Monitoring the NSW biodiversity credits market

30 October 2025

The NSW Government has engaged IPART to monitor the performance of and competition within the biodiversity credits market for 3 years from 2022-23. This is the third year that IPART is reviewing the biodiversity credits market.

Healthy biodiversity is important for the resilience of our natural environment and for the quality of life of current and future generations. The NSW Government's Biodiversity Offsets Scheme (Scheme) was established in 2016 as a tool to offset the impacts of development and some types of land clearing on biodiversity in New South Wales. The Scheme allows development proponents, including government agencies, to offset their impacts on biodiversity by buying 'biodiversity credits'. These credits are created by landholders and traded in what is referred to as the 'biodiversity credits market'.

Our first 2 annual credits market monitoring reports identified various issues that were impacting the effective functioning of the market. We found that:

1. The option for proponents to pay into the Biodiversity Conservation Fund (Fund) is preventing the market from developing.
2. High up-front costs and long credit generation times hinder the timely matching between credit demand and supply.
3. Market participants lack accurate and timely information.
4. High transaction costs and market complexity discourage participation.
5. Stakeholders lack confidence in market oversight and governance, which hinders their participation in the credits market.

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present. We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

In recent years the NSW Government has taken some steps designed to improve the functioning of the credits market and the Biodiversity Offsets Scheme more broadly.

The *Biodiversity Conservation Amendment (Biodiversity Offsets Scheme) Act 2024* (Amendment Act) commenced on 7 March 2025. It implements reforms to the Scheme and market, including steps to reduce reliance on the Biodiversity Conservation Fund, and to increase transparency, for example, through creation of new public information registers. We understand that the NSW Government is currently developing amendments to the *Biodiversity Conservation Regulation 2017* to implement some of the reforms outlined in the Amendment Act.

Given that the amendments to the *Biodiversity Conservation Regulation 2017* are yet to be finalised and implemented, it is unlikely that we will be able to monitor the effects of these reforms on the market before the expiry of our Terms of Reference.

Our review of the credits market this year will continue to monitor its performance and report trends in key metrics, including demand and supply, credit pricing, trading mechanisms (including mechanisms supported by NSW Government entities), market concentration and competition, information availability, transaction and entry costs, and market confidence. Where relevant, we will identify opportunities to improve the effectiveness of the market, while monitoring legislative and policy changes as they are announced by the NSW Government.

This paper outlines early analysis of the credits market in 2024-25 with the aim of inviting stakeholders to reflect on their experiences in the credits market and share their views. This is not the complete picture of the market's performance. Over the coming months we will collect and investigate further information on the credits market before publishing our full analysis, findings and recommendations in our April 2026 Annual Report.

We want to hear from you

We want to hear from landholders, developers, brokers, accredited assessors and any other interested stakeholders. We are seeking your input on the questions below.

Have your say

Your input is critical to our review process.

We welcome your views on the issues raised above or other matters related to this review.

Make a submission »

Register to attend stakeholder workshops »

Our review process

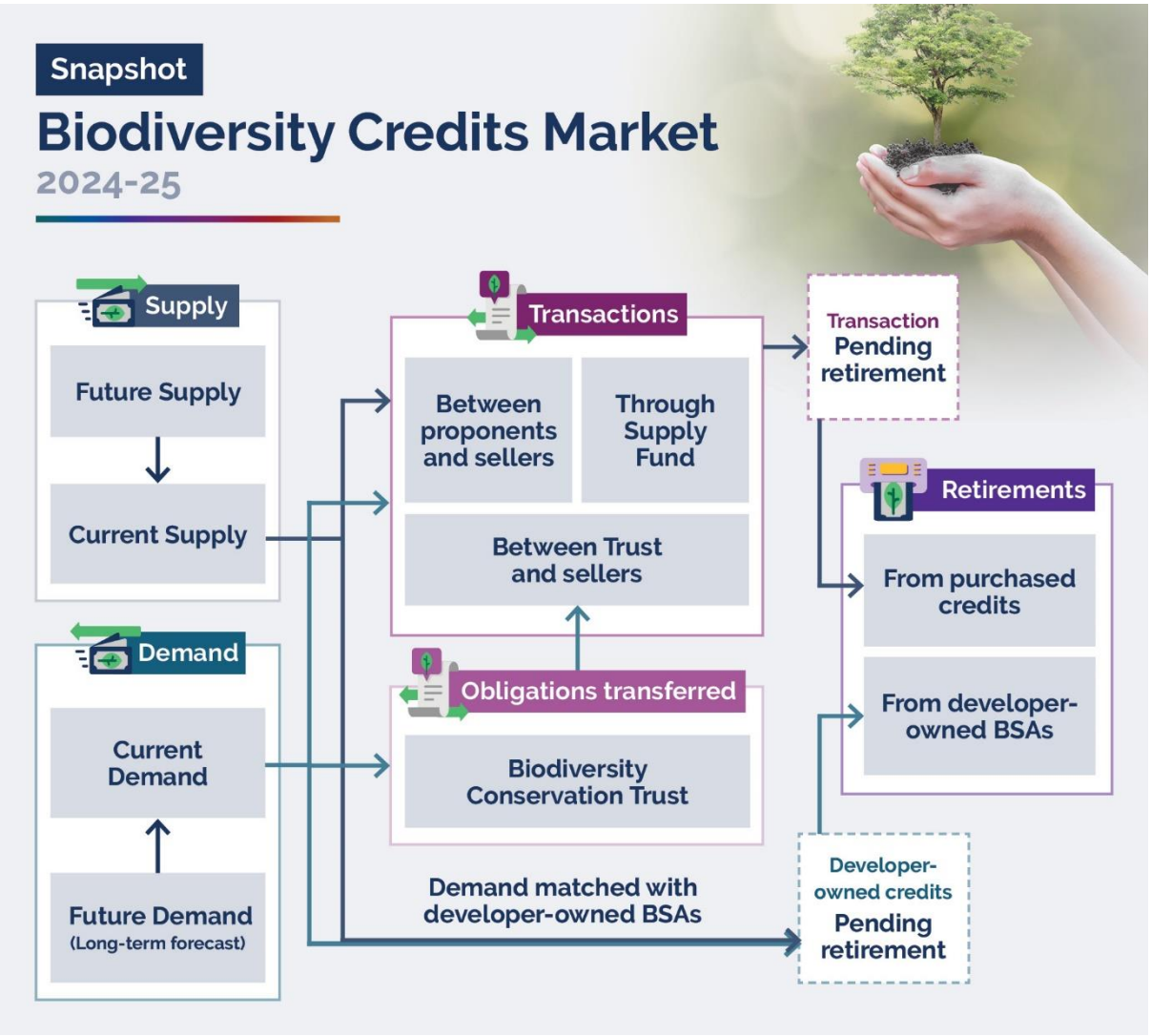
You can make a written submission to this Discussion Paper until **27 November 2025**. Stakeholders will also have an opportunity to share their views at our online consultation workshops in November 2025. Our Annual Report will be informed by all stakeholder consultation and will be published in April 2026.

Market overview for 2024-25

In 2024-25, transaction volumes in the biodiversity credits market were comparable to those from the prior financial year. A more diverse range of credit types were transferred between buyers and sellers. Development proponents relied less on the Biodiversity Conservation Fund than in the prior 2 years. However, the market overall remains highly concentrated, particularly on the buyer side. One possible consequence of this fact is that sellers are in a relatively weak bargaining position. This is a topic that we will explore further in this review. The conclusion may vary by markets for different credit types. Credit purchases by the Biodiversity Conservation Fund (which will facilitate acquittal of the Fund's liabilities) saw a material increase. However, this increase accompanies rule changes that allowed for a significant portion of the Fund's acquittals[a] to take place that are not necessarily on a like-for-like basis.

[a] In the NSW Biodiversity Offsets Scheme, an acquittal refers to meeting an obligation to offset the impacts on biodiversity from a development. This may occur through the retirement of biodiversity credits, or in some cases, through funding of biodiversity conservation actions.

Figure 1 Snapshot of the biodiversity credits market in 2024-25



Note: BSA refers to Biodiversity Stewardship Agreement

	2024-25	Change from prior year
Supply [a]		
Current Supply	453,736	21%
Future Supply (forecast from in-train Biodiversity Stewardship Agreement applications)	331,238	180%
Demand		
Current Demand (short-term forecast from development proponents) [b]	112,157	n/a
Future Demand (long-term forecast from development proponents) [b]	1,029,035	n/a
Demand from Biodiversity Conservation Trust	45,770	-2%
Credits transacted [c]		
Between proponents and sellers	58,532	-10%
Through Credits Supply Fund	14,803	16%
Between Trust and sellers [d]	8,708	103%

	2024-25	Change from prior year
Obligations transferred to Biodiversity Conservation Trust	12,812	18%
Retirements [c]		
From purchased credits	82,491	250%
From proponent-owned Biodiversity Stewardship Agreements	31,673	-37%

Note: The relative sizes of rectangles in the figure above are illustrative only and are not to scale.

a. Supply figures are based on unretired Biodiversity Offsets Scheme credits generated to date.
b. Demand forecasts are calculated by the NSW Department of Climate Change, Energy, the Environment and Water using data from development applications as at 28 March 2023. Demand forecasts are inherently uncertain and should be interpreted with caution.
c. Transaction and retirement figures include Biodiversity Offsets Scheme credits only.
d. Represents credits transacted directly between the Trust and sellers. In addition to these credits, the Trust has also purchased credits via the Credit Supply Fund reverse auctions.
Source: IPART analysis, using data from the NSW Department of Climate Change, Energy, Environment and Water and Biodiversity Conservation Trust.

Transaction volumes have remained stable

Trading activity in the credits market remained steady across 2 key indicators in 2024-25. Between 2023-24 and 2024-25, the number of credits traded – 82,000, and the overall value of all credits traded showed no material change. The total number of trades conducted in the market increased from 215 to 328, suggesting a higher number of trades occurring at lower average transaction sizes.

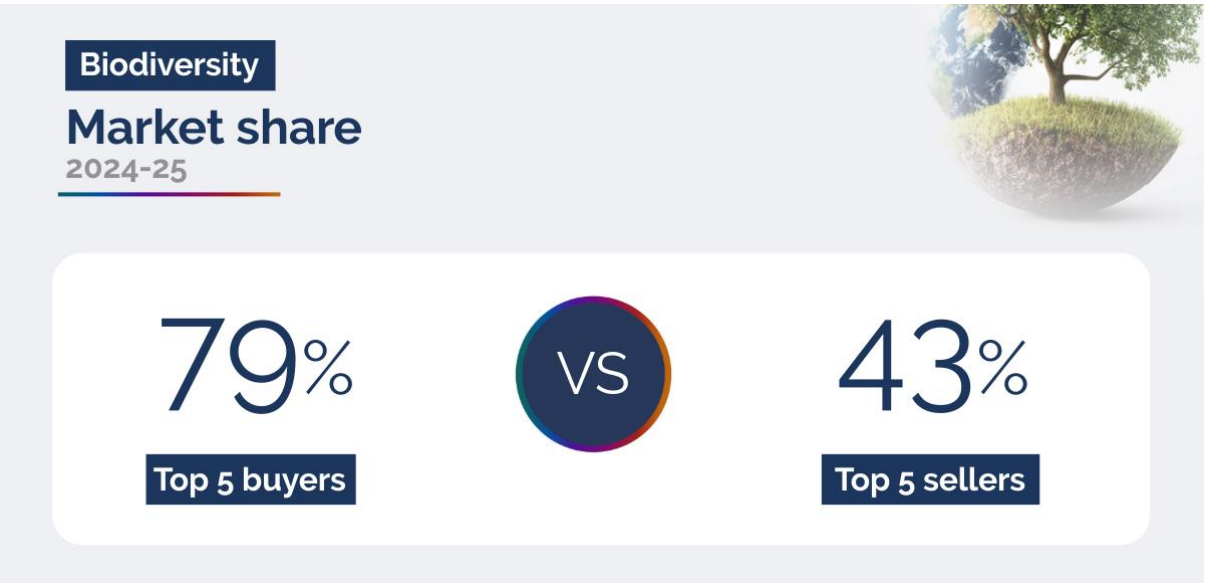
Credit generation has slowed this year

In 2024-25, 276,000 credits were generated across 31 new Biodiversity Stewardship Agreement sites (a 10% decrease in the number of credits generated, and a 43% decline in new sites compared to 2023-24).[b] This occurred despite 18% more hectares of land being conserved through stewardship sites this year compared to last, indicating that while individual sites are larger this year compared to last, they are in potentially less ecologically dense areas of NSW, therefore generating fewer credits per hectare.

[b] In addition to the 276,000 new credits supplied in 2024-25, we note that the first month of the new financial year (i.e. July 2025) saw a large influx of new credit supply. We understand that the uptick in new supply in July is due in part to landholders managing the capital gains tax implications of establishing Biodiversity Stewardship Agreements.

Market concentration remains a concern

There is limited available evidence with which to assess the state of competition amongst each of the sellers and end-buyers within the market. The available evidence on market shares suggests that buy-side concentration remains a concern.[c] 2024-25 saw 45 buyers and 70 sellers interact in the market. In the preceding year there were 35 buyers and 56 sellers.[d] We found that the market share of larger players on both sides of the market reduced in the past year compared to previous years. On a whole-of-market basis, the share of credit purchases attributed to the top 5 buyers decreased from 84% to 79%, while the share attributed to the top 5 sellers fell from 65% to 43%. We will investigate whether market shares of top buyers and sellers vary significantly across credit types.



In our 2023-24 annual report, we assessed the market concentration[e] of buyers and sellers using the Herfindahl-Hirschman Index (HHI)[f], and found that buyer concentration was overall very high. In 2024-25, we found that buyer concentration increased from a HHI of 2187 to 2966.[g] In contrast, on the sell-side, the HHI decreased from 1100 to 678. These HHI values are on a whole-of-market basis, and it is possible that buyer and seller concentration will vary significantly within sub-markets of credit types.

Our Annual Report will assess the variability in market concentration between different credit types.

[c] Competition analysis excludes the market share of the Credits Supply Fund as an intermediary between buyers and sellers. Buyers and sellers participating in the auctions are still included in this analysis.
[d] This analysis excludes instances where a single seller has engaged in the market under multiple or variant names.
[e] We assess market concentration based on the number of credits purchased (for buyers) or sold (for sellers).
[f] The HHI provides a measure of the market share of all participants, relative to the size of the market they are in. The HHI is used as an indicator of competition, where values below 1500 represent an unconcentrated market, values between 1500 and 2500 represent moderated concentration, and values above 2500 represent high concentration (or anti-competitive outcomes). For more information on HHI in the biodiversity credits market, see IPART Biodiversity Credits Market Monitoring Annual Report 2023-24.
[g] Given that the market share of the top 5 buyers has reduced in 2024-25, the worsening buy-side HHI figures may indicate increased market share of a fewer number of larger buyers.

The Biodiversity Conservation Trust remains one of the largest buyers in the credits market

In 2023-24, we reported that the Biodiversity Conservation Trust purchased 5% of all the credits traded, which were worth 28% of the total value of all trades in the year. In 2024-25, the Trust's market presence grew materially – its market share increased as it purchased 16% of all credits traded in the market, which were worth 45% of the total value of all trades in the year.[h] Our review this year will continue to monitor market competition, the nature of interactions between buyers and sellers and the role of government organisations within these market interactions.

Market activity across credit types

The Biodiversity Offsets Scheme's like-for-like rules impose strict credit-matching requirements for developers seeking to fulfill their obligations.[i] The Biodiversity Offsets Scheme recognises 1,394 different types of ecosystem credits (which can be traded within 364 discrete Offset Trading Groups), and another 867 different species credits. Of these, very few are traded in the market. In 2024-25, 118 different credit types were transacted – 40% more than the prior year. Transaction volumes are highly variable even among these credit types. For instance, of the 118 credit types transacted in 2024-25, just 8 accounted for almost half of all transaction volumes.[j]

Under the Scheme's like-for-like offsetting rules, there is little substitutability across offset trading groups and species credits. As such the credits market is not a single market, but rather over 1,000 individual markets corresponding to specific credit types. Our analysis this year will consider identifying sub-markets within the biodiversity credits market that are:

- Non-existent (e.g. for credits that have never been traded)
- Emerging/nascent
- Well-developed or well-functioning

Doing so could assist market participants to identify groups of credits with better established market prices or more reliable market data. In preparing our Annual Report we will consider ways of categorising sub-markets of credits based on similar activity level – for example, the number of credits traded per year, or the number of buyers/sellers trading the credit in a year.

[h] Pursuant to the Biodiversity Conservation Amendment (Biodiversity Offsets Scheme) Act 2024, the Biodiversity Conservation Trust is required to acquit its Fund obligations within 3 years. If the 3-year timeframe is not met, the Trust must enter into an agreement with the Minister for the Environment for how the obligations will be met. This requirement was introduced during the 2024-25 reporting period.

[i] Under like-for-like offsetting rules, threatened ecological communities must be offset by retiring credits within the same offset trading group, and non-threatened ecological communities must be offset with credits of the same vegetation class and in the same or higher offset trading group. Species credit obligations must be met by obtaining credits for the same species.

[j] Figures are calculated using transfer transactions only, and do not include credits that are self-generated and retired by development proponents.

Seek Comment

1. What has been your experience with the market in the 2024-25 financial year?
2. Have you faced any difficulties or inefficiencies in buying or selling credits, including via the Credits Supply Fund?
3. What changes, if any, have you noticed in the performance and competition in the credits market during the 2024-25 financial year?
4. What characteristics should be used to define sub-markets?
5. What has been your experience with brokers, accredited assessors and other third-parties in the market?

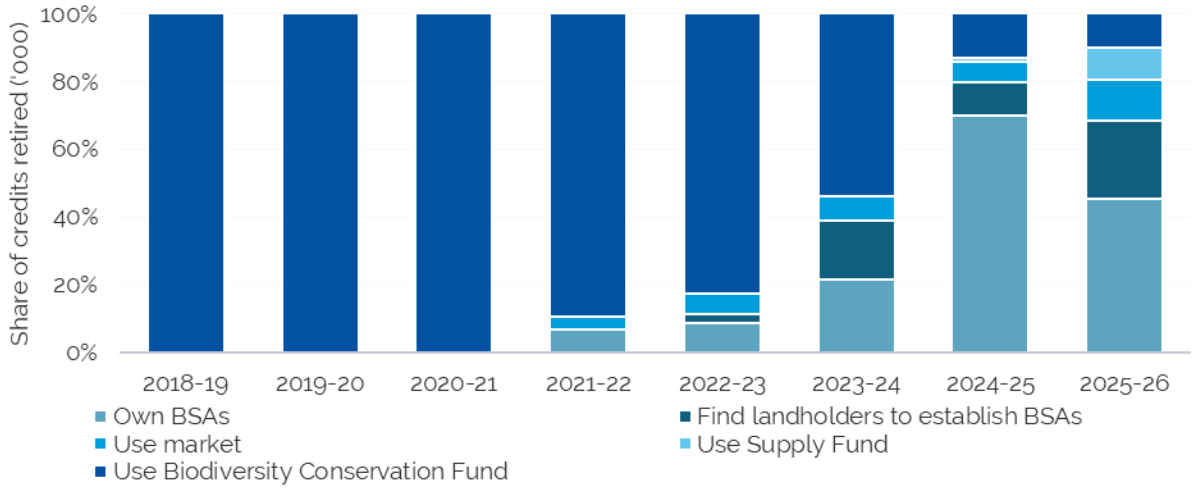
Transactions between proponents and sellers in the market significantly exceeded payments into Biodiversity Conservation Fund

As of 30 June 2025, the Biodiversity Conservation Fund had received roughly 80,000 obligations from development proponents, equivalent to $337 million[k] in payments since 2018. Of these, it received roughly 13,000 new obligations in 2024-25 – an 18% increase compared to what it received in the previous year, but lower than its peak in 2022-23. The increased use of the Fund in 2024-25 could be driven by development trends in NSW, the availability and cost of credits in the market or the urgency of major developments.

However, in proportion to the market, the Fund pay-in option is now used less by development proponents than in previous years. In 2024-25, the number of obligations transferred via payment into the Fund was roughly one sixth of the number of credits traded between proponents and sellers in the market.[l] This is a notable shift from June 2022, when the Fund was used more by proponents than purchasing credits in the market. Figure 2 and Figure 3 below summarise the different pathways used by development proponents each year to acquit their offset obligations.

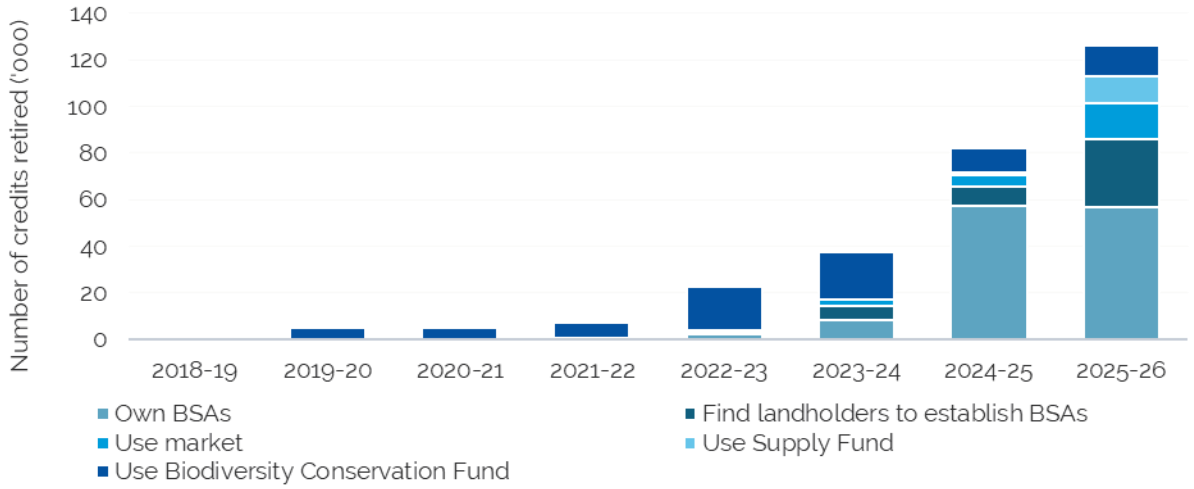
[k] In $2024-25 terms.
[l] The Biodiversity Conservation Trust's purchases in the market and the Credit Supply Fund's on-sales to end-buyers are excluded from market transactions in this comparison.

Figure 2 Percentage of credit retirements per acquittal pathway per year



Note: BioBanking credit retirements are excluded from the figure above. The proportionate use of the Biodiversity Conservation Fund in earlier years may be overemphasised due to the absence of BioBanking credit retirements from totals. Retirements by the Biodiversity Conservation Trust are excluded to show proponent-driven activity.
Source: NSW Department of Climate Change, Energy, Environment and Water analysis.

Figure 3 Number of credit retirements per acquittal pathway per year



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Source: NSW Department of Climate Change, Energy, Environment and Water analysis.

The Biodiversity Conservation Fund's credit purchases increased three-fold from last year, though only 65% were on a like-for-like basis

While new obligations of the Biodiversity Conservation Fund increased, its credit purchasing activity to meet its past obligations also increased. In 2024-25, the Fund purchased roughly 14,000 credits[m] – almost three times the number of credits it purchased in the prior year. However, only 65% of these credits were purchased on a like-for-like basis, a material decline from the previous year where nearly 90% of credits were like-for-like purchases. 2024-25 also marked the first year that funding of conservation actions[n] was used as a means of meeting the Fund's obligations – representing further departure from the use of like-for-like rules relative to prior years.

In total, of the 80,000 obligations received by the Biodiversity Conservation Fund over the life of the scheme:

- 23% have been fully acquitted – i.e. where credits have been purchased by the Fund and subsequently retired, or approved conservation actions have been taken to meet its obligations
- 20% have been met with corresponding credit purchases but are yet to be retired – i.e. though these credits have been acquired, the administrative step of submitting retirement applications has not yet been completed.

In addition to these, another 28% are earmarked for purchase through purchase commitments by the Fund.[o] This includes credits from established Biodiversity Stewardship Agreement sites, as well as credits estimated to be generated from proposed Biodiversity Stewardship Agreement sites.

Our review this year will continue to consider the Fund's acquittal activities, including any impacts or implications for the market. Noting the material increase in the Fund's use of non-like-for-like acquittal pathways (i.e. variation rules and conservation actions), we are interested to hear stakeholders' views on how this may impact their participation in the Fund's credit tenders and fixed price offers, or how it may affect trading activity more generally.

Seek Comment

6. What has been your experience with the Biodiversity Conservation Fund as a market alternative in 2024-25 financial year?

7. What are the pros and cons of the Biodiversity Conservation Fund's increased use of variation rules and conservation actions to meet its obligations. If and how do you think this might affect trading activity?

[m] Not including credits that have been identified or committed for purchase

[n] Pursuant to clause 6.6 of the Biodiversity Conservation Regulation 2017, the Biodiversity Conservation Fund's obligation to retire biodiversity credits can be met by funding a biodiversity conservation action - for example, funding targeted surveys to collect data on the location of species' populations and researching critical threats that require management.

[o] Based on IPART analysis using data from the Biodiversity Conservation Trust. All figures are calculated as at 30 June 2025.

The administrative and financial cost of retiring credits is a barrier to the Fund's immediate retirement of credits

While the Biodiversity Conservation Fund purchased approximately 14,000 credits last year, only 2,242 were retired. We note there is a high administrative and financial cost of submitting and processing a credit retirement form with the Department of Climate Change, Energy, the Environment and Water (Department). At the current $1,905 retirement fee, it would cost the Biodiversity Conservation Fund roughly $640,000 to retire all the credits it has currently purchased but not retired.

We have heard from stakeholders that high scheme fees are a barrier to market participation.[p] We understand that the Department has been consulting with its stakeholder reference group on the scheme fees and intends to review the fees currently charged in the scheme as part of its broader reform agenda.

Better information on credit prices and quantities is needed to support informed trading

The availability and quality of information on credit prices, auction bid stacks, demand and supply quantities has been a key issue raised by stakeholders in our previous annual reviews. Buyers, sellers and third-party participants told us that pricing information is scarce, at times unreliable, and difficult to reconcile. They regarded this as one of the key obstacles to making informed decisions and efficiently trading with other parties in the market. We are interested to hear from stakeholders on whether these experiences have changed over the last year.

Seek Comment

8. What changes, if any, have you noticed in the quality of information on credit prices, demand and supply (including reverse auctions and tenders) in the 2024-25 financial year? Have your experiences using and navigating pricing information changed from prior years?

[p] This includes both statutory fees and non-statutory costs of participating in the market.