



Australian Government

Indigenous Land and Sea Corporation



The ILSC GROUP

PEOPLE. COUNTRY. OPPORTUNITY.

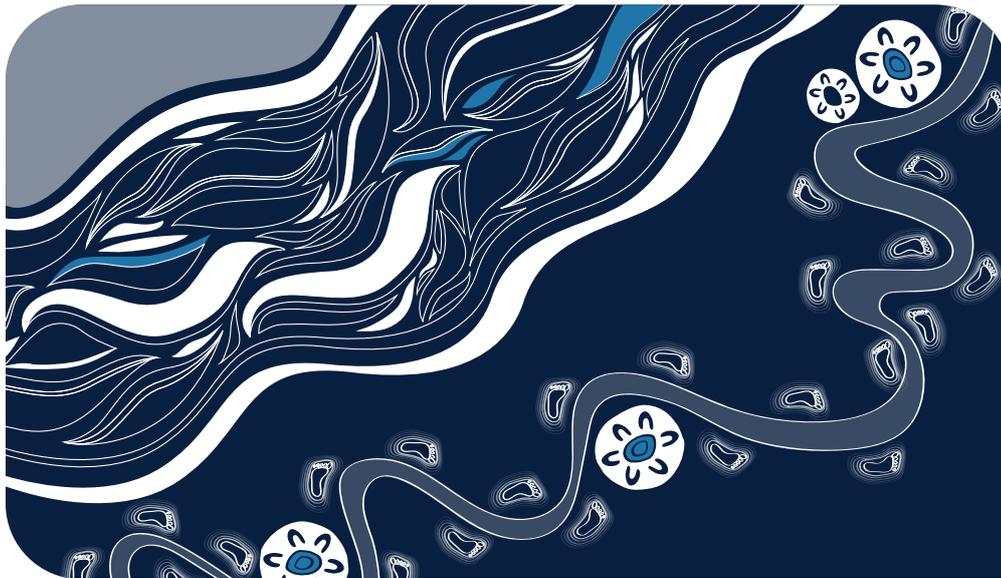
Sector Leadership

Environmental Markets Companion Reader

*A guide to First Nations contribution
to the environmental markets sector*



Acknowledgement of Country



Artwork by Maisie Crawford-Owers.

In all our activities we pay our respect to the Traditional Owners and Custodians of the lands, waters and skies on which we live and work. We honour the resilience and continuing connection to Country, culture, and community of all Aboriginal and Torres Strait Islander people across Australia. We recognise the decisions we make today will impact the lives of generations to come.

A note on language

The terms 'Aboriginal and/or Torres Strait Islander', 'Aboriginal', 'Indigenous' and 'First Nations' may be used interchangeably throughout this document. Using these terminologies, we seek to acknowledge and honour diversity, shared knowledge and experiences as well as the right of individuals and communities to define their own identities. The C in Country is capitalised throughout this document as Country for Aboriginal and Torres Strait Islander people is a strong place of connection which provides

the upmost significance to their people and means more than physical land. In this document, Country may refer to land, freshwater and/or seawater.

Aboriginal and Torres Strait Islander readers are advised that this publication may contain the names or images of people who have died.

Established in 1995 under the *Aboriginal and Torres Strait Islander Act*, we provide for the contemporary and future land needs of Indigenous people, particularly those unlikely to benefit from Native Title or Land Rights. We work with our Indigenous partners to grow their economic, environmental, cultural and social capital by supporting their acquisition and management of land and water. In redressing dispossession, we provide for a more prosperous and culturally centred future for Indigenous people.

The Indigenous Land and Sea Corporation is a Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013*.



www.ilsc.gov.au
FREECALL 1800 818 490

Cover photo: Aak Puul Ngantam (APN) Cape York ranger and botanist undertaking field work.
Photo: APN Cape York.



Contents

- 02 Acknowledgement of Country
- 04 National Indigenous Land and Sea Strategy
- 05 Introduction
- 10 Sector landscape
- 12 Indigenous participation
- 13 Opportunities and Challenges

National Indigenous Land and Sea Strategy

In 2022, the Indigenous Land and Sea Corporation (ILSC) undertook a nationwide consultation with its stakeholders. This consultation informed the development of the National Indigenous Land and Sea Strategy (NILSS) and Regional Indigenous Land and Sea Strategies (RILSSs) 2023-2028. This consultation identified five priority sectors, in which stakeholders wanted to see ILSC partner with First Nations¹ to elevate influence and drive progress at scale. The priority sectors are:

- Carbon
- **Environmental Markets**
- Renewables and Clean Energy
- Inland Water
- Fisheries and Aquaculture

This document provides an overview of the legislation, policies and programs, challenges and opportunities that impact on the involvement and leadership of First Nations peoples in the environmental markets sector.

It has been prepared as a companion reader to the ILSC Sector Leadership Future Industries Initiatives, which provides a suite of initiatives for how the ILSC can contribute to the priority sectors.

The information contained in this companion reader was informed by First Nations leaders and originally collated by Pollination Group on behalf of the ILSC. It is an overview of issues and opportunities for First Nations peoples with an interest in the environmental markets sector. The ILSC recommends that First Nations people considering an environmental markets project seek specific advice regarding regional issues, opportunities and business viability.



Figure 01. The National Indigenous Land and Sea Strategy 2023-28. Country and its people are at the heart of the NILSS and the reason for the ILSC's existence. Supporting Indigenous leadership in the priority sectors is a strategic commitment under the guiding principle of self-determination.

1. For the purposes of this companion reader, we have used Aboriginal and/or Torres Strait Islander, 'Aboriginal', 'Indigenous' and 'First Nations' interchangeably.

Introduction

Nature loss is occurring at an unprecedented rate. The impacts of population on the environment have caused the loss of 83 percent of wild mammals by mass, and 1 million species of plants and animals are at risk of extinction.² At the same time, people depend on nature for essential services, including clean water, food, fibre, and air.

The environmental markets sector plays a vital role in Australia's transition toward a nature-positive future.

Australia's First Nations communities have been dedicated stewards of Australia's biodiversity for over 60,000 years. Awareness of the connection between environmental systems and economic stability has emerged within governments and the private sector more recently. To reduce the risks associated with the loss of nature it is now recognised that in addition to addressing climate change, we must actively protect and restore natural ecosystems.

Nature and environmental markets

Environmental markets facilitate the buying and selling of ecosystem services, such as carbon credits, water rights, and biodiversity offsets, to incentivise conservation, sustainability, and resource efficiency. For the purposes of this reader, we focus on markets that protect and restore nature.

These markets provide a platform where land and sea managers who actively protect and restore the environment can receive financial compensation from governments or businesses for their efforts.

Environmental market schemes use approved methods to measure and verify environmental outcomes, which can then be registered as biodiversity credits, certificates, or similar tradeable units. Each certificate represents a specific conservation effort or achievement and can be bought by entities seeking to enhance their environmental credentials or offset their ecological impact.

Both compliance (where the buyers are addressing environmental harms) and voluntary (where the buyers are motivated to fund environmental outcomes) environmental market schemes operate in Australia and internationally. These schemes aim to address various environmental challenges by leveraging market forces to manage limited resources. Examples include, offset programs that mitigate nature loss from development projects, and credit or certificate schemes that promote ecosystem restoration.

Planetary Boundary	Environmental Market Mechanisms
 Biosphere integrity	Biodiversity offset schemes Biodiversity credit schemes
 Climate change	Emissions trading schemes Voluntary carbon schemes
 Land system change	ETS / Voluntary carbon schemes
 Freshwater use	Water allocation / trading schemes
 Novel entities	Water quality schemes Plastic reduction schemes
 Biogeochemical flows	Water quality schemes

Figure 02. Environmental market schemes.

2. [The biomass distribution on Earth.](#)

Biodiversity credits provide an additional revenue stream to support caring for Country. As an economic instrument, they help fund activities that enhance biodiversity, protect species, and restore ecosystems.³

Biodiversity credits are generated through activities such as regeneration, adaptation, protection, or stewardship, all of which contribute to improving species or ecosystem health. However, there is no universal standard for what a biodiversity credit represents. Unlike carbon credits, which are typically measured in per tonne of carbon dioxide equivalent, biodiversity credits lack a single, standardised unit of measurement.

Biodiversity credits vs offsets

In environmental markets, distinguishing between biodiversity offsets and biodiversity credits is essential. Unlike carbon, biodiversity is not interchangeable or easily tradable on a global scale. As a result, biodiversity credit markets do not allow buyers to “offset” negative environmental impacts elsewhere through credit purchases. Instead, biodiversity credit schemes support voluntary purchases aimed at enhancing biodiversity.

In contrast, biodiversity offset schemes typically involve compliance related purchases. The purchase of these offsets are required to compensate for significant

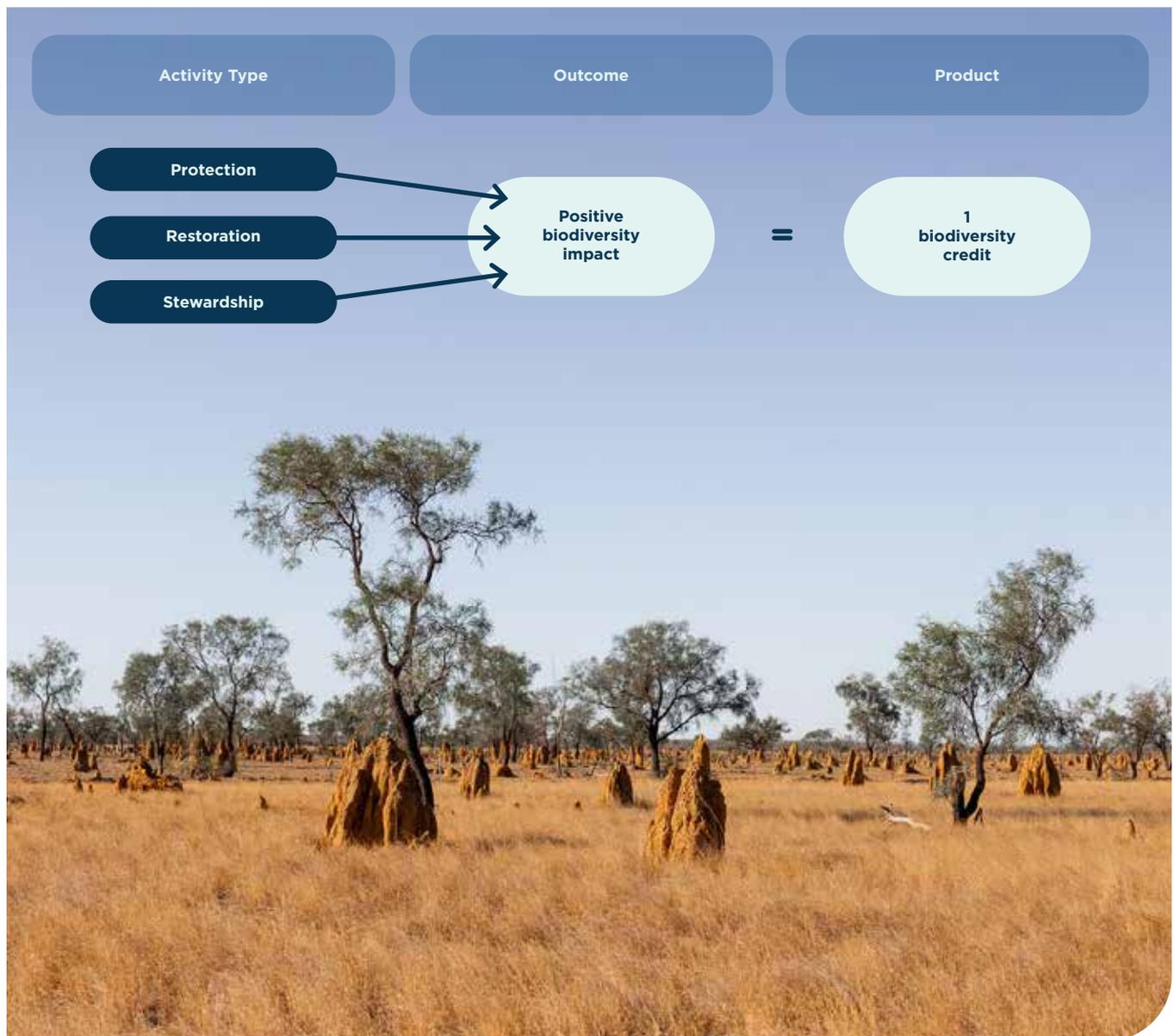


Figure 03. Representation of biodiversity credits activities.

3. [Pollination](#) and Taskforce on [Nature Markets](#).

residual biodiversity losses caused by development projects, but only after all feasible prevention and reduction measures have been implemented.

Environmental markets and carbon markets

Biodiversity credits can be sold independently or linked to carbon credits in various ways. Some projects have the potential to generate both carbon credits and biodiversity certificates from the same activity.

For example, a project that plants trees in a cleared area while also enhancing biodiversity by expanding Koala habitat may be eligible to receive both carbon credits and a biodiversity certificate. These credits can then be sold separately or bundled together, depending on the market structure. Each approach has distinct use cases and implications for the claims that buyers can make.

Economic potential of environmental markets

As global commitments to biodiversity and nature-positive goals grow, biodiversity credit prices are expected to rise, helping drive progress toward 2030 and 2050 targets. Global demand for biodiversity credits could reach \$2 billion by 2030 and \$69 billion by 2050.⁴

Carbon credit buyers tend to pay a premium price for carbon credits from projects that are also delivering environmental restoration and protection. In carbon markets buyers refer to this as an ‘environmental co-benefit’. Carbon credits with environmental or First Nations co-benefits (cultural management) can attract price premiums, as companies seek high-integrity credits to meet increasing scrutiny from stakeholders and regulators. For example:

- First Nations savanna fire management ACCUs have seen price premiums of as much as 50 percent above the average credit price.
- Human-induced regeneration ACCUs have also observed modest but notable premiums.⁵

Independent biodiversity credit market schemes have emerged to link buyers interested in environmental outcomes with people caring for and restoring the environment. These schemes address financing gaps for environmental services by directing capital into biodiversity protection, restoration, and stewardship. However, these markets are still in the early stages of development, and their full economic potential has yet to be realised. While most schemes currently support voluntary purchases, demand has not yet reached scale. As these markets mature, they have the potential to drive positive biodiversity outcomes while providing a sustainable revenue stream to support Caring for Country.

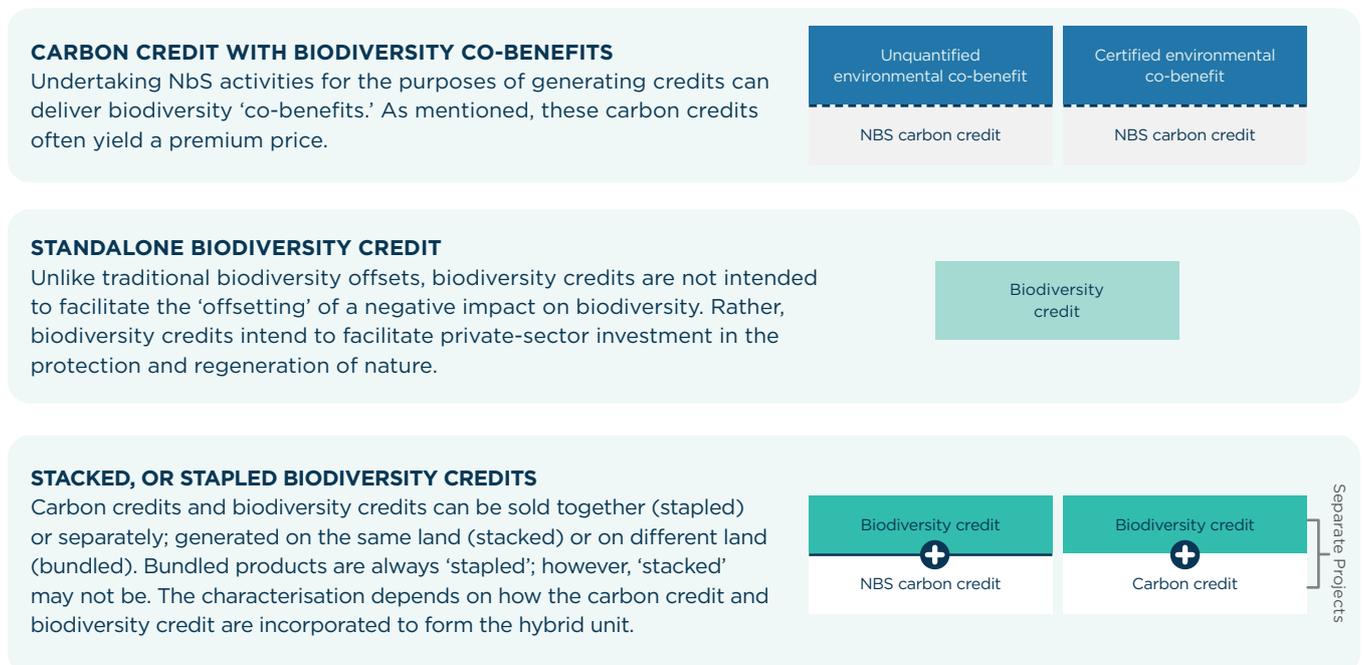


Figure 04. Interaction between environmental and carbon markets.

4. [Biodiversity Credits: Demand Analysis and Market Outlook](#).
5. [CER](#).

Environmental Accounting in the Savanna



A survey in progress using the Accounting for Nature Savanna Condition Method.
Photo: APN Cape York.



Aak Puul Ngantam Ltd (APN Cape York www.apncapeyork.org) has recently completed work to create an Accounting for Nature methodology for their savanna lands in Cape York that can also be adapted for use in other savanna areas. When released, the Accounting for Nature Savanna Condition method will be available for use via the Accounting for Nature program (www.accountingfornature.org). APN Cape York is owned entirely by Southern Wik traditional owners, APN Cape York facilitates the return of traditional owners to their Southern Wik homelands in a manner that is culturally, environmentally, and economically sustainable.

APN approached the ILSC for funding support to establish, and subsequently apply, a new Australian accredited ecological methodology to its Savanna Burning Projects. The ILSC-funded project involved APN rangers working with a consultant to capture, collect, and record the data required for the methodology and its application on Wik and Kagu land around Aurukun in North Queensland.

The environmental accounting framework will be used to demonstrate and quantify the benefit to environmental assets that arise from the cultural management of Country. This can then be used as a basis to validate a premium price for carbon credit sales and prepare for engagement with the nature repair market. Prior to the project, no methodology existed for accounting for the health of savanna country.

The project enabled Traditional Owners to visit homelands on the ground and/or fly over their homelands and share knowledge about the environmental assets and their management. Through participating in on-country method development, Traditional Owners learnt about the increasing need for evidence in order to access markets-based investment as something different to grant-based approaches. In direct work on the project data collection, APN Rangers were able to learn more about the need for effective evidence of the impact of country management. The resulting methodology is based more on human-monitoring than remote sensing and modelling, and thus provides for more opportunities for Traditional Owners to be participating in on-ground monitoring of Country.

The project is aligned with APN Cape York's objectives to position itself as an impact-driven company with a strong evidence base for all work undertaken. This approach has increased the value of ACCUs it has produced and enabled APN Cape York to reinvest in learning on Country programs. This ensures that professional skills are developed in the local community and Traditional Owners have capability to care for Country in the long term.

Sector landscape



Australia is a leader in voluntary and compliance based environmental market schemes.

Environmental market schemes in Australia

To address nature loss and align with international best practices, the Federal Government has set a national target to protect and conserve 30 percent of Australia’s land and marine areas by 2030.

To support this goal, several Australian environmental market initiatives are operational or in development.

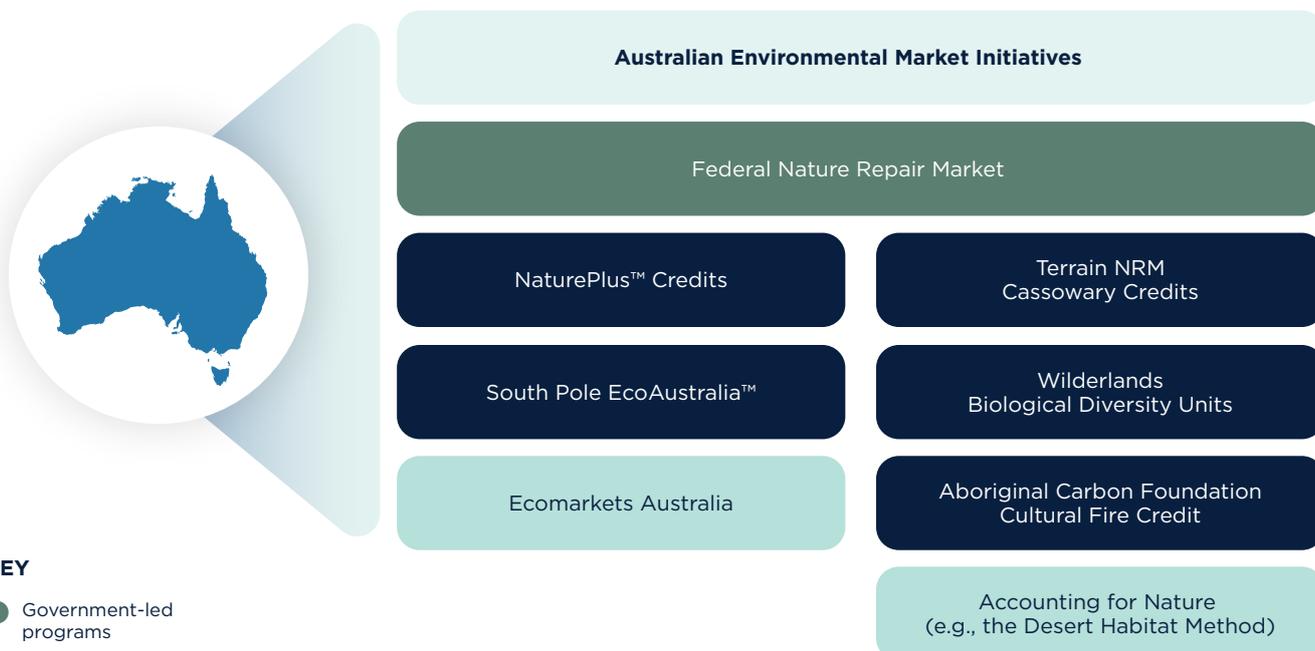


Figure 05. Environmental markets schemes overview.

Table 01. Federal nature repair market.

FEDERAL NATURE REPAIR MARKET

The [Nature Repair Act 2023](#) establishes a world-first national, voluntary, legislated biodiversity market scheme. In this market, scheduled to open in 2025, participants can earn biodiversity certificates or credits for taking actions that result in measurable improvements to ecosystems and biodiversity. These actions could include restoring native vegetation, improving habitat for endangered species, or protecting wetlands. The credits are generated based on the positive environmental outcomes of a project, which are verified against set criteria. Once earned, these biodiversity credits can be sold to businesses, governments, or individuals who want to support conservation or meet regulatory or voluntary sustainability goals. Buyers are likely to include the Commonwealth Government (under a legislated process) and corporates.

NaturePlus™ Credits	South Pole's EcoAustralia™ Credits	Catalyst Markets Cultural Fire Credit
---------------------	------------------------------------	---------------------------------------

The [voluntary NaturePlus™](#) credit scheme applies an environmental accounting framework to generate credits from projects that actively restore or conserve the environmental condition of native species and ecosystems. Credits are generated from projects using [Accounting For Nature](#) (AfN) Accredited, and third-party audited and verified by AfN.

[South Pole's EcoAustralia™](#) credits blend government-accredited Australian Biodiversity Units with international carbon credits from high-quality, [Gold Standard](#) projects. The scheme intends to support Australian organisations in compensating for unavoidable greenhouse gas emissions while contributing to the regeneration and preservation of Australian ecosystems.

The [Catalyst Markets Cultural Fire Credit](#) is a unique type of carbon credit developed by the Firesticks Alliance and the Aboriginal Carbon Foundation, designed to recognize and reward traditional fire management practices conducted by Indigenous communities in Australia. The credit acknowledges and measures both the carbon abatement and the cultural, social, and environmental co-benefits associated with traditional fire management.

Wilderlands Biological Diversity Unit	Terrain NRM Cassowary Credits
---------------------------------------	-------------------------------

[Wilderlands](#) incentivises individuals and organisations to protect Australia's biodiversity through the purchase of Biological Diversity Units (BDUs). The units facilitate a commitment to conserve and regenerate high-value land to contribute to the Federal Government's commitment to protect and conserve 30 percent of Australia's landmass and 30 percent of Australia's marine areas by 2030.

[Terrain NRM](#) has established a new independently verified and tradable 'Cassowary Credit' to attract new investment for Cassowary habitat restoration and management in tropical north Queensland. The scheme targets over 50,000 hectares of land that is unsuitable for agriculture and is designed to create economic benefits for local communities.

The intention is for the unit to be openly traded, and provide the option to be combined with carbon credits to increase payments for habitat restoration efforts.

Environmental market investment vehicles

In response to evolving market trends, dedicated carbon and natural capital investment funds have emerged in Australia. These funds use diverse financing structures to secure nature-based solutions (NbS) carbon credits from a pool of supply-side projects while offering investment opportunities through credit sales on the demand side.

Federal and state governments also play a role in providing market certainty on the supply side,

though none currently deploy blended private-public finance mechanisms. For example, the Queensland Government's Land Restoration Fund (LRF) and the purchasing arm of the Federal ACCU Scheme engage in competitive processes to contract project proponents and purchase carbon credits. The LRF program specifically requires contracted projects to deliver environmental co-benefits certified under the LRF Co-Benefits Standard and supports market participation, including by Indigenous communities.

Indigenous participation

Aboriginal and Torres Strait Islander Peoples have been Caring for Country for millennia and are uniquely positioned to lead environmental market projects and method development.

Australia's response to the dual climate and biodiversity crises cannot succeed without First Nations people, land, and knowledge. First Nations peoples hold rights and interests in over 56 percent of the Australian continent, including exclusive possession (akin to freehold title) over 26 percent. As many First Nations people have long emphasised, 'Country must be cared for, Country needs people.'

First Nations communities have played a key role in developing initiatives that fund and support caring for Country, including national ranger programs, Indigenous Protected Areas, and participation in the Australian carbon market (e.g., the savanna burning methodology).

As environmental markets evolve, opportunities for First Nations participation and leadership are emerging. The Federal Nature Repair Market scheme acknowledges the role of First Nations at three levels:

- Recognising First Nations' contributions to biodiversity protection and restoration.
- Involving First Nations in methodology design and incorporating traditional ecological knowledge.
- Supporting First Nations leadership in biodiversity projects.

Environmental market buyers are increasingly interested in participating in projects owned or co-owned by First Nations. Shifting from participation to leadership is not only crucial for ensuring project integrity and long-term sustainability but also delivers significant benefits for First Nations communities. In environmental markets, these benefits are often referred to as carbon 'co-benefits' or 'non-carbon benefits.' However, Indigenous communities use the term 'core benefits' to highlight and prioritise the social and cultural impacts of carbon projects. These co-benefits can attract a price premium, giving Indigenous-led projects a competitive advantage. They also encourage non-Indigenous project proponents to engage with First Nations communities in a more authentic and collaborative way.

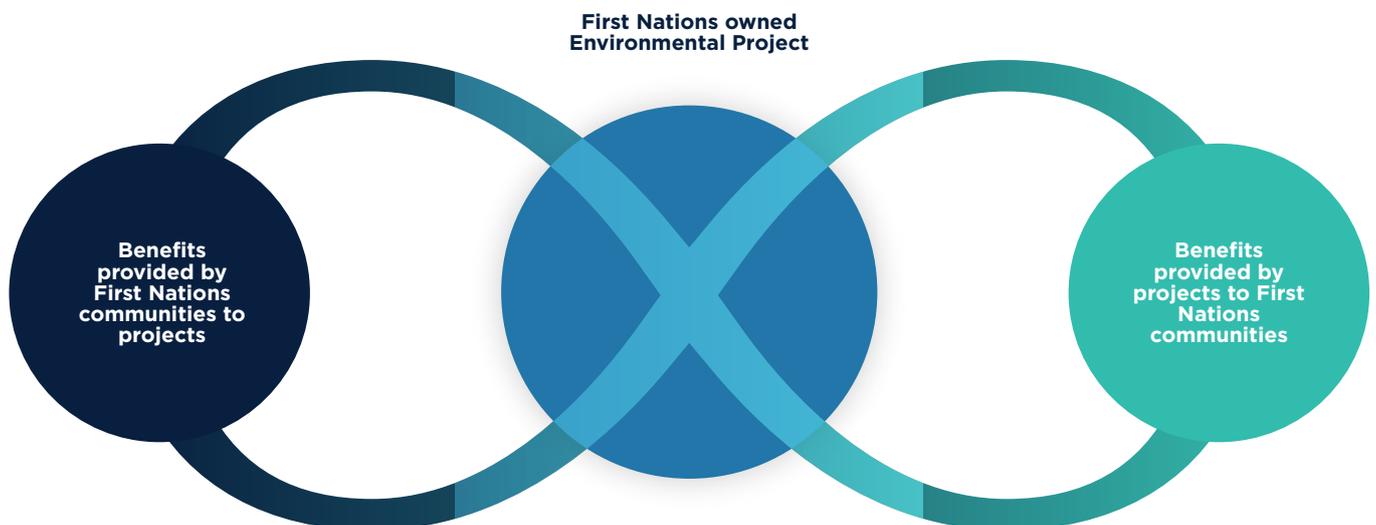


Figure 06. First Nations co-benefits.

Opportunities and Challenges

The unique rights, interests and experiences of Australia's First Nations People creates unique challenges and opportunities.

Potential challenges exist that need to be resolved to enable greater participation and leadership of First Nations People in environmental markets.

Opportunities

Increasing demand for high quality NbS credits:

- Demand for high-quality NbS carbon credits and biodiversity credits will increase, meaning a growing market for Indigenous carbon developers and participation in these markets.

Traditional ecological expertise as a competitive advantage:

- Aboriginal communities' deep expertise in management of traditional lands, beyond savanna burning, positions them to lead in environmental projects that align with cultural practices.

Indigenous-led methodology development:

- As environmental markets, including the Nature Repair Market, are new, First Nations can take an active role in developing methodologies that use traditional ecological expertise aligned with Country and community.

Indigenous leadership in shaping environmental markets:

- In the emerging Nature Repair Market, there is an opportunity for Indigenous groups to lead environmental projects, and to define how environmental projects interface with communities, setting standards for meaningful, ethical and high integrity participation in the growing environmental market.

Economic growth and job creation:

- New skills and jobs will be needed to service the market value chain as the industry grows. Environmental market projects offer long-term income and job opportunities across the entire value chain in both rural and urban areas, driving economic growth and creating roles in land management, project development, and monitoring, verification and reporting.

Reinforcing sovereignty and land rights:

- By environmental market initiatives, Indigenous communities can strengthen sovereignty over their lands, ensuring that projects respect cultural values and protect biodiversity.

Increased pressure to partner:

- Increasing scrutiny on project developers to meaningfully engage with Indigenous communities (e.g. beyond the FPIC process), creates an opportunity for Indigenous communities to define what that engagement looks like, and what Indigenous-led means.

Challenges

Access to early-stage funding:

- High upfront costs for projects, particularly in rural and remote areas, can prevent Aboriginal communities from entering environmental market project development.
- Additional support will therefore be needed to de-risk early-stage and innovative projects.

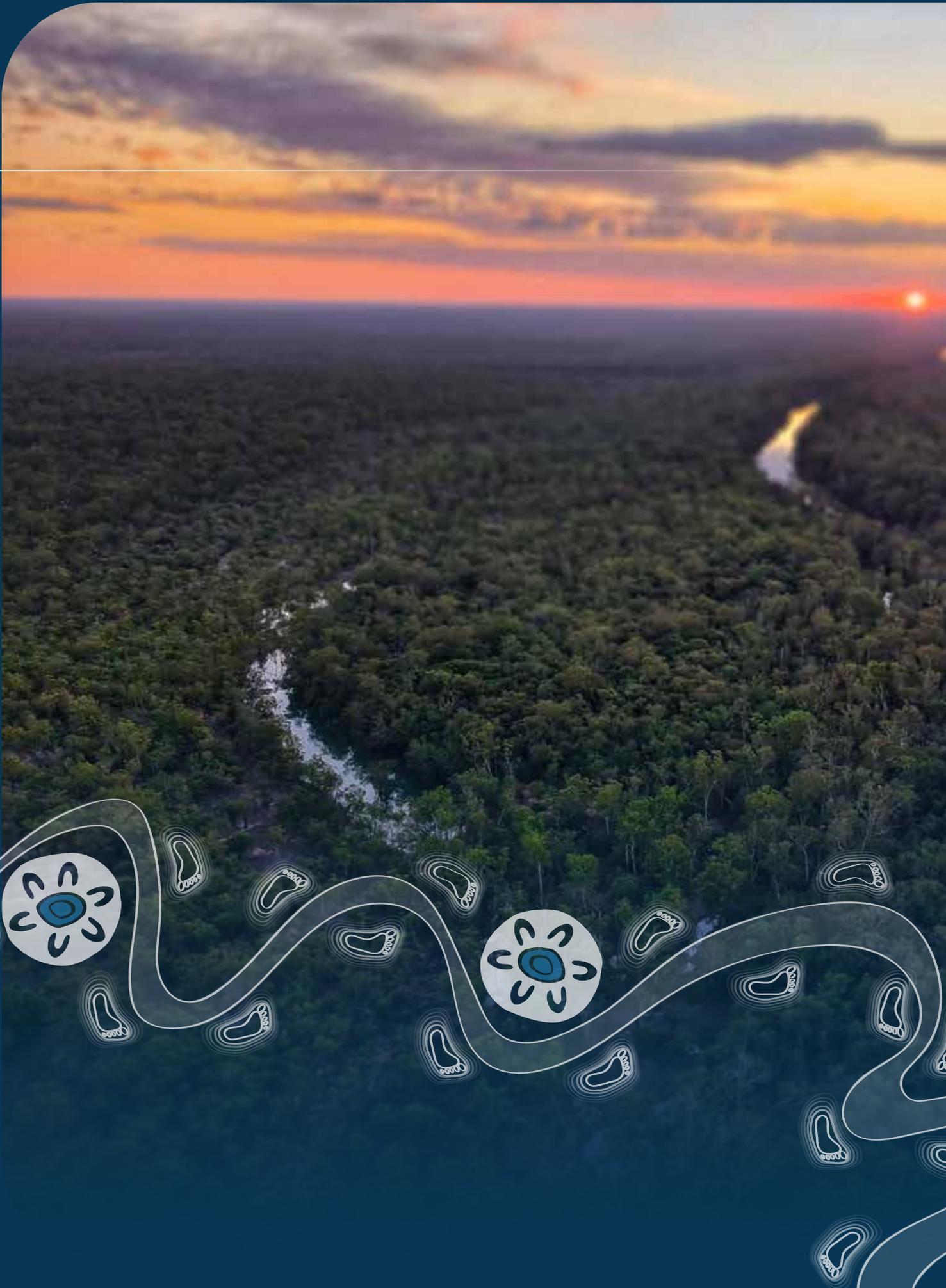
Workforce capability:

- The expanding environmental markets will require new skills and jobs.
- There is currently a gap in workforce planning and training to ensure Aboriginal people have the necessary skills to participate in and lead the development of environmental market projects across the entire value chain.

Setting the terms:

- There is limited transparency in the commercial negotiations with project developers and other parties in environmental projects on land with Indigenous rights.
- This limits competition for partners and bargaining power.

The future of Australian environmental markets presents new opportunities for First Nations participation and leadership, especially where Indigenous ecological expertise and land management practices intersect with the growing demand for on-ground landscape-scale nature and biodiversity solutions.







Australian Government
Indigenous Land and Sea Corporation



The ILSC GROUP

PEOPLE. COUNTRY. OPPORTUNITY.



**Western Division
(WA)**

Level 20, 140 St Georges Terrace
Perth WA 6000

PO Box 7502 Cloisters Square
Perth WA 6850

T (08) 9420 6300

F (08) 9467 2800

E westernoffice@ilsc.gov.au



**Central Division
(SA, VIC, TAS, NT)**

Level 7, 70 Franklin Street,
Adelaide SA 5000

GPO Box 652
Adelaide SA 5001

T (08) 8100 7102

F (08) 8100 7150

E centraloffice@ilsc.gov.au



**Eastern Division
(QLD, NSW, ACT)**

Level 18, 100 Creek Street
Brisbane QLD 4000

GPO Box 5212
Brisbane QLD 4001

T (07) 3854 4600

F (07) 3056 3394

E easternoffice@ilsc.gov.au

Established in 1995 under the *Aboriginal and Torres Strait Islander Act*, we provide for the contemporary and future land needs of Indigenous people, particularly those unlikely to benefit from Native Title or Land Rights.

We work with our Indigenous partners to grow their economic, environmental, cultural and social capital by supporting their acquisition and management of land and water. In redressing dispossession, we provide for a more prosperous and culturally centred future for Indigenous people.

The Indigenous Land and Sea Corporation is a Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013*.



www.ilsc.gov.au
FREECALL 1800 818 490