 – Richard Denniss (Chair), Professor Allan Fels AO, Professor Andrew Macintosh, Kylie Charlton

Professor Allan Fels AO 0:00

Post representation that I mentioned. Now, today I'm just talking about as it were my patch, the attributes, the ASIC, and what they can do and other safeguards. I just want to acknowledge that that's a slightly limited approach because it's the behavior of the government that worries me. And some agencies like the I triple C going for the natural sees pretty fearless in these murders. But that's when things have gone wrong. I would like more to be done at source about these matters that are gonna stick more to my area. Okay, greenwashing greenwashing claims abound these days as Sarah mentioned earlier, this state that in some way good or service is environmentally friendly, carbon neutral or the like. And they're very widespread. They can relate to small household items, nappies, toilet paper cleaners, detergents, major white goods, appliances, water, energy, electricity and so on so forth. And the baby cannot work and cases and stuff done when they're in trouble city about greenwashing, but not very much in relation to carbon neutral that more traditional misrepresentations you know that my product is fully recycled. It's not that sort of thing. Now I also just mentioned that my most casual observations that most big Australian businesses claim they are carbon neutral, and very large numbers, add carbon neutral certificate, or net zero claims and so on. On offsets. Obviously, what's been said about offsets, including today and foreclosures I just want to focus on climate active, which is sponsored by the Department of climate change energy, the environment and water, which operates a Carbon Neutral Certification Scheme. been mentioned quite a bit today. Now I'm concerned about its approach to issuing certificates, issued certificates to fossil producing companies and to electricity businesses. Examples of foreign trade Tokyo gas which is involved with big land, Northwest gas. Just things happen in northwestern Australia, and Paul Cooper energy AGL energy Australia. So they're all sort of HUD is carbon neutral. And as you know, to get that finding that you're carbon neutral or zero carbon, it doesn't matter whether or not you've reduced emissions, as long as you've got sufficient offsets. And now, that when you start looking at the claims that have been accepted, I mean, that's on a superficial way, but others that look much more deeply. The claims about offsets may only come into being in later years. Or they may relate to reduce the intensity that is fewer emissions per unit of output, but if outputs going up is still that Eros emissions. You can get it and climate active symptom or low standard for substantiation of claims or none of those things already today. And the claims relate only to carbon emission reductions in one part of the business or for partial or not all of our features. And that is basically far as I can see how the fossil fuel companies managed to get certification a bit of their business, their head office is carbon neutral, and then all of your production activities mentioned but they still get the label. Now, then also when you look at trademark, it's very simple. It just says climate active, carbon neutral and nothing more no details. But it does impress consumers. Come back to a couple of estimates of that and I just want to get on to another topic. Competition. Now, businesses sometimes want to collaborate on dealing with climate change matters. A competition law does not prohibit business collaboration, unless it is anti competitive in terms of the provisions of the competition law. If this collaboration involves a competitive variable, it can be authorized by the addressee if there's an offsetting public benefit. Now, it's also worth saying that widespread post greenwashing harms competition obviously it harms genuine competitors, and the kids can choose to put things like I've wanted, but there are a more general set of competition issues. That is that when governments are doing all these new things that aren't renewables regulations, and developing new products and so on. Then, once again, they're not covered by the competition law. But governments often intentionally or inadvertently set up arrangements that are harmful to competition in the long run. Businesses often push for this I've got a terrific product up and it noclip some sort of law, they want a standard set for this type of product and that standards, big incumbent players and stops potential competitors, more people coming in, and so on. So just want to deliver a big warning about at all times in the whole field of climate action activity to watch that governments don't inadvertently or intentionally do things that harm competition. Now just for suggestions, for action, one, I mean, the test case should be done. I hope the a triple C goes your way and test the laws it has to and I think if the answer was C jumped in, that got quite a big effect on behavior anyway and the government the that you could, particularly with the new laws going through get in some amendments to clarify that the consumer law provisions that the secretary can apply in this field apply to certification. For example. And then you can take climate active to court and get injunctions. The other things besides certifications sort of work on the drafting but that's one idea. Now I've never floated the idea that the consumer should apply to all government actions, I think could be traced and extended into a field like this. Now also, you could establish some kind of independent tribunal which could make rulings on the integrity of offset decisions by the government or its agencies. The chap report hinted pretty softly at separating the regulatory activity from the issuing of certificates, which in principle is the right direction to go, but needs to go quite long way. battle hardened regulat I can tell you, I could imagine a very soft separation of the activities and I can be statutorily independent and fearless and so on that captured by the department. Another possible one is to require that any firm that's got a successful Carbon Neutral Certification and maybe all big fans have to be public about why they say they are carbon neutral as to the full disclosure, and that disclosure then would be covered by the Consumer Law provision. So if you've crossed to declare some things not to clear the pieces of their submissions to common epithet will be covered now once again, I remind you that I'm talking about actions to remedy private or government false greenwashing. The biggest issue here is root cause analysis, and why governments on too many occasions engage in what would for the private sector, the unlawful greenwashing and what should be done to remedy so the government needs to clean up its actions, but we also need independent Accountability. And enforcement mechanisms.

Ebony Bennett 9:18

Thank you so much, Professor Allan Fels, and while I get situated, I would like to introduce our final panel for today. What does climate integrity look like in practice chaired by Richard Dennis. Yeah. So Professor Andrew McIntosh is an environmental law and policy expert at the College of Law at the Amu. He's a regulatory and environmental markets expert based at AMU Law School where he is director of research. He's one of the pre eminent environmental policy design experts so he's a preeminent expert on environmental policy, design and evaluation, particularly the design and administration of environmental markets and environmental certification schemes. Among other things. He was the chair of the Australian Government's domestic offsets integrity committee, and emissions reduction assurance committee between 2013 and 2020. And it was also a member of the Australian Government's emission reduction fund expert reference group. He's an associate member of the climate change authority of between 2015 and 2016, a member of the expert panel examining additional sources of low cost abatement, amongst other things. We're very delighted to have him here as well as colleague childen, Managing Director of Australian impact investments. It's a financial advisory group specialized in designing, implementing and managing impact investment portfolios for wholesale investors. Kylie has worked in Australia and internationally at the intersection of mainstream capital markets impact investment and philanthropy for a long time now, and she's committed to mobilizing capital to solve environmental and social challenges. She's also a co founder of Unitas capital and was awarded in 2018, the AFR top 100 Women of Influence due to her work on impact investing, I'll hand over to Richard.

Richard Denniss 11:12

Thank you, and thanks, Alan, for that, for opening the batting for us. Andrew is going to make a short presentation and then finally and for those who know me, you know that I think power corrupts and PowerPoint drops Absolutely. But Andrew is such a persuasive human being that he is persuaded me that he will present three and only three slides to make some very important point. So Andrew, you are my friend

Professor Andrew Macintosh 11:41

I'm only gonna break down fine I'm doing it right. It breaks everything. Anyone see that? Yeah. So I was chatting to a friend before I came here. And she was made a wonderful suggestion of having a global World's Worst offset project type. And I thought what a fantastic idea. And I think we have a winner, then please join us because this can very much be a collaborative effort. I think human induced regeneration projects are right up the top for the world sylius offset time, but initially, they went so soon, the whole idea of these projects and sorry, I'm just gonna stand up that it's easy for me to walk around a bit like the motivational speaker that the original idea was this. You start with an area of land that's cleared I can't quite see but I'm surely I know it is cleared and it's quite clearly clear. You can see the bit the trees in the shroud there. The idea is, is start with an area that was created was previously forest. Then you give the farmer a carbon credit for not clearing it again and to reduce the pressure and hey, presto, it grows to something that looks like that. It sounds like a good idea right? Farmers don't generally do this. I don't know why out to regrow, but genuinely get the data out between these 10 and 20. And I'll knock that all over again and start the whole process again because what are they growing? They're growing beef or shampoos or or goat meat and trees are often hard to eat right now the this ensuring land areas look like this at the beginning and then end up like at the end is the whole core concept. It has to start looking like that. And the reason for that is really simply no one goes and measures the trees but these projects no one's planting trees and no one is measuring trees. They're modeling the trees and it's meant to be human induced regeneration that is retros from seed that they're already and in the model, they use an area based model. So for every parcel of land is every part of land that's included in the areas that are credited. This model Chuck's out a number on the premise that it starts off in that top it up there, then it progresses through this, and it goes to this in the end being maximum biomass on site. And in terms of what it looks like in a graph, it looks like this. It starts at zero, and then it grows up towards maximum biomass. Everyone understand that? But there's a simple concept right starts at zero and it's going to be at zero, then that means that the site can't have mature trees and shrubs on at the beginning right. Otherwise, you're handing out credits for trees that are already there. So you're getting credits to grow trees and the trees are already there. Now, that's pretty simple. The maths behind this model are incredibly simple. Really, really simple. But when you look at the projects, and you're within located, that's what they look like. Now, someone from the industry is probably in the audience. They're gonna say you don't have the communist automation data. Let me tell you, we have seen communist automation data. We've seen some of your data in some cases, you've shown it to us we've seen it from other sources as well. So we know how they stratify and they stratify like that. Sorry, I'm not allowed to say that I hear where they draw the lines around the areas that they get credit for. So what I can assure you is the utterly vast majority looks like something like that because they don't look like that. They would like that. Now, foot lift. Jeez, that looks like intact remnant vegetation. It's never been clean. It's not as intact remnant vegetation. And there's yes, there's some gaps between the trees but there's a reason there's no trees between in those gaps is because the areas weren't supported. These are semi arid and arid areas. One over here, same again, this one here is at the very good end of a very bad bunch. This is sort of the exceptional Well, this actually has had some trees knocked down. They've done some photo harvesting, and again, I can't quite see it. There's actually can see trees that have been pushed and then pushed for cattle or sheep or goats during dry periods. But again, what's still there. Trees are still over it, and you probably can't see it and see some shadows in the trees. The shadows on the tree give you an indication that what it's a decent size tree. We're not talking about a seedling, you know, young tree down here, we're talking about a tree that's large. Over here. You can see that hopefully I think the dark green ones they've been up with same with the top left and the other ones are probably older a similar species. So what we know is an absolute fact that these projects on mass are getting a heap of credits for growing trees and the trees are already there. And if you want to know that for the map, those gray areas a map does intact remnant vegetation, the white areas are cleared. What don't you see? You don't see project in the cleared areas do you because 97% of that area that falls within those pink polygons is mapped as intact and then the vegetation so this is not at the margins. This is not a slight error. This is a giant fraud. Thank you

Richard Denniss 16:49

all right, that was good use of PowerPoint. Golly, would you like to tell us about the perspective that people investing either in carbon credits or people investing in other companies that are relying on carbon credits like what does all this mean? For people out there that are trying to invest? Great, thanks

Kylie Charlton 17:09

very much, Richard and a delight to be here. It's great to be able to bring a little bit about the investor's perspective to the conversation today. I'm just gonna give you a little bit of brief background about what we do and why. I sort of suppose I had the right to be there. I don't actually feel as though I have the expertise and possibly Professor bells and demand you bring to the room to the room today, but we know a lot about investments. So Australian investments. We are an asset consultant and we provide specialist advice to investors, which are looking to mobilize capital to drive both positive social environmental impact alongside generating financial returns. Our clients include ally shareholder, which is F invest along with some of the Wealth Advisors, so lgt Crestone poder capital, together with working with a number of the charitable trusts and foundations, family offices and institutional investors in the country. Since our founding, our clients have mobilized $300 million to 68 investments. So it's still a relatively small number. But we've chosen those from a pipeline of over 700 opportunities. So we've seen a lot come across our desk, and these investments are driving a whole range of different positive impacts one of which is decarbonisation. But we also look at things like disability housing, social housing, mental health, homelessness as well. We also help our clients to navigate what's been a ever increasing universe of responsible investment funds. We investing in listed equities and fixed incomes. We've heard today Senator Hanson, your comments about looking behind the label. And that's what we do with these funds. We're there to actually look behind the label for our clients to really identify where those best practice funds are the best practice managers. So impact is all we do, and it's all we've actually ever done. Yet when we do it we also in combining it with consideration of both financial risk and return. A goal is to enable our clients to be able to create an investment portfolio that sits on a three dimensional efficient frontier. We want our clients to be able to optimize the risk return and impact as they like our clients, you have been deploying more and more capital to impact over a period of time. We've seen the same growth in the responsible investment market here in Australia and internationally. In Australia at the end of 2021. It was about 1.5 trillion, representing 40% of investments professionally managed in the country. Internationally, the sector has grown to us 35 trillion in 2020 and is forecast to expand to us 20 Sorry, US 50 by 2025. impact investment is just a subset of that responsible investment. But if our goal is to drive meaningful change, it's critical that we not only celebrate scale, we must look at the quality of impact. We must have the discipline to define the impact objectives of each investment and determine how impact can be objectively reliably measured and reported on. We must also look beyond the impact of just a single investment and look to the impact of a total portfolio. For if we are to optimize for meaningful change. It's no sense of having one investment in a portfolio that drives great impact. Yet having the rest of the portfolio give no consideration. To impact because every investment that we make every commercial decision that we make, in fact, the purchasing decision that we make has impact. It's either positive or negative, or neutral. So if we're to drive and genuine reduction in emissions, is the change that we're looking for, and arguably sitting today it's the most single most important change that we need to be driving towards. And investors around the world seeking to do that, regardless of whether they identify as an impact investor or not. We're looking for opportunities that are risk adjusted returns will lead to driving reduced emissions. Okay, so think about investments in renewable infrastructure, clean transportation, smart energy efficient buildings, water or agricultural efficiency. So nearly three quarters of the investments that we've supported our clients with over the years have been environmental extreme bent. And with most of these targeting carbon emission reduction. The opportunity of carbon credit investment first came across our desk in 2018. And since that time, our team seen 14 funds which are presenting various investment strategies around carbon credits. Eight of these in the last 13 months alone we're seeing this incredible ramp up as the conversation on carbon credits increase. Yet while we all recognize that the removal of carbon from the atmosphere is absolutely essential to reach the the requirements of the Paris Agreement, investing in a carbon credit is far from straightforward. It requires comprehensive due diligence on both the source and the use of the carbon credit to ascertain whether the two sides of the transaction when they come together, will actually work to truly reduce carbon emissions and not just any emissions, but those emissions that are unavoidable or Arbor transitional nature, as the entities take time to decarbonize their organization. So I look forward to unpacking some of these with Richard I know he's got lots of tricky questions for me and continuing on. What do investors look

Richard Denniss 22:31

for? Oh, thanks, Carly. And I guess for me, like all three of your presentations, touch on the theme that Polly raised that day and that is whose responsibility is it to get to the bottom of it? Where is the onus? Where's the bird? And I guess Andrew, I just want to start with you. Steven long was speaking before even working on behalf of the ABC flew up and beginning with the three sides. Understand that the job didn't actually board it. Any sides. How come? How come Professor Chubb didn't see in the data? What you just showed us?

Professor Andrew Macintosh 23:13

Yeah, it's a funny question. I mean, it's so obvious and I've been scratching. He came out and publicly said that a high proportion of projects are on track. To achieve their intended outcomes. He said a substantial proportion of projects are on track to achieve what they were meant to achieve yet. The report says they didn't analyze any individual projects. They didn't look at any individual projects. And maybe it's because access to that sort of data is hard to find. You know, you do need a computer and internet access and so on I'm not entirely sure because you can literally look you can take the data from data.gov data you anyone can type it in now type in ers area, base offset project, you can download the data, and then you can lay it up on Google Earth or any other platform GIS platform and you can see just exactly that. And in fact, you don't even need that. They actually have an Auto Map on the site. You can see you can go and see that it's almost all that is intact, rendered vegetation. So that's a long, long answer to this should have been I have no idea and I've got no idea how you write the we didn't look at a single project. Yet a high proportion of Iran check to achieve what they need to achieve.

Richard Denniss 24:22

So Alan, in terms of consumer law, where does the burden of proof usually lie?

Professor Allan Fels AO 24:29

Well, in a narrow sense of a case that is on the regulated the entry per se. I've got the power to require substantiation claims have to be substantiated. There are quite a lot on your fundamental question. I mean, the government's responsible for all this but I'll be talking about some seconds it could be set up against the government, again, that requires support from the government. I've been in countless cases at the a triple C, where the original regulators and doing the job and then come through the a triple C It looks at it through its framework was the misleading or deceptive conduct. And they're in often plays a useful role, but with the limitations of working within that provision of the law.

Richard Denniss 25:27

So clearly, you talked about due diligence and some people and you will know what you mean by that others won't. But broadly, the process is, well why don't you explain to us what doing due diligence from your point of view on a project looks like because I guess you could suggest Andrew might want to jump in on how other people have done due diligence. But my point is, it's not unusual in the investment industry to scrape behind what's playing. But it takes a lot of time, I presume for you to do that in these sort of projects. But yeah, if you're doing due diligence on the claims of a project proponent that once there'll be will you advise to put money in will put what does that mean?

Kylie Charlton 26:07

Yeah, thanks very much. Yeah, it's interesting when Senator Hanson young spoke earlier, she spoke about going beyond the label and she used the use the bottle example there as well. Which I think is exactly what we actually do. You know, there's many funds which come in that have stamped on the right hand side of their, their information memorandum that they're going to be responsible for, and they're going to reduce carbon emissions. And they give you a whole heap of information. They'll give you a very extensive data row. But for us, it's not sufficient just to look at what the fund has actually told us. It's a matter of actually going behind what they've told us to have a little bit well what's happening on the sources of the credits and what's happening with the uses of the credits. If our clients are wanting to actually reduce emissions, we need to understand from both sides that the work is going to be additional to what is currently business as usual. And so it does, it involves talking to a whole range of different people tapping into experts, your investment director and I have spoken to many people, some of whom are in this room to try and actually understand what is going to be an efficient part of the market and to actually understand what does qualify as a high integrity credit. But the other aspect of it too, for us, is really understanding how these credits are going to be used and understanding from the funds perspective who's asking for money as to what control they have on the use of that credit as well? Because for our clients who are not wanting to support the expansion of current and new fossil fuel facilities, all call facilities for example. We want to make sure that these offsets aren't being used to actually facilitate that activity, as a ferocity as it's digging right behind that. The biggest challenge we actually have, though, is we're not the experts in terms of those credits. And so therefore, it's that reliance on high quality verification, which is we need to do and at the moment, we don't have the trust and the verification systems that are out there. And so to date, while we continue to look and we do diligent due diligence on these opportunities, we've not actually made any recommendations to clients because we believe that if our clients are wanting and as they do to reduce carbon emissions with their investment dollar, they're probably better off to actually direct it towards something which is going to have a direct reduction in a carbon emission rather than actually doing offset.

Richard Denniss 28:23

So I've got usually yes I'm not usually an instinctive fan about sourcing privatization, but it does seem like and indeed, the Department of climate change would get better advice if they paid you for it, but you laugh but the point is, the skills exist, the effort can be conducted. It's just about the willingness, the determination and the respect for your clients. And yeah, I won't make your way into that one file.

Professor Andrew Macintosh 28:57

Somebody probably touched on this before about what makes an efficient carbon market. I'd say what doesn't make an efficient carbon market is where people like Carly are forced to expend a lot of money on due diligence because I don't trust the system. And it's happening now at scale. I know that I can see people in the audience I know who are involved in doing due diligence for the projects because they don't trust the regulatory system. This is farcical that you can't trust a credit as representing real and additional indictment because the system is broken. And it's not this is not flattering. Any of the auditors the auditors do, in my experience, do a reasonable job. The rules are bad and the rules as interpreted by the regulator for that the regulator doesn't do its job and as a consequence, people are now having to step in. And one of the things I'm I really liked from what how Alan finished Alan's basically saying we need other processes in order to complement the regulatory system instead that he mentioned something very close to my heart being open standing rules. Open standing rules give third parties as they do on Australian consumable, the ability for any person to commence proceedings to prevent a contravention of the law. Now with that was available right now, in the Australian carbon market. I will guarantee you almost all those Jamba Juice regeneration projects that would not exist, they've already gone because we would have litigated a long time ago and we would go to the regulator saying your way standing will take work, and I'm happy to put my own money on the line because that stuff is not in accordance with the way that the law is and is law is written and it should be interpreted.

Richard Denniss 30:23

And just on that like you know, think of a carbon credit issued by the Commonwealth as and how unfashionable as money issued by the Commonwealth, and it's pretty rare to get handed money in Australia hold it up to the why and do due diligence on it. Now because we take for granted that this is legit. And we also take for granted that if someone wants to start making counterfeit money that the oppressive power of the state will do exactly what it's designed to do and enforce the law. So we take for granted that the money people hand us is exactly what it claims to be. And what we're hearing not just today, but we've been hearing for years, is that carbon credits issued by the Australian Government, you wouldn't really want to hold them up to the light or the people whose job it is to hold it up to the light has been a little bit busy. So if we were to have as as we say faith in a market for these, what when I walk into a shop and I purchase something I expect to all work and if it doesn't work, I expect that it will be fixed or replaced. And I expect them it's not fixed or replaced the agent will see or someone will step in. That's how a market works. Not with nudges and winks and everyone knowing it's fraught with consequences for anyone that steps outside and this idea that we are responsible, the whole the carbon credit up to the lie. You know, people at The Australia Institute, people in the university, people working in finance is an abject failure of our understanding of the role of regulation and now a functioning market works. We've put all the costs on to others, which I'll try and turn into a question for Alan. Alan What do you think it might point?

Professor Allan Fels AO 32:25

To the integrity of the policies, we're following about reducing carbon emissions and I mean, I think we had before you know, the original idea of offsets was a bit of a last resort when nothing else could be done. And now they're just a standard reading device to get around reelection.

Richard Denniss 32:48

All that clearly. A lot of the people that lose a lot of people expecting to make a lot of money out of carbon credit projects are literally betting that the demand for carbon credits will be strong for a long time to come. And the bidding that because the demand for this will be strong, the price will go up and the profits will be hot. So to be clear, that means the meaning we're not decarbonizing the feeling that we're filing that beating the industrial pollutions will be rising, not falling so when you're doing due diligence on the potential returns of a carbon credit project. Yeah, what what sort of assumptions the proponents making about the demand for cabinetry? Yeah,

Kylie Charlton 33:31

it's really interesting. And so one of the biggest things I suppose we're looking at when we're looking at the use of the intentionality, additionality, and the US versus the drive behind managers who are creating product around carbon credits, is to actually look at what their forecast on the demand curve because of their forecasts on the demand curve is that these demand is going to constantly go up and the price is going to go up. You can pretty much assured be assured that they don't have much intentionality about decarbonisation of the economy. And so for us, it is about having reasonable price curves, because that to us demonstrates then that there is a real intention about how they're going to be sourcing carbon credits where they're going to be using them to be reflective of what we actually want to be doing, which is this genuine carbon abatement or emission emission reduction. And so for us, it's really about your understanding where that is because as Richard said, if we've got these curves going like this, people are just assuming that we're going to see increasing demand and the voluntary carbon market, which basically means people are using offsets rather than actually taking the heart to reduce their carbon emissions. Or it brings into question the effectiveness of the proposed safeguard mechanism is the safeguard mechanism, either by its reach or by its implied price on carbon is such that it will not actually drive action being taken and people will simply buy the offsets because there is no need to reduce because it's hard. It's more costly to reduce that actually by the offsets. And so for us, it's really about understanding what that driver is for for the funds that we're looking at before we actually move forward.

Richard Denniss 35:09

Andrew, one of the recommendations of the charter review was that we should have more transparency. And Minister Bowen accepted all of the recommendations, which I'll review, so I'm confused as to why we don't have access to

Professor Andrew Macintosh 35:22

that at the moment that can hide behind provisions of legislation that prohibits releasing certain data. But what it doesn't stop is Kevin aggregators and proponents releasing the data. So if anybody wants to stand up and say that their projects are legit projects and find that my response is great, release all your carbon estimation areas. Give us all your Ofsted reports give us all your reports. And then I will shut up and that's that's open to the industry right now. I hear the carbon markets often quiet on that point. They don't say that they often I've even heard aggregators and others argue that No, no, we're not allowed to release it. It's unlawful which is just utter nonsense. But that's not the only nonsense. I mean, even just that what I showed you in terms of the model, they're still arguing that that model is able to account for the existence of pituitary Trust, which is just scientific, utter nonsense. Yet we keep hearing it time and time and time again. And this is the thing that sort of upsets me I'm probably the outlier, amongst probably quite a few of you in the audience. I still believe that there's a place for all costs. I still believe that offsets can play a constructive role. I still believe that offsets can drive some really positive things, particularly putting trees back in agricultural landscapes. I really believe in this and but that's not happening. And it's not happening because of the fact that there's so much crap in the system. There's a thing called Gresham's Law, which is this notion in in monetary policy, monetary theory about that currency chasing out the good and that's that's exactly what's happening at the moment.

Richard Denniss 36:47

So just on that, like, what would the full transparency look like one you just said that the aggregators could choose to release the information could the government require that release that they absolutely what what is it that's been held in such tight commercial competency is a valuable intellectual property being no

Professor Andrew Macintosh 37:08

there's not a there's not there's almost no project for this stuff that should genuinely be commercial and confidence. And I would argue, if you're getting carbon credits and those carbon credits or facilities

Richard Denniss 40:45

have been paying They have been paying, and they have real legal consequences in Australia, when it comes to our reporting to the rest of the world about our missions. We don't try it on. We don't actually say that the credit that we're handing out for the human induced regeneration counts towards Australia's emission reductions. We're running two sets of books. And this is not unknown. Andrew can now step in and correct me if I'm slightly wrong, but this is not unknown. We're running two sets of books. And we don't try it on with other countries the way we've tried it on with you, is that that's fair summary.

Professor Andrew Macintosh 41:31

Yep, yep. And what you're gonna be able to do when the government finally gets around to releasing those areas for these projects, you're gonna be able to see projects received, let's just say 250,000 Akyuz. But there's been no change in the number of trees or very little change in the number of trees that are on that area.

Richard Denniss 41:48

So we're talking about giving away millions of dollars to people to do things that they didn't do, and we know it and we don't tell our people overseas because we know they wouldn't fall for. It keeps getting worse does. A nice short question coming from the

Professor Allan Fels AO 42:08

economists like Ross Garner say that a well designed ETs that addresses market failures like unfettered carbon offsets are effective and efficient means of solving climate crisis. However, we all know the toxic politics and ETS has generated over the last decade. My question is, is fixing the integrity of the safeguard mechanism? The first step towards putting in ETS back on the political agenda

Professor Andrew Macintosh 42:40

I'll happy to safeguard the change that they have an easy government is proposing he's converting it into an emissions trading scheme. It's an emissions intensity Emissions Trading Scheme, right. That's a really good step forward to the hole in the bucket the problem with this is this, let's fix the IQs. And we've got a much better scheme. There's some other transitional issues, but largely they should be out of the system and sort of five years or so. So I think that that aspect of what the Albanese government is doing, I'm hugely supportive.

Richard Denniss 43:05

And I just don't like the way we talk about the politics of climate is you know, because we know you couldn't introduce a carbon tax specifically increase someone's electricity bill and let it just be terrible anyways offers. The Reserve Bank has increased mortgage repayments by about $1,000 a month. $1,000 a month for the average mortgage. Because the fight against inflation is that important. The fight against inflation is so important that we have an independent independent statutory body who can jack up mortgage interest rates and make young homeowners fork out 1000 bucks a month, because that's how important faculty inflation is to us. Let's just own that we don't feel as strongly about climate change as we do about inflation. So the toxic politics of emissions trading the toxic politics of carbon taxes, they're already toxic because the fossil fuel industry made them toxic. Like let's let's you know, let's have some integrity in our recollection with history as well.

Unknown Speaker 44:09

Sure, check question. Carbon border taxes for the kind of companies that are buying these credits and using them as a mechanism to try and make themselves appear like they're heading toward Net Zero. How much of a threat is that really? And could that be a driver for changing this?

Professor Andrew Macintosh 44:32

border tax adjustments, I think it's it is a real threat to Europeans. Introducing one process of introducing one I think the second the prospect that we might introduce one. So and I think it'd be a welcome initiative. I think we need those sorts of things to prompt countries to to ensure that their policies stay up. And then the only thing I'd add to that is if we keep this sort of Accu rapid going. I reckon the Europeans might look a little harder at the sorts of claims that the system is doing work.

Richard Denniss 45:00

Probably more broadly on that question, like when you're looking at companies and you're looking at the risks of likely returns of them in the future. How, how does orientation my company's reliance on credits to sort of meet their statutory statutory obligations sort of fit in the REITs, as opposed to a similar company that's actually trying to decarbonize? Is there other ways that you can or think you might end up evaluating those different strategies

Kylie Charlton 45:30

and they will definitely look at the climate risks of of companies and on projects and so those which are actually not taking real action, we believe that over a period of time will not be as competitive as those who actually do take real action. So from a financial perspective, that kind of risks that they continue to hold from while actually take action to us is detrimental to their financial

Unknown Speaker 45:52

Hi, I'm Sabrina here, I'm an ecological economist at CSIRO and so called Social intrapreneur. My question is, isn't impact investment, just another greenwashing mechanism? Because you know, even with lower return different time frame, if you know we're expecting to create these returns, we know that you know, growing capital for growth's sake means expanding the economy expanding production, expanding consumption, which means companies gonna be forced to externalize social and ecological costs 51 years ago, we had the publication Limits to Growth studies shows the impact and limit of late stage capitalism. And would it be better to be here today talking about you know, a new economic system rather than repacking capitalism?

Richard Denniss 46:45

Alex drinking his water

Kylie Charlton 46:53

Thank you very much for that question. I think the key here is that impact investing isn't a silver bullet. And I think that's really important that we need to actually understand that we need a whole range of different mechanisms in the system. To actually address how we drive capital to the issues that we need to solve whether they be social or environmental. I'm going to give you an example. So if you could go and do a real estate investment, okay, you have two options. You go and just buy a normal property in the market and you put it for rent. Okay. has absolutely well, very little impact. Probably in terms of positive impact. You might buy something which is environmentally sound in that property, or you could actually invest in a fund, which is helping to reduce the supply gap for people with social housing needs or with disability housing. Actually, the return that you can get on these opportunities is just as great as what you can get on the on just a private market opportunity. As for us, it's actually about looking at that, where do you actually find the opportunity set, as I said before, on that efficient frontier, to bring together risk, return and impact together? I know particularly about recreating capitalism as Dutch. It's actually about redirecting how we think about it. And making sure that we're no longer are we just giving consideration to risk and reward but we're giving consideration to these three dimensions. And that's the change of capitalism that we actually need to see.

Unknown Speaker 48:17

Alright, my question is about so the Australian Government's without a sense of irony, as described Australia as a blue carbon hotspot, and I'm just waiting for blue walk strict as well. But my question is, is that Professor McIntosh used the example so far so, but I'm just wondering, are there any issues around blue carbon, that are peculiar to to it that, that we should be aware of when thinking about integrity that differentiates it from other sources of potential offsets?

Professor Andrew Macintosh 48:53

mean for those who don't know, they refer to blue carbon, the genuine referring to restoration of mangroves in most cases, and that's a that's a great thing. Who doesn't like restoration of mangroves they provide habitat for fish and a whole bunch of other things. I even loved a little bit of anyone's being on the Shoalhaven bottle. Michelle Haven is a fantastic old mangrove forest down there. In terms of so you question the, the biomass in the mangrove trees, we can measure it and we can see it fine. The problem is blue carbon is the most is what they're anticipating in terms of crediting his soil carbon. And anyone within the most limited knowledge is behavior histories. And a lot would know that they're highly mobile environments get a lot of silt coming down through rivers, movement of borders and silt and soil within those environments. So the big concern I think around those is that they're actually going to credit movements of soil as opposed to proper accumulation of soil carbon. I know there's, there's Henry's in the audience somewhere. If you want to know a lot about soil carbon you asked Beth and I just pretend that I know.

Richard Denniss 49:59

We are gonna have to start to wrap up. But I just like to ask each of our panelists if you have any last minute observations or thoughts or comments, Alan?

Professor Allan Fels AO 50:10

Just one on that cross border tax question. And that's back to the Adam Smith idea that people pursue this is self interest. So you want to set up a system that harnesses that as best as possible. I guess there would be some business support for cross border taxes, protectionist type support, but it would get a little bit of local business support for more action on country.

Professor Andrew Macintosh 50:41

Taxes gets my way. Firstly, don't issue I showed before about the model that they use. And I said that it's contestant in Australian Academy of Science commissioners a report on that very issue and they received a report from a gentleman called Dr. Chris Brown, who's a real expert in this field. They weren't released. That report. Why not? CSIRO has done multiple reports on that very same thing they've been asked to release their reports have been releasing reports, I guess. No, the department is holding all of those reports. Have they released the report? No. Now what is going on here? Why weren't they released that information because it's a simple question. They want I think that's a really important thing, particularly as we're going into this debate about safeguard mechanisms. The other one I just wanted to throw in as a last thing and relates to what Elon was talking about. You mentioned an issue that I raised with Him before it's 1041 H of the corporation tax. It makes it unlawful for anyone to make a misleading statement in relation to a financial product. So when you have any person makes a misleading statement, emotional financial product. Carly's calling because I'm sure she knows all about. Now when you see carbon aggregators and others going out there saying my credit is high quality. We have all high credit high quality projects, and they're not. That is covered by section 1041 Page of the corporations law and probably a lot of them don't none of that. Also, when people go out there from representing governments and others I met the same thing, particularly when they're contracted by government, they come out making claims that these things are all fine, again covered by 1041 H. So if you've got an interest in trying to press pressure, a regulator do something about this, write a letter to ASIC, particularly where you see people making false and misleading claims about the characteristics of the records.

Kylie Charlton 52:19

So I think I wanted to spring back to some of the basics here in terms of, you know, if you're actually going to be investing in carbon markets or in carbon credit markets, you need to look for investing in anything actually, to be quite honest with you. You need to look behind the label and actually understand what the clients have been made, because the impact they made. It's absolutely incredibly critical. And I'm just going to give you one example. We haven't had funds, major fund managers, global fund managers managing billions of dollars coming to us and saying please invest in our product. Here's our new impact product. And this impact product has you know, might have a number of thematics but it will always need to have some some level of sustainability or environmental dramatic about it. Yet over here on the other side of their business, actually is a business which is still investing in fossil fuels, whether it be expansion for new facilities and new production. For us, you need to actually be thinking about what you're investing in in terms of what the product is doing. And what is the intentionality of the firm and the manager who is actually got the control of that product over a period of time. And so I think it's really important to scratch beneath the label and look at it holistically. So when you think about carbon credits, I go back to what I said in my introductory comments. You need to look at the source and the use of those funds, because unless we look at them working together, we don't know whether there is a genuine reduction in emissions.

Richard Denniss 53:36

Well, I will go under Macintosh so follow John's please. What a wonderful panel.