

## NSW Biodiversity Conservation Trust's implementation of Recommendation 11 from the Audit Office report on the Biodiversity Offsets Scheme

*Recommendation 11:*

***Report annually on the estimated number and type of offset obligations that can/cannot be met on a like-for-like basis, and the estimated costs for acquitting these within 12 months.***

### **The NSW Biodiversity Conservation Trust (BCT) has a statutory role to accept and acquit offset obligations where developers pay into the BCF**

One of the BCT's statutory objects is to seek strategic biodiversity offset outcomes under Section 10.4(1) of the *Biodiversity Conservation Act 2016*. This includes a statutory role under Section 6.31(1) to acquit offset obligations where developers have paid into the Biodiversity Conservation Fund (BCF). It does so in accordance with the *Biodiversity Conservation Regulation 2017* (BC Regulation) which includes prioritising like-for-like offsetting. Where necessary the BCT can consider "stepping down" the offset hierarchy in clause 6.6(1) of the BC Regulation. This includes use of:

- variation rules, where the same number of credits are purchased and retired for similar ecosystems or threatened species to those transferred to the BCF to offset development impact (e.g. purchase and retire credits from grassy woodland in the Sydney area to meet offset impacts to grassy woodland in the Hunter Valley).
- Conservation Actions that specifically benefit the relevant threatened species or ecological community (e.g. funding installation of artificial tree-hollows for threatened birds that use hollows for nesting).

### **The BCT takes a strategic approach to deliver offsets that maximise biodiversity outcomes**

The BCT takes a strategic approach to the purchase of biodiversity credits to offset development impacts. This includes implementation of tenders and fixed-price offers to purchase value-for-money credits, prioritising like-for-like credits and minimising the time offset obligations are held.

To 30 June 2022 all credits purchased by the BCT were used to acquit offset obligations on a like-for-like basis. In the 2022-23 financial year, the BCT began to cautiously apply the variation rules in the BC Regulation to acquit a small number of offset obligations.

The BCT Board has approved the framework the BCT takes to conservatively apply the offset hierarchy set out in the BC Regulation. The approach seeks to maximise biodiversity outcomes while managing any financial risks to the BCT in operating the Biodiversity Conservation Fund.

Under this framework, the BCT only considers the use of variation rules or conservation actions after the obligation has been held for more than two years or when two market offerings (i.e. tenders and/or fixed-price offers) have failed to secure like-for-like credits.

Within this conservative framework, in 2023 the BCT has adopted an even more cautious approach by only applying variation rules to selected *ecosystem* credits. Beginning in the 2023-24 financial year, the BCT will seek to acquit obligations for a limited number of threatened *species* by funding targeted Conservation Actions. The BCT will focus on funding actions with enduring direct benefit to the threatened entity.

## The BCT's approach to acquitting offset obligations in 2023/24

The table below shows the number of ecosystem and species credit offset obligations held by the BCT at 30 June 2023, the proposed approach to acquitting those obligations using the BCT Board-approved approach and the estimated cost to purchase those credits or implement Conservation Actions.

CREDIT TYPE	OFFSET HIERARCHY APPROACH	NO. CREDITS	ESTIMATED COST TO PURCHASE CREDITS/IMPLEMENT CONSERVATION ACTION (\$M)
<b>ECOSYSTEM</b>	Like-for-Like credits	11,762 (29.9%)	137.4
	Variation credits	2,502 (6.4%)	35.6
	Conservation Actions	216 (0.6%)	8.7
	Subtotal	<b>14,480 (37%)</b>	<b>181.8</b>
<b>SPECIES</b>	Like-for-Like credits	22,068 (56.4%)	39.5
	Variation credits	Nil (0%)	Nil
	Conservation Actions	2,546 (6.6%)	8.1
	Subtotal	<b>24,614 (63%)</b>	<b>47.6</b>
<b>TOTAL</b>		<b>39,094 (100%)</b>	<b>229.4</b>

In considering the above estimates, it is important to understand:

1. The cost to purchase biodiversity credits set out in Table 1 is an **estimate only** calculated using the current [Biodiversity Conservation Fund Charge System](#)<sup>1</sup> price (less administration fee). The BCF charge net of administration fee represents the BCT's best estimate of the expenditure required to acquit the current obligations by buying like-for-like credits. The actual cost to the BCT to purchase credits may differ and is expected to be less in some cases.
2. The application of the offset hierarchy by the BCT to acquit offset obligations will be regularly reviewed. The outcomes of the May 2023 credit tender will be finalised in the first part of 2023/24 which will inform consideration of application of the offset hierarchy later in the year. Tender outcomes will be publicly communicated in the BCT annual report and/or in other information releases throughout the year.
3. The BCT does not expect to secure all outstanding biodiversity credits in 2023/24. It is not possible to accurately predict how many credits the BCT will secure in a 12-month period as this is dependent on factors outside the BCT's control, such as the supply of credits on the market.

<sup>1</sup> The Biodiversity Conservation Fund (BCF) Charge System is administered by the NSW Biodiversity Conservation Trust (BCT) and is used to determine the cost of meeting biodiversity offset obligations for proponents who choose to pay into the BCF.

4. Where the BCT Board has approved the use of variation rules to acquit some offset obligations, the BCT may still acquit those obligations using like-for-like offset rules if suitable biodiversity credits become available at prices that represent value for money.
5. The estimates exclude credit offset obligations the BCT has already purchased ready for retirement, or already secured under contract for future purchase.