KEYNOTE INTERVIEW

Driving abatement through natural capital

A focus on natural capital presents an opportunity to reduce agriculture's climate impact, says Heechung Sung of Australia's Clean Energy Finance Corporation

Q Why is the CEFC focusing more on natural capital?

The CEFC has a mandate to drive decarbonization across the Australian economy, including agriculture, as part of the national goal to cut emissions by 43 percent in just seven years. In our first decade we invested $270 million in agri-related transactions. We recognize both the complexity and particular urgency of improving the sustainability and competitiveness of the Australian agriculture sector.

Investments in natural capital have a dual function. Firstly, there is abatement. Agricultural emissions have been increasing on a net basis and we must respond rapidly by managing production and landscapes differently. Secondly, natural capital presents an opportunity to sequester carbon and we are working with policymakers and capital partners on how to value those opportunities, which can supercharge that side of the carbon ledger.

Q What types of natural capital investments do you consider?

We invest across the risk spectrum, from technology solutions to real assets and across multiple subsectors where there is potential for emissions abatement. Our investments in natural capital range from providing discounted finance for smaller-scale energy efficiency and renewable energy improvements in agriculture production, to large-scale investments in specialized funds. And increasingly, we are focusing on soil carbon opportunities, particularly through the Clean Energy Innovation Fund with its specialist focus on cleantech start-ups.

A key element of our investment strategy is to drive decarbonization across large-scale diversified portfolios, using our equity investments to influencing asset management practices. This ranges from encouraging precision agriculture and emissions measurement in broadacre cropping, to tackling methane emissions in livestock production.

We're backing carbon sequestration alongside red meat production with Wyuna Agriculture and we're working with an exciting start-up, Downforce Technologies, as it improves ways to measure soil organic carbon.

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Q Why do you pursue investments in this way?

Our equity investments give us a seat at the table. We want to influence long-term strategies. Nature-based assets are less liquid, which means investors need to take a longer-term view to achieve the maximum potential in returns and sustainability outcomes. By investing in third-party managers who deploy green strategic initiatives across their portfolios, we can be part of scalable opportunities that generate the most impact in terms of abatement.

Q What are you looking for from investment partners?

The CEFC is not a passive investor. We look for genuine ambition in terms of rapid abatement and sustainable land use practices, alongside strong investment returns. Time is running out to achieve our emissions goals. We have to get meaningful action, across the economy, now. ■

Heechung Sung is head of natural capital at Australia's Clean Energy Finance Corporation