



The Hon. James Griffin MP
Minister for Environment and Heritage

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The Secretariat
Portfolio Committee No.7 - Environment and Planning
Parliament of New South Wales

By email: PortfolioCommittee7@parliament.nsw.gov.au

Dear Ms Sue Higginson MLC

Sue,

Inquiry into the integrity of the NSW Biodiversity Offsets Scheme

I write regarding the Committee's inquiry into the Integrity of the NSW Biodiversity Offsets Scheme. The Government supports continued improvement and recognises that as a nascent market, the biodiversity offsets market and the government's role in Scheme oversight and design requires vigilance to ensure sound environmental outcomes and market functionality.

Significant progress has been made in delivering improvements to the Scheme since the Government's submission was provided and I would like to take the opportunity to update the Committee on the extensive reform program and outcomes it is achieving.

I would also like to offer the Committee a further briefing from the NSW Department of Planning and Environment and the BCT on recent progress. To arrange a briefing, or if you have any further questions about the contents of this letter, please contact Ms Michelle Dumazel, Acting Deputy Secretary, Biodiversity, Conservation and Science Directorate at Michelle.Dumazell@environment.nsw.gov.au.

I look forward to the release of the committee's final report and welcome the opportunity to consider ways to further improve the NSW Biodiversity Offsets Scheme.

Yours sincerely

James Griffin MP
Minister for Environment and Heritage

Enclosure: Improvements to the Biodiversity Offsets Scheme

19/10/22

Improvements to the Biodiversity Offsets Scheme

Reform Overview

This snapshot outlines improvements to date by the Department and the BCT through the Integrated Improvement and Assurance Program and based on four strategic priorities:

1. A functioning biodiversity credits market
2. Making it easy to participate
3. Ensuring confidence in the Scheme
4. Maintaining scientific rigour

The Integrated Improvement and Assurance Program is an evolving work program that responds proactively to incorporate new recommendations from reviews or stakeholder feedback.

A functioning biodiversity credits market

This pillar is focused on providing more certainty for proponents and landholders with ready visibility of credit demand and a better match in the timing of supply and demand, focusing on building a stronger private market, thereby reducing the reliance on and default to, paying into the BCT's Biodiversity Conservation Fund. Initiatives include:

- A \$106.7 million Biodiversity Credits Supply Fund to invest in the supply of biodiversity credits by establishing new Biodiversity Stewardship Agreements. The Fund is overseen by the Credit Supply Taskforce.
- Bringing the supply of credits online more quickly via the Taskforce by:
 - Enhanced proactive engagement with landholders to establish Biodiversity Stewardship Agreements (BSAs).
 - Offering to provide biodiversity assessments by accredited assessors at no upfront cost to landholders, with costs recovered through credit sales.
 - Establishing a Supply Expression of Interest template for landholders to register their interest in establishing BSAs.
- Published new market information tools, including a credit sales dashboard and credit pricing guide, to help participants estimate the market value of credits.

Making it easy to participate

This pillar is focused on giving stakeholders the right tools, information and support to more easily participate in the market. Initiatives include:

- A dedicated help desk for customer queries about the Scheme.
- Providing a monthly BOS Updates Newsletter to subscribers, which is published on the department's website.
- Hosting regular public webinars on key topics for Scheme participants.
- Rolling out a local government support program to build capacity in local councils in their role as consent authority. The Department has sponsored a training program with 272 local government staff participating from across 79% of local councils. An additional 33 sponsorships have recently been approved.
- Undertaken customer journey mapping to better understand and improve the experience of landholders and developers participating in the Scheme.
- Published a factsheet on aligning assessments for developments that also need approval under the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999*.
- Established the dedicated Taskforce to proactively support landholders to enter into new BSAs.
- Removed the \$2,600 application fee for BSAs until 30 June 2023.
- Through the Taskforce, conducting Stewardship expressions of interest for in demand credits, attracting 80 applications since the Taskforce was established in July 2022.

- Applications proceed to a desktop assessment by the Taskforce and if determined to likely generate in-demand credits, then proceed to site-based biodiversity assessment by the Taskforce at no upfront cost.
- Through the Taskforce, called for and received over twenty Credit Demand Expressions of Interest from developers. These are being assessed against the Credits Supply Fund Protocol and if determined to be in demand credits with identified credit shortage, are placed on the credit demand list, which is used to inform where new BSAs or credit purchases are required.
- Increased the discount rate which lowers the amount landholders need to hold in trust to pay for the ongoing management of their stewardship sites. The discount rate was increased from 2.6 to 3.2 to reflect long-term return forecasts for the Biodiversity Stewardship Payments Fund, management costs and risk tolerance.
- Published a step-by-step guide to using the Biodiversity Values Map and Threshold tool to support local government and project proponents to determine if the Scheme applies.
- Provided guidelines for local government to nominate land to the Biodiversity Values Map, meaning the Scheme will apply to proposed development on this land.
- Published a new lookup tool to simplify finding like-for-like credit trading options.

Ensuring confidence in the Scheme

This pillar is focused on building a robust regulatory and governance framework. Initiatives include:

- Appointed Mr Mike Mrdak AO, former Secretary of the Commonwealth Infrastructure and Transport Department, to oversee the delivery of the Integrated Improvement and Assurance Program.
- Appointed New South Wales' competition watchdog, the Independent Pricing and Regulatory Tribunal (IPART), to monitor the biodiversity credits market including government participation in the market. IPART will publicly consult on terms of reference for delivering this role.
- Released the results and implemented recommendations following an initial compliance audit of Accredited Assessors.
- Implemented a strict conflict-of-interest protocol for staff. The protocol supports the department to identify conflicts-of-interest and work with staff to appropriately manage these.
- Facilitated the provision of scheme participant input into the improvements of the Scheme via an external Stakeholder Reference Group independently chaired by the Mr Mike Mrdak hosting industry, environment groups and local government representatives.
- Following extensive public consultation, implemented a new Biodiversity Conservation Fund charge system for determining what a proponent must pay to transfer their credit obligation to the Biodiversity Conservation Trust. The new Charge System supports the financial sustainability of the Biodiversity Conservation Trust and provides more stable and robust pricing for proponents who choose to use this option to meet their offset obligations.

Maintaining scientific rigour

This pillar is focused on ensuring the Scheme is guided and informed by the best available science and data. Initiatives include:

- The publishing of a new survey guide for koalas for greater clarity and consistency when assessing development sites.
- Updating an operational manual for the Biodiversity Assessment Method to support assessors to produce robust assessment reports.
- The provision of new resources to improve the quality of biodiversity assessments, including a Biodiversity Development Assessment Report template and resource manual. Guidance to support local government in reviewing reports is under way and a template for Biodiversity Certification Assessment Reports is going through final editing.
- Introduction of the revised classification of Plant Community Types in eastern NSW into the Biodiversity Offset Scheme and Biodiversity Assessment Method. The Plant Community

Types will be easier to use in land use decisions and biodiversity assessments and provide greater confidence, certainty, and transparency.

- Additional ecological monitoring requirements are now included in Biodiversity Stewardship Agreements, over and above the existing requirement for landholders to report annually on completion of management actions and broader department led ecological monitoring of stewardship sites.
- Enhanced Biodiversity Conservation Trust compliance team oversight to address Biodiversity Stewardship Agreements where biodiversity outcomes are not on track.