

Maartje Sevenster¹¹ CSIRO Agriculture & Food, Canberra, Australia**Background:**

Markets are increasingly driving reporting of sustainability metrics along supply chains and, hopefully, genuine improvements in the sustainability of farming. Canola producers in Australia and Canada have been ahead of the pack in experiencing the effects of the Renewable Energy Directive (RED) in the European Union. Over the last few years, however, voluntary initiatives as well as legislation that rely on supply chain reporting of greenhouse-gas (GHG) emissions have gained momentum at a very fast pace.

Developments in market expectations:

The increase in voluntary reporting of GHG emissions has been driven by two large global initiatives: the Science Based Targets initiative (SBTi) and the Taskforce on Climate-related Financial Disclosures (TCFD). It is primarily large agrifood multinationals that commit to GHG reporting and mitigation, but their commitments influence their supply chains via so-called “Scope 3” emissions, which include the direct emissions of agricultural producers supplying them. Thus, reporting requirements are passed up supply chains and across borders.

Mandatory reporting of supply chain GHG emissions has been very limited until recently. The EU RED was a very early example, but in 2022 Japan began mandating GHG reporting for companies listed on the Tokyo Stock Exchange and other countries will soon follow suit. This will have effects similar to the SBTi and TCFD.

Canola and the European biofuels market:

The EU RED is a domestic policy, but it has a supply-chain effect by allowing oilseed exporting regions to demonstrate that their GHG emissions are below a set default. The need to report on GHG does not apply to individual crop producers but region-specific values are recognized by the European Commission based on country reports. Australia and Canada, as non-EU members, have had a recognized country report in place for canola since 2017. The approval process of updated reports is in progress.

The EU RED legislates progressive targets for minimum GHG mitigation achieved by biofuels compared to fossil fuels. The GHG emissions of crop production must meet ever lower thresholds to be attractive as inputs for biofuel producers.

What does the future hold:

Discussions around sustainability of agricultural exports are now part of trade negotiations. The ability to demonstrate – at industry level – good performance as well as continuous improvement will be increasingly advantageous. Australia has stepped up to this by developing a unique agriculture-wide sustainability framework and consistent rules on GHG reporting at industry level. However, trade agreements play little to no role in reporting of sustainability metrics by producers and this is unlikely to change.

The scope of the reporting is expanding beyond GHG, and the Taskforce on Nature-related Financial Disclosures (TNFD) is quickly taking over as the new driver of best practice. The reporting frameworks around aspects of natural capital and resource use are in development.

In the midst of these developments, it will be crucial to ensure that genuine sustainability outcomes are achieved and to avoid perverse incentives by increasing understanding of local systems and trade-offs.