

Framework for updating the Biodiversity Offset Payment Calculator

The Biodiversity Offset Payment Calculator (BOPC) is used to determine the cost of meeting biodiversity offset obligations for proponents who choose to pay into the Biodiversity Conservation Fund (BCF). It is administered by the NSW Biodiversity Conservation Trust (BCT).

The BOPC determines a charge by estimating the likely cost of acquitting an obligation with like-for-like credits from one or more of four tools:

1. Cost-structure tool for ecosystem credits
2. Cost-structure tool for species credits
3. Statistical (econometric) model for ecosystem credits
4. Market soundings.

The [Biodiversity Offsets Payment Calculator Order 2022](#) establishes the BOPC. Appendix 1 to the Order explains the method used to determine the cost for proponents who choose to pay into the BCF, including details of the tools used to estimate the cost of acquitting an offset obligation. The Order provides for the BCT to publish five [rules](#) on its website, to be used when calculating a charge.

Purpose of this framework

This framework provides guidance about when the BCT will update the variables in the tools used to estimate the cost of acquitting an offset obligation, and the BOPC. The framework aims to ensure:

- Amounts calculated by the BOPC reflect a reasonable estimate of the cost to the BCT of acquitting an offset obligation with like-for-like credits.
- Cost estimates are increasingly based on models of trade data rather than cost-structure tools as sufficient trade data becomes available.
- The update process does not destabilise the market.
- There is transparency about the update process and outcomes.

The BCT may update this framework as needed and will publish the new framework on the BCT website.

Circumstances in which the BCT will update the variables in the tools used to estimate the cost of acquitting an offset obligation

The BCT will update the variables in the tools in the following circumstances:

1. Immediate updates if there are out-of-cycle changes to the Total Fund Deposit discount rate

The Department of Climate Change, Energy, Environment and Water's (DCCEEW) [Framework for reviewing the Total Fund Deposit discount rate](#) guides when the Department will review and, if needed, change the discount rate, including through scheduled and out-of-cycle reviews. Changes due to scheduled reviews will be included in routine updates (see below). Changes due to out-of-cycle reviews will trigger the BCT to update the BOPC as soon as possible after the Environment Agency Head decides to change the discount rate.

2. Immediate updates if there are changes to species credit classes or survey guidance

DCCEEW occasionally amends threatened species credit classes (for example, to change an ecosystem credit to a species credit) or survey guidance. Where a change impacts on the species categorisation, the BCT will update the BOPC. Any change will commence at the same time as Department updates to the BAM-C.

3. Annual updates based on reviews of data

The BCT will review data annually and may decide to update the variables if the following triggers are met:

- **Routine updates are required under the Standard Operating Procedures.** The BCT will conduct routine updates of the variables in the tools as outlined in the Standard Operating Procedures – Updating datasets for the BCF Charge System. These procedures will ensure the BCT meets the requirements in the Order and rules.

The Standard Operating Procedures will be reviewed, if required, following changes based on the triggers listed below or updates to the BOPC.

- **Expert advice indicates there have been sufficient trades to use a statistical (econometric) model to determine charges for a certain offset trading group.** The BCT will provide all trade data to a relevant expert(s) annually (prior to the end of the financial year) for advice on whether there have been sufficient trades for any offset trading groups. Where the experts advise that this is the case, a statistical model will be developed and used to determine the credit charge from the start of the following financial year.

Where the experts advise that this is not or is no longer the case, a cost-structure tool or a cost-structure tool plus market soundings will be used to determine the credit charge, even if a statistical model was used in the previous year.

- **The number of Biodiversity Stewardship Agreement (BSA) sites established reaches a high enough number to adjust the categories of BSA size and geographic region.** For example, if more than 20 BSA sites greater than 1000 hectares are established in a geographic region, the BCT may add a new category of 1000 hectares +. Similarly, if 250 BSA sites are established outside of Sydney, the BCT may seek Ministerial approval to add to or adjust the geographic regions.

Any changes to the categories of BSA size and geographic region will commence from the start of the following financial year.

- **Data indicates that the BOPC has under or overvalued one or more credit types substantially and for a sustained period.** The BCT will conduct an annual review of data such as: purchase prices; offers received in BCT or other tenders; or any other relevant data. Where data indicates that the BOPC price has under or overvalued a credit type substantially and for a sustained period, the BCT will investigate the cause of the difference and may adjust one or more of the variables to better align the BOPC with observed prices.
- **Data indicates that the delivery cost is significantly higher or lower than the actual administration cost to the BCT to meet credit obligations for a sustained period.** Where the data indicates that the delivery cost is significantly higher or lower than the actual administration costs for a sustained period, the BCT may seek Ministerial approval to adjust the delivery cost. Any change will commence from the start of the following financial year.
- **If required by a Government response to an independent or external review.** If an independent or external review makes a recommendation that would require changes to one or more variables in the tool to deliver, and Government supports that recommendation, the BCT will update the variable or variables accordingly.

Circumstances in which the BCT will request that the Minister updates the Biodiversity Offsets Payment Calculator

Changes to the BOPC require a change to the Order, which is made by the Minister. The BCT will request that the Minister updates the BOPC in the following circumstances:

1. If required by a Government decision (in response to an external review, for example)

If Government makes a decision that would require changes to the BOPC to be implemented or the prices to be calculated using a different method, the BCT will request that the Minister updates the BOPC.

2. If Government decides to seek accreditation of the BCF under Australian Government national environmental standards, and changes are required to obtain accreditation

The Australian Government is reforming the *Environment Protection and Biodiversity Conservation Act 1999 (Cwth)*, including National Environmental Standards for environmental offsets. If Government decides to seek accreditation of the BCF under these new standards, the BOPC may need to be updated to obtain accreditation.

3. If recommended by a scheduled BOPC review

The BCT will conduct a scheduled BOPC review every five years from the commencement of any changes to the BOPC required by the Government response to the Independent Review of the Biodiversity Conservation Act 2016: Final Report, or, if there are no changes to the BOPC required, from the release of the Government response. The scheduled reviews will include stakeholder and public consultation.

If updates to the BOPC are recommended by a scheduled review, the BCT will request that the Minister updates the BOPC

Approvals

Table 1: Approvals required for changes to the tools used to estimate the cost of acquitting an offset obligation and to the BOPC.

Change	Approval required
Immediate updates if there are out-of-cycle changes to the Total Fund Deposit discount rate	Standard BCT approval processes. The Environment Agency Head makes the decision to change the discount rate, which triggers this update.
Immediate updates if there are changes to species credit classes	Standard BCT approval processes.
Routine updates required under the Standard Operating Procedures	Standard BCT approval processes.
Triggered by expert advice that there have been sufficient trades to use a statistical (econometric) model to determine charges for a certain offset trading group	Standard BCT approval processes. This update is triggered by expert advice.
Triggered by the number of BSA sites established reaching a high enough number to adjust the categories of BSA size and geographic region	Minister. This change requires a change to the Order, which is made by the Minister.
Triggered by data indicating that the BOPC has under or overvalued one or more credit types substantially and for a sustained period	Standard BCT approval processes.
Triggered by data indicating that the delivery cost is significantly higher or lower than the actual administration cost to the BCT to meet credit obligations for a sustained period	Minister. This change requires a change to the Order.

Change	Approval required
Triggered by a Government response to an independent or external review	Minister. Any changes are likely to require a change to the Order.
Updates to the BOPC	Minister. Any changes to the BOPC will require a change to the Order.

Communications

Table 2: Methods the BCT will use to communicate changes to the BOPC.

Change	Methods of communication
Immediate updates if there are out-of-cycle changes to the Total Fund Deposit discount rate	<p>Prior to updating the tools</p> <ul style="list-style-type: none"> The BCT will advise stakeholders of the changes that will be made and that updated pricing will commence 1 month following update of the TFD discount rate. The Framework for reviewing the TFD discount rate commits the Department to publishing outcomes of the reviews four weeks prior to any changes coming into effect. The BCT will work with the Department to include notifications of impending BOPC changes as part of broader communication package concerning the TFD discount rate change. <p>Following the update of the tools</p> <ul style="list-style-type: none"> BCF Charge Quotes will include the updated price from 1 month after the TFD discount rate is changed.
Immediate updates if there are changes to species credit classes	<p>Prior to updating the tools</p> <ul style="list-style-type: none"> The Department will advise stakeholders via the Biodiversity Offsets Scheme (BOS) newsletter that a species credit will be amended. The BCT will advise stakeholders via the BOS newsletter that the BOPC price will change at the same time as the BAM-C is updated. <p>Following the update of the tools</p> <ul style="list-style-type: none"> BCF Charge Quotes will include the updated price from the date the BAM-C is updated.

Change	Methods of communication
Annual updates based on reviews of data	<p>Prior to updating the tools</p> <ul style="list-style-type: none"> The BCT will advise stakeholders via the BCT website of the updates to the variables in the tools that will be made and that the updates will commence with the start of the financial year. 2 months before updates commence, the BCT will remind stakeholders about the updates via the BOS newsletter and the BCT website. 1 month before updates commence, the BCT will remind stakeholders about the updates via the BOS newsletter and the BCT website. <p>Following the update of the tools</p> <ul style="list-style-type: none"> The BCT will update all relevant summary data on the BCT website.
Updates to the BOPC	<p>Prior to updating the BOPC</p> <ul style="list-style-type: none"> Depending on the scale and nature of the proposed change, and what prior stakeholder and public consultation has occurred (e.g. through an independent or external review), the BCT may conduct public consultation prior to updating the BOPC. The BCT will advise stakeholders of the changes that will be made to the BOPC and the date that the changes will commence via the BOS newsletter and on the BCT website. The BCT will remind stakeholders about the updates via the BOS newsletter and the BCT website, as appropriate.