Rules for Application of Market Soundings in the Biodiversity Conservation Fund Charge System

Purpose

The *Biodiversity Offsets Payment Calculator Order 2022* (the **Calculator**) establishes the offsets payment calculator under section 6.32(1) of the *Biodiversity Conservation Act* 2017.

This document sets out the rules for applying market soundings for the purpose of Part 6 of the Calculator.

1. Seeking data from the market (Part 6.1 and 6.2 of the Calculator)

The Trust may go to market participants to seek information for the following purposes:

1.1 Estimating likely credit yield for the Offset Trading Group (OTG) to apply in part 3.1 of the Calculator when the Trust considers there is little or no relevant data from existing Biodiversity Stewardship Agreement (BSA) sites to estimate credit yield under part 3.8 of the Calculator.

1.2 Estimating typical BSA size for the OTG in part 3.1 of the Calculator when the Trust considers the statewide offset trading group layer has limitations to estimate typical BSA size under part 3.2 of the Calculator.

1.3 Estimating typical management costs for the OTG under part 3.1 of the Calculator when the Trust considers the management costs from existing sites from part 3.3 of the Calculator are not relevant to the OTG.

1.4 Estimating the species credit pricing category under part 4 of the Calculator where the Trust considers the data available in the Threatened Biodiversity Data Collection has not considered new information available in the market or for newly listed species.

1.5 Forecasting demand and supply over coming three years for a relevant OTG and geographic region when estimating the likely BSA size under 3.1 of the Calculator or market tightness for an OTG under part 5 of the Calculator.

2. Using existing trade and Tender data to calculate a predicted credit price (Part 6.3 of Calculator)

2.1. The Trust will calculate predicted credit price for ecosystem credits based on the weighted average price of Biodiversity Assessment Method (BAM) transactions and Trust value-for-money credit tender prices from the last 12-24 months for a relevant offset trading group and geographic region.

2.2. When calculating the predicted credit price the Trust will;

a) Only use credit transactions of BAM credits in last 2 years. This can include where BBAM credits have been converted to BAM credits via a statement of reasonable equivalence.

b) Only use independent and valid transactions (i.e. not averaged or internal trade).

c) Only use trades from the relevant IBRA Subregions.

d) Use Tender prices identified by the Trust as value for money from the last tender (or tenders if more than one) in last 24 months.

e) Prioritise trades or tender prices from the last 12 months if there are more than 10 relevant prices. Is there is evidence of price movement in last 12 months restrict to trades from last 12 months only.

f) Calculate Weighted average price from the sum of the number of BAM credits x price per credit for each relevant transaction divided by the total number of BAM credits to produce an average price per credit.

3. Giving Weight to Market price and the Cost Structure Model price (Part 2.1 (4) of the Calculator)

The Trust will apply the following approach to giving weight to predicted credit price:

3.1 if no or little credit supply remains available from sites with transactions: give zero weight to existing trade and tender data price.

3.2 if <10 trades and credit supply still available: give 30% weight to existing trade and tender data price and 70% weight to the Cost Structure Model Price.

3.3 if 10 or more trades and moderate to high credit supply still available: give 50% weight to existing trade and tender data price and 50% weight to the Cost Structure Model Price.

3.4 in circumstances where the Trust has entered an agreement to purchase credits to meet a credit obligation it holds, the Trust will assign weighting it considers appropriate to this market price and cost-structure model price having regard to the following:

a) the currency of the market price information

b) the number of credits in the obligation versus the number of strategic credits held by the BCT or contracted to purchase by the BCT.