

Factsheet 1:

Natural capital and environmental markets

What are the opportunities for landholders?

Environmental markets are a way for you, as a landholder, to receive financial returns for your investment in natural capital and environmental services.

This factsheet introduces environmental market opportunities and how you can access them, to help you to make the best choice for you and your business.

Market-based opportunities

There is a wide range of market-based opportunities available for landholders with different objectives. You may be able to pursue multiple individual opportunities or combine two or more opportunities.

Environmental trading

You could trade environmental goods and services via regulated or voluntary environmental market trading schemes, such as:

- credit schemes (like the Australian Carbon Credit Unit (ACCU) scheme)
- tradeable permit schemes
- auctions
- competitive tenders.

Business and marketing strategies

With the reputational benefits of an environmental, social and/or culturally positive business, you may be able to sell goods at a premium price, and leverage your natural capital for market attraction, retention and expansion strategies and new market opportunities.

Cost saving strategies

You can reduce or eliminate current or future business costs by investing in natural capital and/or using natural capital to offset other environmental impacts.

Asset value

As the market increasingly recognises the value of natural capital, investing in your natural capital may increase the value of your land, business, share price or other assets.

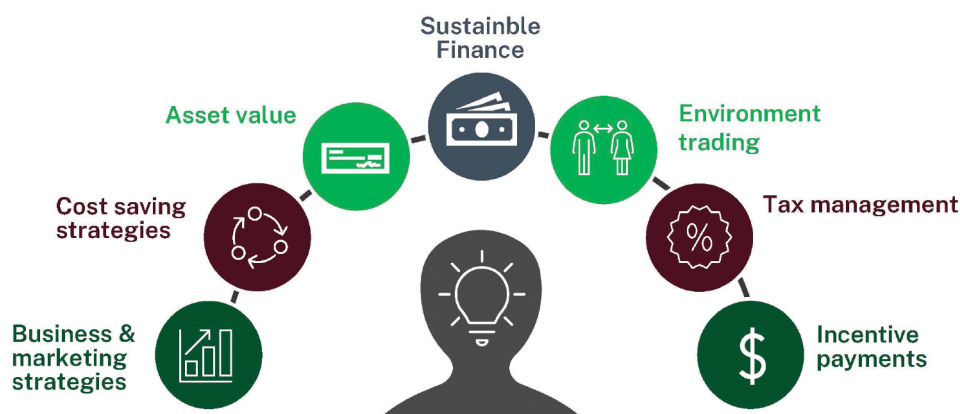


Figure 1. A range of environmental market-based opportunities. Source: Environmental Market Leadership Course (2023)

Sustainable finance

In recognition of your environmental services, you may get access to sustainable and green loans and other financial products that provide discounts or other benefits.

Tax management

You may be able to claim deductions, concessions or offsets on existing and future environmental taxes, levies and charges.

Incentive payments

You may be able to access subsidies, rebates, funding, grants and compensation schemes.

Environmental markets in Australia

There are several existing environmental markets in Australia.

Carbon markets

You can generate carbon credits by reducing your emissions or increasing carbon sequestration (capturing and storing carbon). You can then sell those credits to governments, businesses or individuals who will use the credits to compensate for their own emissions. The Australian Carbon Credit Unit scheme is an example of a carbon market.

Biodiversity markets

You can generate biodiversity credits and premiums by protecting or restoring species or ecosystem biodiversity on your land. You can then sell those credits to governments, businesses and individuals in a market, like the NSW Biodiversity Offset Scheme.

Water markets

Water markets and market-based approaches – such as the Murray Darling Basin Water Markets and Trade – seek to manage water distribution, improve water quality and management, and more.

Co-benefit markets

Carbon farming and other environmental projects often lead to additional positive environmental, socio-economic and First Nations outcomes. You can be rewarded for these additional benefits through co-benefit markets.

Energy and renewable markets

You can receive financial compensation for energy saving and renewable energy initiatives and investing in hydroelectric, wind, bio, solar or geothermal energy, through schemes such as the NSW Energy Saving Scheme.

Sustainable and green finance

The finance sector is continually developing financial products and mechanisms to value environmental goods and services, including debt, equity, guarantees, and other investments. These help to balance the risk and below-market rate of return from generating positive environmental impacts. Examples such as green loans and green bonds help to encourage on-farm investments into natural capital and environmental services.

Emerging market opportunities

Environmental markets can be created for any natural capital or environmental service if there is a willing supplier and a buyer willing to value and/or pay for it.

New environmental market opportunities are constantly being considered and developed. These emerging, potential and future markets are important for landholders.

With society's growing demand and increasing willingness to financially reward natural capital and environmental services, you may be able to create and engage in many new market opportunities.

Engaging in environmental markets

While some environmental markets or opportunities might have different requirements or processes, participating in environmental markets will generally involve five stages:

1. Identify existing and potential natural assets, ecosystem services and/or environmental services.
2. Assess the condition of these assets/services.
3. Determine their benefits and calculate their value.
4. Implement management practice that protects, restores or enhances natural capital.
5. Exchange or trade the value of these assets/services for a financial return.
6. Monitor, measure and, in some cases, report performance.

Find out more

Local Land Services can help you understand the natural capital and environmental market opportunities available, and the potential benefits and risks, so you can make the best decisions for your property. We are currently building our services to provide independent advice and help you navigate new opportunities in farming.

For more information visit www.lls.nsw.gov.au