

BOS Support Webinar

A new approach to establishing the developer charge for payments into the Biodiversity Conservation Fund

Questions and Answers

Topic: The cost-structure model

Q1: How will key stakeholder groups be selected to participate in Stage 2 consultation?

The Biodiversity Conservation Trust (BCT) is engaging key Biodiversity Offsets Scheme (BOS) stakeholders and participants throughout multiple stakeholder meetings and workshops during the year (see slide 14 of the webinar presentation).

The BCT is seeking nominations to participate from various stakeholder representatives. Refer to [A new approach to establishing the charge for payments into the Biodiversity Conservation Fund](#) on the BCT webpage for further information. BOS stakeholders and participants can also provide comments, suggestions and data to info@bct.nsw.gov.au with the subject line 'BCF charge system'.

Q2: Will the developer charge prices be determined using a measure of the costs incurred to generate the credits, using Tables 6 & 7 of the Biodiversity Assessment Method 2020, plus allowing for lost opportunity cost (to replace foregone income) and Capital Gains Tax among other taxes?

The cost-structure model for the Biodiversity Conservation Fund (BCF) charge system aims to consider all costs incurred by a landowner to generate biodiversity credits. This includes entry costs, management costs, opportunity cost, Capital Gains Tax and a profit/risk margin. The BCT will work with stakeholders to develop robust, practical methods which account for these costs (see Q1 and slides 10-14 of the webinar presentation).

Q3: Will the developer charge in the cost-structure model reward genuine 'avoidance' in project location/design, or will the price be so low that the cost of impacting biodiversity is not proportional to the development cost?

The charge aims to reflect the cost of establishing an offset site to generate the required biodiversity credits (see Q2). The objectives of the new methods to calculate the charge are to ensure the most valid approach is used for each Offset Trading Group (OTG) and all the costs of producing an offset are considered.

Q4: Will the pricing model consider factors such as: 1) landholders may fail to sell a proportion of their credits; and 2) some credits can be sold more easily than others?

Yes, these are some of the many factors the BCT will consider when developing the proposed model. The BCT is interested to hear stakeholder views on how to account for these factors in the BCF charge system (see Q1 and slide 14 of webinar).

Topic: BOS market tools

Q5: If the Biodiversity Offsets Payment Calculator (BOPC) is removed from public view, how can offset costs be reasonably estimated?

The Department of Planning, Industry and Environment (the Department) [consultation on proposed changes to the BOPC](#) identified this as a significant stakeholder concern and have deferred its removal from public view in response to feedback to allow the BCT to complete

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consultation on a long-term replacement for the BOPC (see slide 4 and 7 of webinar presentation). The Department is developing market tools to assist stakeholders with market information. These will be developed in conjunction with the BCT's consultation process on the design of the BCF charge system. The [BOS public registers](#) and the BioBanking [Spot Price Index](#) (SPI) can also support landholders in determining if the offer price is fair and reasonable.

Q6: Will there be potential for limited access to a future version of the BOPC if it decommissioned or removed from public view? For example, access to forecast potential offsetting costs for project feasibility studies.

Please refer to Q5. The Department and the BCT are proceeding to implement the recommendation that the BOPC be removed from public view once the BCF charge system is implemented.

Q7: Is the Department or BCT preparing a 'scenario testing' tool that allows developers (or their consultants) to test clearing scenarios and undertake feasibility studies/due diligence.

The Department is developing market tools to assist stakeholders with market information (see Q5).

Q8: How can private landowners assess whether an offer received from a developer to purchase biodiversity credits is fair and reasonable? What other approach to estimate costs will be provided if the BOPC is no longer available?

Please refer to Q5.

Q9: Will the BCT resolve the lack of transparency in offset trades?

All biodiversity credit purchases by the BCT are published in the [BOS](#) and [BioBanking public registers](#), alongside other market transactions. The BCT welcomes additional feedback on the publishing of information on payments into the BCF, the outcomes of BCT tenders and other purchasing processes (see Q1 and slide 14 of webinar).

Q10: Could the BCT act as a conduit between buyers and sellers? They have the relevant information from both sides of the biodiversity credit market.

No, this is not the legislative role of the BCT. See [Biodiversity Offsets Scheme Brokers](#) on the Department's webpage.

Q11: Will case studies/scenarios be published that consider the new model, associated costs and the ecological outcomes for the amount proposed to be paid?

The BCT welcomes feedback as part of the Stage 2 consultation (see Q1, slide 7 and 14 of webinar). The Stage 1 consultation process indicated a need for more accessible information (see slide 6 of the webinar presentation). The BCT is considering the link between the cost of credit generation and meeting Total Fund Deposits (TFDs) as part of the cost-structure model development.

The BCT have also introduced the Ecological Monitoring Module (EMM), which is a component of the TFD. The EMM will produce data that will help quantify and review the ecological outcomes from Biodiversity Stewardship Agreements (BSAs).

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Topic: Impacts on the BOS market

Q12: What is BCT's role and behaviour in the market?

Refer to the BCT's webpage [What we do](#) for details on the BCT's roles, purpose and strategic goals.

The BCT and the Department recognise the importance of transparency and in providing assurance to the market, and have therefore established the following strategies:

- Running a transparent consultation process.
- Committing to having the method independently reviewed and published in 'plain English'.
- Working with probity advisors to ensure appropriate processes are in place.
- The Department is leading the development of an assurance process to oversee the BCT's administration of the BCF charge system.

Q13: How will the changes impact certainty and stability in the pricing of biodiversity credits?

The cost-structure model for calculating the BCF charge will increase credit pricing stability and improve certainty for market participants. This is particularly impactful for the large number of OTGs with few or no credit trades. Please refer to the webinar presentation for additional information.

Q14: What is the risk of the government constantly changing the calculator?

The BCT acknowledges stakeholder concerns regarding the impact of changes and encourages feedback on those concerns during Stage 2 consultation. However, there is a clear need to address issues such as volatility, uncertainty, the market-making role of the BOPC and lack of supply.

The intent of the BCF charge system is to fairly price biodiversity credits by incorporating the costs to generate them (see Q2) and market trades, where sufficient trades are available. The method will establish how frequently the data underpinning the credit pricing is updated, with an aim to increase credit price stability.

Q15: Developers will look at the cost of purchasing credits and the cost of payment into the BCF and choose the cheapest option. How will the new pricing scheme overcome this?

The BCT is required to provide a quote to a development proponent to enable payments into the BCF, as required under the *Biodiversity Conservation Act 2016* (BC Act). The intent of the consultation process is to support development of a new BCF charge system that is fair and robust.

Q16: What will happen to credit prices and BCF charges when there are no offsets available for trading?

The BCF charge system aims to predict the cost to the BCT of acquiring like for like biodiversity credits (see Q13 and Q14). As a market based system, we would expect that prices for scarcer credits may increase over time. Please refer to the webinar presentation for additional information.

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The BCT apply the [offset rules](#) established under the BC Act to meet offset obligations, including the use of variation rules and conservation actions.

Q17: Will Local Government be included in the consultation?

The BCT is meeting with Local Government (including Local Government NSW and Councils who provided submissions to stage 1 consultation) in the stakeholder meetings scheduled during the Stage 2 consultation (see Q1 and slide 14 of the webinar presentation).

Topic: Developer charges and credit prices

Q18: How will the Biodiversity Conservation Fund improve local conservation and biodiversity values?

The changes to the BCF developer charge are aimed at improving the process to establish the charge if a developer chooses to pay into the BCF.

This does not change the application of the Biodiversity Assessment Method 2020 (BAM) or the offset rules of the BOS. For further information on how the BOS operates, please refer to the [Biodiversity Offsets Scheme](#) section on the Department's webpage.

Q19: Please explain how credit prices are accurately and consistently expressed in terms of BAM credits when calculating developer charges?

The new model aims to establish a charge for BAM credits and will consider typical credit generation under the BAM. Please refer the webinar presentation for additional information.

Q20: When will the BOPC pricing be fixed – i.e. removing trades that were only for Part A (management cost), rather than the full credit cost amount? Also, when will credit pricing switch to become forward looking, rather than looking only at past trades?

The BOPC will be removed from public view once the BCF charge system is implemented (see Q5).

The cost-structure model will not rely on past trade data and will input typical costs under published guidelines (see Q2). A new econometric model is proposed to be developed. It will consider if, and how, to deal with past BBAM trades including considering non-market trades and the discount rate change among other issues (see slide 9 of the webinar presentation).

Q21: Will this change further reduce credit prices?

There is no objective to increase or reduce credit prices (see slide 8 of the webinar presentation). The objective of the new methods to calculate the developer charge is to ensure the most valid approach is used for each OTG to accurately predict the cost to the BCT of securing the credits (see Q2).

Q22: Have you considered that only costing at the average for delivering credits, and not accounting for the Part B component, will mean fewer landholders will consider BSAs?

The Part A and Part B component are included in the cost-structure model as a consideration (see Q20 and slide 10 of the webinar presentation). The BCT are looking at all cost

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considerations from the supply side of the market in establishing the charge through the cost-structure model.

Q23: How can you justify the small cost for candidate species? Credit costs could not cover rehabilitation and remediation for threatened species and their habitats.

The BCT is considering development of a new species credit model which categorises species based on management and how difficult species credits are to generate at an offset site (see to slide 10 of the webinar presentation). This model is proposed to incorporate the cost of survey and management (including monitoring) into the BCF charge for species credits.

Q24: Will these proposed changes further reduce the value of ecosystem credits, particularly in the Sydney Basin?

Please refer to the response to Q3 and Q21.

Biodiversity credits from the Sydney Basin would likely be priced through a revised econometric model (credit trade-data based) approach (see slide 9 of the webinar presentation). There are a significant number of credit trades for many OTGs in the Sydney Basin and therefore this approach is likely to be the most appropriate method to determine the BCF charge.

Q25: How is the value of the biodiversity credits calculated in a BSA which is relevant to Capital Gains Tax?

The BCT has published a [Taxation Guide](#) for BSA holders. The BCT recommends landholders seek independent advice on the tax implications of entering into a BSA.

Topic: Biodiversity Offset Scheme

Q26: Why are biodiversity offset obligations being referred to as developer charges?

The use of 'BCF charge' is intended to clarify that the BCF charge system sets a charge for a developer who wishes to make a payment into the BCF. It is not designed to influence general market price for biodiversity credits.

Q27: Will you make the submissions from the previous Stage 1 consultation available?

Submissions are being considered by the BCT and the Department as part of current and future work on the new arrangements.

Q28: Is there anything specific to State Significant Development (SSD) that participants should be aware of?

There are no substantive changes proposed specific to SSD. Note, the time available to the BCT to prepare a quote for payment into the BCF may differ by project scale and type. The BCT will be seeking further feedback on this aspect of the proposed changes during Stage 2 consultation (see Q1).

Q29: Have commercial conservation site holders been considered in these changes?

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Landholder consultation is a key component of Stage 2 consultation designed to capture the views and needs of current and prospective BSA landholders (see Q1).

Q30: When will the proposed changes take effect?

Refer to [A new approach to establishing the charge for payments into the Biodiversity Conservation Fund](#) on the BCT webpage for further information and project timeframes. The new methods are intended to be implemented in early 2022.

Q31: Has the Department considered moving the option of paying into the BCF to a 'Tier 2' offset option i.e. BCF payment is only available to proponents after all reasonable steps have been taken to source 'like-for-like' credits?

The ability of proponents to pay into the BCF is set in [Section 6.30 of the BC Act](#). The Department and BCT are not currently proposing any changes to this approach.

Q32: What proportion of credit obligations are satisfied through payments to the BCF?

Please refer to the graph provided below on page 7 which indicates the number of biodiversity credits and associated payments into the BCF since 2018. This represents 212 developer payments comprising \$48,093,746.78.

Broader market information is available via the [BOS](#) and [BioBanking \(BBAM\)](#) public registers. The BCT is looking at ways to improve and integrate reporting on our role within the scheme (see Q9).

Q33: How will the BCT address concerns about profiteering by landholders where credit sales will be far in excess of the value of land (e.g. recent media scrutiny)?

The focus for the BCT is getting the BCF charge system correct via development of the cost-structure model, econometric model and the market sounding model. The BCT does not control broader market trading. The proposed changes are about setting a charge for proponents if they pay into the BCF.

Please refer to [Accredited assessor quality assurance and feedback](#). Any broader concerns or feedback about the BOS should be sent to the Department using the [BOS Support](#) form.

Q34: Has the BCT considered taking on the entire role of offsets i.e. from assessment to establishing the agreement with landholders?

No, this is not the BCT's role as set out in the BC Act.

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