Public Consultation Feedback Form

Reef Credit Scheme Review

Eco-Markets Australia is seeking comment on the proposed amendments to the **Reef Credit Scheme v2.1** as outlined in the *Discussion Paper* and consultation drafts of the amended Scheme documentation.

To make a submission please complete this 'Public Consultation Feedback Form'. Public consultation is open from Monday, 8 April 2024 to Tuesday, 7 May 2024.

Specific feedback on the Discussion Paper questions:

Question #	*Comment and/ or proposed change and why*

General feedback:

Document:	**Section:**	**Comment and/ or proposed change and why:**
Reef Credit Guide (2.1)	Page 5 – Objectives and Scheme components	ASMC remains concerned that: - The objectives of the Reef Credits program, and specifically, the singular focus on pollutant abatement (environmental) IS NOT consistent with contemporary sustainability objectives being the balanced pursuit of human, social, economic and environmental objectives (i.e the four pillars of sustainability), and - Reef Credits should not be implemented in isolation and should seek to align with and reinforce broader and complementary industry initiatives that may already exist. Experience in the Australian sugar industry is that DIN (dissolved inorganic nitrogen) abatement and cane yield increases should be pursued in tandem, as: - The industry is already motivated from viability and social licence perspectives to address both, and - Institutional frameworks already exist, for example: ➢ R&D spend and extension and adoption on NUE (nitrogen use efficiency), and ➢ Ongoing development of robust and simple to understand industry schemes like SIX EASY STEPS™ (6ES) and SmartCane BMP that assist with best practice NUE adoption. More effort is however required in developing best practice NUE case studies and disseminating these to growers and improving the uptake of 6ES and BMP.
Reef Credit Standard (2.1)	Page 4 – 1.1 Reef Credit Standard – objective	

		The ASMC would like to see the objectives of the Reef Credits scheme as outlined in the draft Guide and Standard documents broadened to include references to: - The balanced pursuit of the four pillars of sustainability, and - Alignment and integration of broader and complementary industry approaches into the Scheme. Please refer to **Attachment 1** for a more detailed overview of these issues (overleaf).

Publication

All submissions are public documents and will be published on the EMA website after the consultation period. Each submission will be de-identified.

Submission deadline – 5.00pm (AEST), Tue 7 May 2024
Any submissions received after this date will be considered at the Reef Credit Secretariat's discretion.

Submissions should be emailed to: secretariat@eco-markets.org.au
Your contribution is greatly appreciated. For further information, please contact Eco-Markets Australia via secretariat@eco-markets.org.au.

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Attachment 1

ASMC comments (May 2024)

RE: Proposed revisions to the Reef Credit Scheme

Introduction

The Australian Sugar Milling Council (ASMC) is the peak industry organisation for raw sugar manufacturing. We represent sugar manufacturing companies which collectively produce 82 percent of Australia's raw sugar.

ASMC welcomes the opportunity to comment on the proposed revisions to the draft Reef Credits Scheme (the 'Scheme') Guide (2.1) and Standard (2.1).

ASMC has observed the evolution of the Scheme over the past number of years and actively worked with like-minded groups including Eco-Markets to ensure the scheme drives balanced sustainability outcomes.

ASMC maintains its position that the Scheme remains problematic due to its singular focus on environmental pursuits and because the incentives are not aligned to or seek to reinforce current industry best practice approaches – especially for DIN (dissolved inorganic nitrogen) abatement in the sugar industry.

Background

Given the proximity of milling and sugarcane farming operations to the Great Barrier Reef (GBR) and the complexity of the social licence and commercial pressures at play, ASMC has been an active contributor to the water quality policy debate. Further, as ASMC members also own and operate large sugarcane farming operations in each of the reef catchments[1], and are recognised leaders in terms of best management practice and innovation in their approach to farming, we have also been a rich source of technical advice.

ASMC supports the following high-level approaches to achieving improved water quality in the GBR:

- Scientifically proven, risk based and balanced measures that encourage best management Nitrogen Use Efficiency (NUE) practices in sugarcane farming. In this context this refers to the introduction of systems and approaches that maximise the uptake of N in the crop and that avoid wastage and maximise crop productivity,
- Wholistic frameworks that incentivise good grower performance. These frameworks should include:
    - Market incentives that are underpinned by Industry-led frameworks such as Smartcane BMP and SIX EASY STEPS™
    - R&D and knowledge transfer to canegrowers of best practice NUE.
- These frameworks should be developed and implemented on a collaborative basis between industry and Government and should deliver positive social, economic and environmental outcomes for Queensland, and communities beyond.

Importantly, these frameworks should be equally considerate of the impact on the sustainability of the sugar industry and the industries reliant on a 'healthy' GBR (that is the four pillars of sustainability – economic, social, human and environmental objectives should be pursued in balance).

[1] In total, milling companies produce approximately 2.5 million tonnes of sugarcane from a total farming area of about 30,000 hectares.

Our concerns with the current Scheme design framework

Our understanding of the Scheme is that it will:

- Generate tradeable units that quantify and value the pollution mitigation against a predefined baseline (e.g. $50 per kg/N that is abated),
- Pollution mitigation for these purposes is defined as DIN from run-off, sediment reduction through gully repair and nitrogen reduction through wetland restoration (as well as other pollutants), and
- Reef Credits are intended to be sold by landholders to those seeking to invest in water quality improvements such as Governments initially and in time banks and philanthropists etc.

Depending on a range of factors including the Reef Credit price and the cost of the pollution abatement activity, a sugarcane farmer could be financially incentivised[2] to reduce their nitrogen application to a level that is below their credible baseline (their historical levels of efficient application) and lower than levels accepted in government regulations such as SIX EASY STEPS™ (noting that meeting Government regulations forms part of the eligibility test to receive the Reef Credits). This in turn could result in sub-optimal nitrogen application from plant performance, environmental and crop productivity perspectives.

Sugar milling is a high fixed cost business that relies on a certain annual throughput of sugarcane to be sustainable. While it might be feasible for an individual sugarcane farming operation to reduce inputs and thereby production, the net impact at mill area level could be that a mill's cane supply may fall below sustainable levels and bring the viability of a mill into question. This would have a far reaching and disastrous impact from economic, social and environmental perspectives. Of note is that three QLD mills have closed in recent years due to inadequate cane supply (Mossman, Maryborough and Bingera).

Our preferred Reef Credit design principles

In relation to the draft Guide and Standard documents, ASMC's preference is for the objectives to be expanded to include:

- Principles of sustainability, and specifically references to balanced environmental, economic, social and human outcomes, and
- Concepts of alignment, integration and reinforcement. For example, recognition of the need for the Scheme to reinforce complementary industry accepted approaches into the various pollutant methodologies.

For example, and whilst outside of the scope of this review process, ASMC supports revisions to the DIN methodology to 'codify' the following preferred design principles:

- Reef Credit eligibility should not be prescriptive in terms of the actions or projects undertaken but should reward any and all changes in behaviour that achieve improved year-on-year (Y-o-Y) cane yield performance and a better NUE and DIN related environmental impacts, and
- Sugarcane growers that can demonstrate compliance with SIX EASY STEPS™ and are Smartcane BMP certified and that achieve a yearly improvement in cane yield above an established yield baseline (t cane/ha), should be eligible to generate Reef Credits.

Further, and as an accompaniment to the DIN methodology document, a document should be prepared and disseminated to the sugar industry demonstrating effective systems and approaches that maximise the uptake of N in the crop and that avoid wastage and maximise crop productivity.

[2] Preliminary modelling by ASMC based on actual cost data from two cane farms (Burdekin and Mackay) shows that a Reef Credit price >$35 per kg/ N could offset the revenue losses from lower yields and cane production and at higher prices could be incentivised to convert the land to other uses and potentially to not harvest and stand the cane over.

We look forward to engaging through this process to achieve stakeholder consensus to a more economically efficient, and environmentally prudent approach.