



Biodiversity Credits Market Monitoring
Annual Report 2024-25

Draft Report

May 2026



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Image taken on Worimi Country (Myall Lakes)

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The Independent Pricing and Regulatory Tribunal

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Invitation for submissions

IPART invites comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

Submissions are due by Friday, 5 June 2026

We prefer to receive them electronically via our [online submission form](#).

You can also send comments by mail to:

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Independent Pricing and Regulatory Tribunal
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Contents

Chapter 1

Executive Summary	6
1.1 IPART's market monitoring review	7
1.2 List of draft findings and draft recommendations in this report	10

Chapter 2

Introduction	13
2.1 About the NSW biodiversity credits market	14
2.2 Why an effective credits market is important	16
2.3 IPART's role and approach to market monitoring	19
2.4 Recent changes to the NSW Biodiversity Offsets Scheme	20
2.5 Recent changes to the market	22
2.6 How this report is structured	23
2.7 We welcome your feedback on this report	23

Chapter 3

Market activity in 2024-25	24
3.1 Key points in this chapter	26
3.2 Market snapshot	26
3.3 The number of credits generated has continued to grow but the rate of increase has slowed	28
3.4 Market trading activity is similar to last year	30
3.5 Offset obligations transferred to the Biodiversity Conservation Fund continue to be significant but the number of obligations it holds fell for the first time	33
3.6 The Supply Fund's reverse auctions are attracting more credits from sellers	38
3.7 Credit pricing remains highly variable	39

Chapter 4

Market performance and competition	43
4.1 Key points in this chapter	44
4.2 Market failures	45
4.3 Market frictions	58
4.4 Confidence in the market	68

Chapter 5

Conservation outcomes	77
5.1 Key points in this chapter	78
5.2 The Scheme in its current form allows development to proceed without certainty of offsets	79
5.3 There is insufficient data to support assessments of serious and irreversible biodiversity impacts	82
5.4 Conservation outcomes of the Scheme are not adequately measured or reported	84
5.5 Government objectives to reduce credit prices may discourage long-term investment in conservation	87
5.6 Impacts of recent policy changes	87

Appendix A	
Terms of reference	90
Appendix B	
Glossary	93

Chapter 1 >>

Executive Summary

01

Protecting biodiversity is important for the wellbeing of both current and future generations. We rely on our ecosystems for clean drinking water, food, medicine and shelter. However, biodiversity in NSW is in decline and the number of species considered at risk of extinction is rising.¹ Action to support the diversity of nature and conserve what remains is needed if we are to slow or reverse this trend.

Conserving biodiversity while also developing housing and infrastructure to support NSW's growing population is a challenge. The *Biodiversity Conservation Act 2016* establishes a market-based mechanism for valuing biodiversity and rules around how development proponents who want to develop or clear land must address the loss of biodiversity caused by their actions (the Biodiversity Offsets Scheme). The Act's objectives include conserving biodiversity and slowing the rate of its loss, encouraging and enabling voluntary participation by landholders to undertake conservation actions, and supporting and guiding prioritised and strategic investment in conservation.²

However, nature-based credits markets are difficult to get right. Like similar markets across the world, the NSW biodiversity credits market is affected by competing policy objectives. Governments want to be able to support developments that are in the economic interests of the community, with streamlined planning systems and less red tape. At the same time, they want to reduce the loss in biodiversity that development creates and send signals about where and how much development should occur. In addition, there is both a need for a strategic approach to conservation to maximise the benefits of locking up land and a desire to see conservation on privately owned land, allocated using a market-based approach. The NSW Government's role is to determine the right balance between these objectives and to be clear to the people of NSW what trade-offs are being made.

IPART was appointed to monitor the credits market and make recommendations to improve its efficiency and effectiveness. We were asked to do this annually for 3 years, from 2022–23 to 2024–25.³ This draft report summarises our analysis and provides the findings from our third annual review. We will consider feedback from stakeholders before finalising our Annual Report in July.

1.1 IPART's market monitoring review

The NSW biodiversity credits market has faced various challenges since its inception, particularly around high transaction and search costs, and ensuring adequate in-demand credit supply, market liquidity and stakeholder confidence.

Our first annual review (2022-23) was undertaken around the same time as two related reviews – the statutory review of the Biodiversity Conservation Act and an Audit Office review of the effectiveness of the Biodiversity Offsets Scheme (the Scheme). All three reviews found similar issues with the functioning of the credits market and highlighted significant room for improvement.

Some of the key problems we identified in our first annual review were:⁴

- The biodiversity credits market was characterised by complexity, conflicting objectives, poor governance and high transaction costs. Because of the nature of the market, intervention to support credit supply and facilitate transactions was needed. While some government interventions were improving the functioning of the market, others were either missing or having a negative impact.
- By guaranteeing development proponents an affordable option to meet their obligations, the Biodiversity Conservation Fund (the Fund) was preventing the market from developing. Fund pay-in charges were effectively setting a price ceiling in the market. The Fund also incentivised a “pay now, offset later” approach that had led to a significant accumulation of unmet credit obligations, which was continuing to rise rapidly. As a result, the expected biodiversity outcomes from offset obligations were not being achieved.
- The state of information available to participants in the market was poor. There was a lack of reliable information that could be used to inform expectations around demand and prices. In many cases, the data that was available was inaccurate. Development proponents’ access to information was being prioritised while the same information was being withheld from potential credit suppliers.

These findings led us to conclude that the market was not functioning as well as it could be.

1.1.1 Changes we have observed over the past three years

The Government has made many changes to the market, and the Scheme more broadly, and still more are underway. These changes are taking time to work their way through, but the market is showing signs of improvement in some areas. We have observed the following developments over the three years we have been monitoring the credits market:

- Steady growth in the number and type of credits generated, and in the land area under conservation. Under the Biodiversity Offset Scheme, 171 sites have been set aside for permanent conservation under Biodiversity Stewardship Agreements, covering roughly 93,000 hectares of land across NSW. Almost one million biodiversity credits have been generated, spanning 255 unique types of biodiversity, including vulnerable, endangered and critically endangered species.
- An increase in the use of the credits market, relative to the Biodiversity Conservation Fund option, and a rise in the rate of credit acquisition by the Biodiversity Conservation Fund to offset the obligations transferred to it by development proponents. This year, for the first time, the Biodiversity Conservation Trust (the Trust) acquired more credits to meet its obligations than the number of new obligations it took on from development proponents.
- Several changes to promote the release of information to the market in a more timely and equitable way. The Credits Supply Fund announced its intention to publish additional data or release data sooner. The NSW Department of Climate Change, Energy, the Environment and Water (the Department) has also sought class rulings on key taxes from the Australian Taxation Office to address common questions from landholders. These rulings were published in April 2026.

- Changes to the Credits Supply Fund's reverse auction process aimed at providing more certainty to landholders and increasing the supply of credits available in between auction cycles. Additional measures and interventions have also been introduced or enhanced to support the creation of credits needed to meet expected demand.

Additional changes to the Scheme are currently proposed, which will have further implications for the functioning of the market in future years. There may be value in monitoring and evaluating these changes in the coming years.

1.1.2 Issues that remain of concern in 2024-25

While there have been a range of changes implemented over the past three years, many of the issues we initially highlighted in the market remain. Current issues in the market include:

- The Biodiversity Conservation Fund continues to hold a significant number of obligations for which development has occurred, but no credits have been purchased. Approximately 60% of all obligations transferred to the Fund since its commencement remain with the Fund.
- Over a third of the Trust's acquittals in 2024-25 were not on a like-for-like basis. To date, the Trust has used variation rules and conservation actions to secure obligations for around 40% of all biodiversity *types*^a for which developers paid into the Fund, including obligations for endangered and vulnerable species.
- Changes to impose a time limit on how long the Fund can hold onto obligations should help reduce the number of obligations it holds. However, they are also likely to lead to a further increase in the number of obligations being secured that are not on a like-for-like basis. This is particularly likely for developments that have impacted vulnerable and endangered species, as sourcing like-for-like credits to offset these impacts is likely to be more difficult.
- The risk that the Fund will not be able to source like-for-like credits to offset obligations is not adequately considered in current processes. Ultimately, it is the role of the consent authority to determine whether developments should proceed. However, in making that determination, it is important that consent authorities have access to accurate information about which biodiversity types are at high risk of not being able to be offset on a like-for-like basis. It is also important that the Fund is able to take that risk into account in its charges.
- Trading in the market continues to be administratively complex and time consuming. Much of the process is manual, which increases the likelihood of errors and discourages market participation. Changes that have been announced to improve data accessibility and availability have not yet resolved important data issues experienced by prospective participants.
- Overlapping functions of government entities and a lack of guidelines for private brokers risk creating opportunities for exploitation and corruption. New government interventions have also fragmented the available information and increased the level of complexity in the market.
- There is limited reporting on the environmental outcomes of the Scheme, including which offsets have been delivered and using what conservation measures.

^a Grouped by Offset Trading Group

1.1.3 The need for future market monitoring

Given the high degree of complexity, the changing market conditions and the competing interests involved, we consider that continued monitoring of the market and its environmental outcomes is needed. This monitoring should be undertaken by an independent body and should include at a minimum public reporting on:

- the status of competition in the market
- market failures and barriers to efficient trading
- biodiversity outcomes delivered by the market, including like-for-like acquittals.

1.2 List of draft findings and draft recommendations in this report

As this is the final year we are reviewing the market under our terms of reference, we have decided to undertake additional consultation to provide stakeholders an opportunity to have their say on our findings and recommendations to the NSW Government. The draft findings and draft recommendations contained in this report are listed on the following pages. We welcome feedback on these from all interested stakeholders and will take into account all submissions before finalising our findings and recommendations to the NSW Government in July.

Draft findings

1.	The total number of credits traded in the market, and value of market transactions, remained steady in 2024-25. However, there was continued growth in the number of market transactions and the number of participants.	32
2.	Around 80% of all development proponents who did not generate their own credits met their obligations by transferring some or all of them to the Biodiversity Conservation Fund, while around 20% met their obligations by purchasing credits in the market.	36
3.	Typically it is development proponents seeking larger numbers of credits who participate in the market. Despite being made by a minority of developers, the total number of credits purchased in the market was around 6 times higher than the number of credit obligations transferred to the Fund.	36
4.	For the first time, the Trust's credit purchases exceeded the number of new obligations that it received into the Biodiversity Conservation Fund. However, approximately 60% of the Fund's obligations are yet to be purchased.	38
5.	The market concentration of buyers is high overall and is higher than the concentration of sellers. High buyer concentration is driven by demand from major infrastructure projects, and is likely to be a long-term feature of the credits market	48
6.	The Biodiversity Conservation Fund pay-in charge has a price-ceiling effect on the market and limits the market's ability to freely adjust prices based on underlying supply and demand.	52
7.	Many of the Trust's acquittals in 2024-25 were not on a like-for-like basis. To date, the Trust has used variation rules and conservation actions to secure around 40% of all Offset Trading Groups for which developers have transferred obligations to the Trust. This includes obligations for endangered and vulnerable species.	55

8.	Transactions data does not identify key characteristics of transactions (such as related entity, options deed and bulk trade negotiations) which allow other parties to interpret and understand price implications.	60
9.	Market participants tell us that they lack confidence in the governance of the market, with many stakeholders raising concerns around the roles and objectives of government agency interventions.	73
10.	The market would benefit from greater oversight of advisors and brokers. In financial services markets and similar markets in other jurisdictions, brokers and other third parties are subject to regulation.	76

Draft recommendations

1.	In setting Fund charges, the Biodiversity Conservation Trust should be allowed to take into account the risk that it cannot secure like-for-like credits, for example, based on the natural scarcity and/or supply of a particular credit in the market. This could be achieved via an amendment to the Biodiversity Offsets Payments Calculator (BOPC) Order.	57
2.	The department should undertake and assess the business case for introducing a centralised trading platform that would enhance transparency and price discovery and improve the efficiency of trading in the market.	59
3.	The department should update the transactions register to identify all related entity, option deed and bulk trade negotiations, in order to give sufficient context to historical prices for participants to interpret them and understand their implications.	60
4.	The department should make demand, supply and transaction information simpler and more accessible for market participants to navigate.	62
5.	The Department should publish information on bid stacks and clearing prices of credits in each auction transparently and equally to all participants, in order to address information asymmetries and provide more transparency into prices.	63
6.	The Department should explore ways to simplify and shorten the transaction process, including by: <ul style="list-style-type: none"> a. automating certain parts of the process b. determining the appropriate level of delegation for transaction authorisation c. providing more upfront information and support to minimise follow up information requests d. providing greater transparency around credit ownership. 	66
7.	The NSW Government should set clear definitions and objectives for each of its functions within the credits market, and report on progress against their objectives. Operational, regulatory and policy setting roles should be clearly separated to minimise the corruption risks outlined in ICAC's August 2023 submission to IPART	73
8.	The NSW Government should maintain ongoing independent performance monitoring of the biodiversity credits market. This monitoring should report on indicators relating to competition, efficiency and biodiversity outcomes.	74
9.	The Department should accredit Biodiversity Offsets Scheme Advisors (including brokers and other advisors) through a process similar to the accreditation of assessors, in order to support confidence in third-parties and their oversight.	76

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|-----|---|----|
| 10. | The Biodiversity Conservation Trust should annually publish a point-in-time list of 'high offset risk entities', comprising of: | 81 |
| | a. credits obligations that it has held for longer than three years | |
| | b. credits obligations that it has previously offset using non like-for-like rules. | |
| 11. | The Department should require Accredited Assessors, as part of a Biodiversity Assessment Development Report or Biodiversity Certification Assessment Report, to note any offset requirements of a proposed development that are on the Trust's list of 'high offset risk entities'. | 82 |
| 12. | The Department should annually report on biodiversity development impacts and offsets. The reporting should include: | 85 |
| | a. The location and type of biodiversity cleared under the original offset obligation | |
| | b. The location and type of biodiversity of the delivered offset | |
| | c. Whether the offset was delivered under like-for-like rules, variation rules or conservation actions, including the outcomes delivered by any conservation actions. | |

Chapter 2

Introduction

What is the biodiversity credits market
and why is it important?

02

Australia's diverse ecosystems are home to a variety of unique flora and fauna that are not found anywhere else. This rich biodiversity provides a range of ecological, cultural, intrinsic and economic benefits. Maintaining this biodiversity is important for the quality of life of current and future generations. Across the world, biodiversity is threatened by habitat loss and degradation. This is caused by the clearing of native vegetation for agriculture, urban development and resource extraction, as well as by climate change, invasive species, disease, pollution and poaching.

In NSW, landholders who want to develop or clear vegetation on their land must offset or compensate for their unavoidable impacts on biodiversity.⁵ Proponents of development are required to balance the unavoidable impacts of their actions by supporting the conservation of equivalent biodiversity elsewhere. One way they can do this is by purchasing biodiversity credits from landholders who are willing to enter into a Biodiversity Stewardship Agreement with the NSW Government, to preserve and promote biodiversity on their land in perpetuity. The biodiversity credits market provides a mechanism for these parties to buy and sell different types of biodiversity credits.

The biodiversity credits market has faced various challenges since its inception, particularly around ensuring adequate supply of in-demand credits, market liquidity and stakeholder confidence. IPART was appointed by the NSW Government to monitor the biodiversity credits market and make recommendations to improve its efficiency and effectiveness. We have been asked to do this annually for 3 years, from 2022–23 to 2024–25. This report summarises our analysis and provides the findings from our third and final annual review under our Terms of Reference.

This chapter provides context for the review, explaining how the market works, who the key market participants are, how the market fits into the broader Biodiversity Offsets Scheme ('the Scheme'), and how the Scheme is evolving. It also explains the process we have undertaken for the review and how the report is structured.

2.1 About the NSW biodiversity credits market

The *Biodiversity Conservation Act 2016* (Biodiversity Conservation Act) established the Biodiversity Offsets Scheme, which provides a framework to avoid, minimise and offset the impacts of development and native vegetation clearing on biodiversity. One of the key elements of the Scheme is the creation of a market for buying and selling biodiversity credits.^a

Under the Scheme:

- Applications for development or clearing must set out how impacts on biodiversity will be avoided and and/or minimised. Remaining impacts may be offset with biodiversity credits.
- Landholders can generate biodiversity credits by establishing Biodiversity Stewardship Agreements on their land. They can sell the credits to earn income and fund the long-term management of their stewardship site.

^a A glossary of key terms relating to the biodiversity credits market can be found in Appendix B.

The biodiversity credits market is a mechanism for development proponents to find and buy the biodiversity credits they need, and for Biodiversity Stewardship Agreement holders to sell the credits they create. Figure 2.1 provides a simplified illustration of how the market works.

The market is facilitated by the NSW Department of Climate Change, Energy, the Environment and Water (the Department), which among other things also assesses Biodiversity Stewardship Agreement applications, administers the Biodiversity Credits Supply Fund (the Supply Fund), and publishes key market data.

Not all biodiversity credits created are traded directly by credit buyers and sellers in the market. Development proponents who require credits have the following options for meeting their credit obligations:

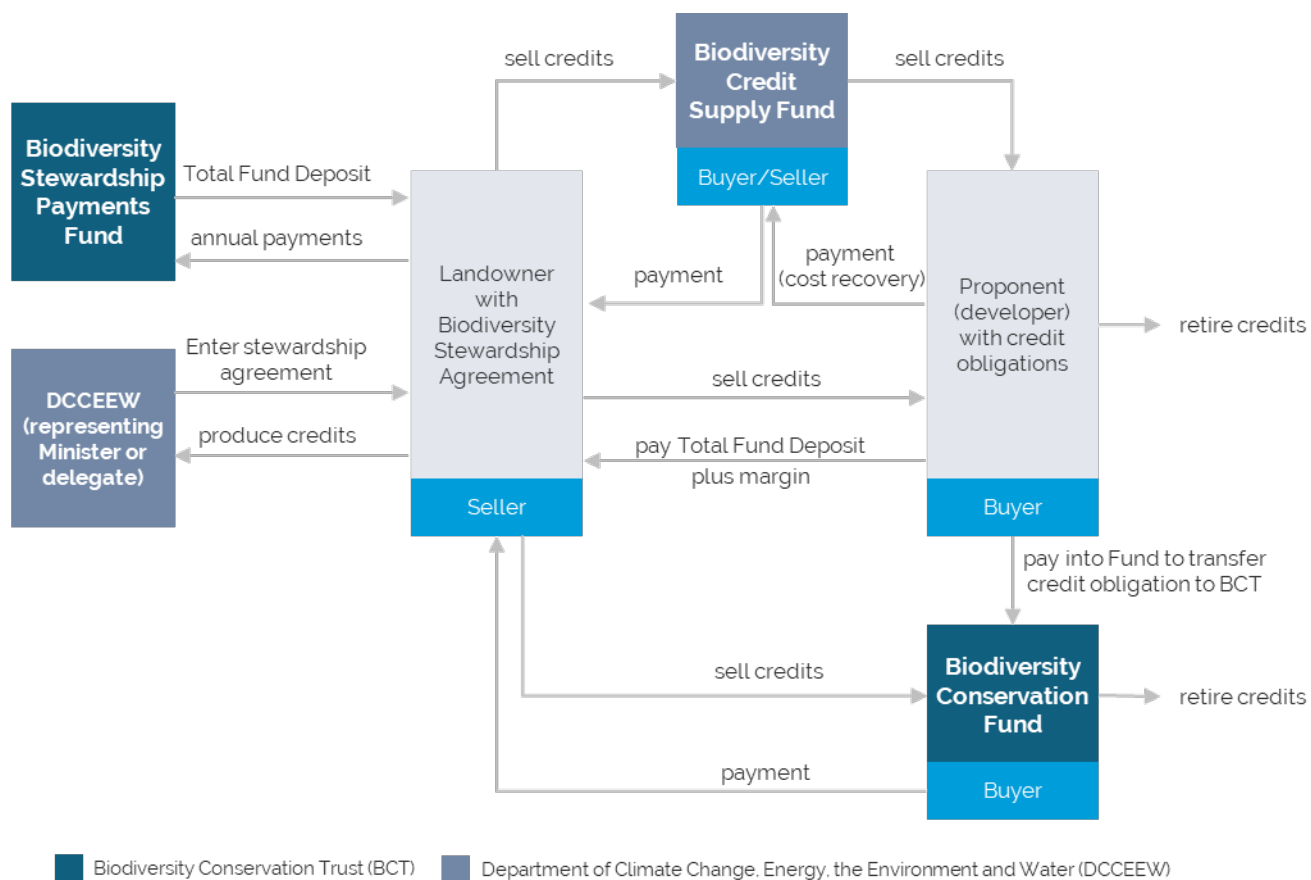
- **purchasing them in the credits market (either directly from credit sellers or from intermediaries).** When proponents buy credits in the market, they can approach sellers directly or participate in the Supply Fund's reverse auctions. In these reverse auctions, the Department acts as a market intermediary by buying in-demand credits from credit sellers, on-selling them to credit buyers and reinvesting the proceeds back into the Fund.
- **paying into the Biodiversity Conservation Fund** (the Fund)^b which transfers the credit obligation to the NSW Government-operated Biodiversity Conservation Trust. The Trust then seeks to buy the necessary credits to acquit those obligations.
- **creating credits themselves on land they own**, by entering into a Biodiversity Stewardship Agreement to generate credits
- **funding a biodiversity conservation action** that benefits the relevant threatened species or ecological community in their credit obligation.^c

Certain development proponents may also enter into Strategic Offset Delivery Agreements (SODAs) to meet their credit obligations. Under a SODA, the Environment Agency Head (via the Department) will take on a proponent's obligations and deliver offsets via the retirement of like-for-like credits, or by funding conservation actions. In exchange, the proponent pays a contracted fee to the Department. At present SODAs are only available to certain renewable energy proponents.⁶

^b To apply to pay into the Fund, a proponent must first request a quote from the Biodiversity Conservation Trust. If a proponent is willing to pay the quoted charge, the Biodiversity Conservation Trust can't refuse a payment into the Fund.

^c Proponents may only use conservation actions to meet obligations for certain credits in accordance with the [Ancillary rule: biodiversity conservation actions](#), published under clause 6.5 of the Biodiversity Conservation Regulation 2017.

Figure 2.1 Simplified map of the biodiversity credits market



Source: IPART analysis

2.2 Why an effective credits market is important

The NSW Government has recognised biodiversity in NSW is in crisis.⁷ The Government is seeking ways to halt biodiversity declines and ultimately put nature on a path to recovery through a nature positive approach.^{d 8} At the same time, there is a need for development of housing and essential infrastructure to support our growing population. The Scheme and the biodiversity credits market were established to balance these 2 very important outcomes. Using a market-based approach to establish the economic value of biodiversity conservation has several benefits. It encourages the conservation of private land, which makes up around 70% of the land area of NSW.⁹ It also minimises the cost of offsetting for proponents (as land with lower value alternative uses will be conserved first) and incentivises responsible development.

d A nature positive approach means nature is repaired and regenerated, unlike traditional approaches which mainly seek to slow or stabilise the rate of biodiversity loss. In practice, a nature positive approach may mean that development proponents will need to ensure a net gain in biodiversity from their project, for example by buying additional credits.

In a well-functioning market, credit prices signal the cost of offsetting impacts and give landholders, whether they are seeking to buy or sell credits, the right incentives to develop land or conserve biodiversity. The market provides a source of information about the costs of developing in different areas and helps development proponents to assess the different options available to them. A well-functioning market might mean that some developments that will impact rare or threatened species may not proceed, as the proponents will find it difficult and expensive to obtain credits. However, it should also encourage developments on land that will only impact ecosystems or species that are not rare or threatened and ensure that these developments can occur without undue cost or delay.

In NSW, the credits market is just one part of the broader Biodiversity Offsets Scheme and the state-wide framework for conserving biodiversity. The market has been introduced as a tool to send price signals on where and how development can occur, based on the demand and supply of credits, and within the policy framework laid out by the NSW Government.

2.2.1 What a well-performing and competitive credits market would look like

A well-functioning credits market would bring together credit buyers and sellers to enable transactions at a price that signals the true cost of offsetting impacts on biodiversity. When landholders understand these costs, they can make informed decisions about if and how to develop or preserve their land.



A well-functioning market would enable buyers and sellers to trade credits at a price that signals the cost of offsetting the impact of development on biodiversity

Figure 2.2 below shows some of the key indicators of a well-performing and competitive credits market. This list is not exhaustive, but it identifies some of the more important elements that underpin the proper functioning of the market.

Figure 2.2 Key elements of a well-performing and competitive credits market



Prices freely adjust based on the demand for, and supply of credits



Most credit buyers can buy credits in a timeframe that suits their needs and sellers have incentives to create in-demand credits



Market processes support all parties to engage in fair trading



No buyer or seller has the power to unduly influence prices



Market data supports participants to make informed decisions, including where and how development occurs



Transaction costs and timeframes are minimised



Barriers to entry for suppliers are minimised



Participants have confidence in the biodiversity outcomes delivered through credits, and in the governance of the market and third-party facilitators

Our [2022-23](#) and [2023-24](#) Annual Reports focussed on the way the market operates rather than the environmental outcomes it achieves. This was because our Terms of Reference asks us to focus on the performance of the credits market, which is just one part of the broader NSW Biodiversity Offsets Scheme. We noted that while the market can support the efficient delivery of offsets, it is the policy settings of the Scheme that are likely to have the largest impact on overall biodiversity outcomes.

This year we have broadened our definition of a well-performing credits market to one where participants have confidence in the biodiversity outcomes delivered through credits. This reflects our observation that while the policy settings in the Scheme drive the overall impact of the Scheme, confidence in the market's ability to deliver genuine biodiversity outcomes plays a key role in shaping participants' willingness to engage in the credits market.

2.3 IPART's role and approach to market monitoring

IPART was appointed to monitor the biodiversity credits market over a 3-year period, starting in 2022-23. Our Terms of Reference (see Appendix A) ask us to make findings and recommendations with the aims of:

Aims of IPART's review



Maintaining and promoting competition in the credits market



Addressing the interests of existing and potential market participants, and supporting fair trading



Identifying opportunities to improve market efficiency and address market failure

We are approaching the task by comparing the current functioning of the market to what we consider an effective market would look like (see previous section). Where we have identified areas of the market that are not functioning well, we have sought to make recommendations to bring the market closer to a well-functioning market.

Since releasing our second Annual Report in December 2024, we:

- published a [Discussion Paper](#) to signal our focus areas for this year and seek out further feedback. We received written feedback from 33 stakeholders, including the Department, in response to our Discussion Paper.
- held three online workshops for stakeholders to discuss their experiences with the market. Each workshop was attended by 25-50 participants including development proponents, landholders, credit investors and third-parties.

The feedback from these consultations as well as our analysis of market data have informed this draft report.

As this is the final year we are reviewing the market under our existing Terms of Reference, we have decided to undertake additional consultation to provide stakeholders an opportunity to have their say on our findings and recommendations to the NSW Government. We welcome feedback from all interested stakeholders and will take into account all submissions before finalising our findings and recommendations to the NSW Government in July.

2.3.1 What we found and recommended in previous years

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

- while government intervention is likely to be required in the transition to a competitive market, the (then) current operation and rules around payment into the Biodiversity Conservation Fund were preventing the market from developing
- high up-front costs and long credit generation times create a lag between credit demand and supply
- market participants lack accurate and timely information
- high transaction costs and market complexity discourage participation
- stakeholders lack confidence in market oversight and governance, which discourages their participation in the credits market.

These findings were supported by data on credit transactions and key market indicators, as well as through discussions and written submissions from a wide range of market participants. We found at the time that several changes were required to address these issues and we made the following priority recommendations in those earlier reports:

- government interventions should prioritise facilitating market participation, maintaining integrity and instilling confidence in the market over keeping the cost of offsetting biodiversity impacts low
- the option for proponents to pay into the Biodiversity Conservation Fund should be phased out and in the interim, should implement measures to reduce development proponents' reliance on the Fund
- the Biodiversity Conservation Trust should develop an appropriate strategy for reducing the backlog of unacquitted credits in the Biodiversity Conservation Fund that considers the potential impact of its actions on competition and prices in the market.

2.4 Recent changes to the NSW Biodiversity Offsets Scheme

Since releasing our first market monitoring report in December 2023, some legislative changes have been made to the NSW Biodiversity Offsets Scheme and the credits market.

2.4.1 Biodiversity Conservation Amendment (Biodiversity Offsets Scheme) Act 2024

The *Biodiversity Conservation Amendment (Biodiversity Offsets Scheme) Act 2024* (Amendment Act) was passed by NSW Parliament on 22 November 2024 and commenced on 7 March 2025.

The Act implements numerous reforms to the Scheme and credits market by:

- providing for the Scheme to transition to delivering net positive biodiversity outcomes over time
- establishing the “avoid, minimise and offset hierarchy” as the key principle underpinning the approach to addressing the impacts of actions on biodiversity values
- enabling regulations to be made to prescribe the circumstances in which a person cannot pay an amount into the Biodiversity Conservation Fund as an alternative to satisfying a requirement to retire biodiversity credits
- requiring the Biodiversity Conservation Trust to acquit offset obligations paid into the Fund within 3 years, and, when it does not, to enter into an agreement with the Minister about how the Trust will meet its obligation
- introducing new public registers to record specified decisions (such as grant of development consent or approval), conditions on approvals, and measures that have been taken or will be taken to avoid and minimise impact on biodiversity values
- enabling regulations to be made to provide for revised (lower) Scheme entry thresholds for local development.¹⁰

This Amendment Act provides the NSW Government's high-level direction for the future of the Scheme, with further details to be prescribed in the regulations. We understand that the Department is currently assessing specific reform options to be included in these regulations.

2.4.2 Biodiversity Conservation Amendment (Strategic Offset Delivery Agreements) Regulation 2025

In May 2025, the Biodiversity Conservation Regulation 2017 (NSW) was amended to introduce Strategic Offset Delivery Agreements (SODAs)^e – a pathway for eligible Renewable Energy Zone developments to meet their biodiversity offset obligations. The pathway allows for eligible development proponents to enter into an agreement with the Department, which would then be responsible for meeting the offset obligations of the proponent through:

- the retirement of like-for-like biodiversity credits
- the funding of a biodiversity conservation action that would benefit the relevant threatened species or ecological communities

SODAs offer eligible renewable energy zone developers an alternative to participating directly in the credits market, paying into the Biodiversity Conservation Fund or establishing new Biodiversity Stewardship sites.

^e Under the Biodiversity Conservation Amendment (Strategic Offset Delivery Agreements) Regulation 2025 [NSW]

2.5 Recent changes to the market

Since releasing our first Annual Report in December 2023, the NSW Government has made various changes to the market with the aim of improving its performance. These include:

- collecting near-term credit demand estimates from development proponents, via the Supply Fund's Demand Expression of Interest form
- reducing barriers for prospective landholders with in-demand credits to enter the market, via the Stewardship Support Program
- reducing the backlog of unacquitted obligations in the Biodiversity Conservation Fund
- introducing SODAs as a pathway for eligible Renewable Energy Zone proponents to meet their offset obligations
- reducing the Supply Fund's reverse auction transaction costs (i.e., cost-recovery markups) from 8% to 5%^f
- equalising rules of participation in the reverse auctions by allowing credits sellers to submit non-binding bids.⁹

Chapters 4 and 5 of this report discuss our observations of how these interventions have impacted the market in 2024-25.

The Department has advised us that the Government also has a work program to make the following changes in the next 12 months:

- setting limits on the circumstances in which proponents pay into the Biodiversity Conservation Fund
- increasing oversight of brokers
- improving the digital systems that underpin the scheme
- improving market reporting, including reporting on the lifecycle of offsets obligations
- changing the fee structure for credit transfer and retirement applications
- changing the fee structure for the delivery fee component of the Biodiversity Conservation Fund charge.

We consider that there is value in continuing to assess the impacts of these changes on the market and to report this information publicly. However, since this is the last year of our reporting period under our current Terms of Reference, we will not be able to do so unless our role is extended.

^f This change was introduced in the August 2025 reverse auction.

⁹ This change was introduced in the August 2025 reverse auction.

2.6 How this report is structured

The rest of this report sets out our analysis of the biodiversity credits market, by key issue:

- Chapter 3 provides an overview of the market in 2024–25
- Chapter 4 assesses market performance and competition through the lens of market failures, frictions and issues affecting confidence
- Chapter 5 discusses the biodiversity outcomes delivered by the market and participants' confidence in those outcomes.

2.7 We welcome your feedback on this report

Throughout our annual reviews, stakeholders involved with and interested in the credits market have provided us valuable input by writing submissions, participating at our public workshops and providing us with information. This engagement has been critical to our review and has helped to inform our understanding of the issues affecting the performance of the credits market.

We invite any interested stakeholders to make a submission to this draft report and to share their views on our draft findings and recommendations to the NSW Government. You can make a submission to our review until **5 June 2026**.

We will consider all feedback from stakeholders in finalising our report to the NSW Government in July 2026.



Have your say

Your input is critical to our review process.

[Submit feedback >>](#)

You can get involved by making a submission to our review.

Chapter 3

Market activity in 2024-25
What were the key activities and trends in
the market over the past year?

03

The biodiversity credits market provides a mechanism for development proponents to purchase the credits they require. However, participating in the market is not the only option available. Development proponents can use one or more of several pathways to meet their credit obligations. These pathways include:

- **purchasing credits in the market**, either directly from the landholders who created them, or via intermediaries, including the Credits Supply Fund.
- **paying into the Biodiversity Conservation Fund**, at a pay-in charge set by the Fund. For development proponents who choose this option, the Fund then takes on the duty of acquitting the credit obligation and can do so by purchasing and retiring like-for-like credits in the market or by other steps including retiring non like-for-like credits, funding conservation actions, or other measures if approved by the Minister.
- **generating their own credits**. While this would not normally involve a transaction in the credits market, development proponents may create credits via a related business and undertake a credit transfer in the market.
- **funding a biodiversity conservation action** that benefits the relevant threatened species or ecological community in their credit obligation.^a

There are over a thousand different types of biodiversity credits in the Biodiversity Offsets Scheme, based on different ecosystems, species and locations. Some credit types are traded frequently and at significant volumes. Some have not yet been traded at all. In this report, as in our previous 2 reports, we have taken a broad definition of the 'credits market' to encompass all trades of any type of credit within the Scheme.

While credits are largely acquired to match development impacts, there is some ability for developers to substitute credits with others that are deemed sufficiently similar (for example, a developer may be able to purchase a credit in a neighbouring region). As the rules around substitutability are complex and the credits that are substitutable vary by credit type and location, we have chosen not to break the market down into smaller units based on individual credit types. However, we have reported data for sub-markets where we have access to data that adds depth to the analysis.

This market overview chapter provides a high-level summary of how the biodiversity credits market performed in 2024-25. Where possible it also shows trends in the performance that we have observed over the 3 years we have been monitoring the market. This chapter presents a broad picture of the market's performance against key metrics. The later chapters of this report then consider issues on specific topics and make recommendations for improvement to the NSW Government.

^a Proponents may only use conservation actions to meet obligations for certain credits in accordance with the Ancillary rules: biodiversity conservation actions, published under clause 6.5 of the Biodiversity Conservation Regulation 2017.

3.1 Key points in this chapter

The number of credits traded overall did not increase materially compared with 2023-24, which remained similar to the level of trading in the previous year (2022-23). However, there was again a significant change in the composition of credits traded in the market, with a greater number of credit types being traded for the first time.

Most development proponents are still choosing to satisfy their offset obligations by paying into the Biodiversity Conservation Fund rather than purchasing credits in the market. However, this year, the Fund made significant gains towards acquitting credits. In 2024-25, the Biodiversity Conservation Trust's credit purchases exceeded the number of new obligations that it received for the first time. The Trust purchased roughly 14,000 credits worth \$67 million – nearly tripling both the number of credits and the dollar value of credits purchased compared with the previous year. However, the Fund's use of variation rules (rather than purchasing like-for-like credits) also increased substantially.

Around 20% of all developers purchased credits in the market compared with around 80% who paid into the Biodiversity Conservation Fund.^b Developers who traded credits in the market were predominantly doing so for larger numbers of credits, with around 6 times as many credits traded in the market than transferred to the Fund. The average credit price paid by developers who traded in the market was around \$1,500 per credit which is significantly below the average of around \$5,000 per credit for developers who paid into the Fund.

The Credits Supply Fund acquired over double the amount of credits in 2024-25 compared to the previous year, alongside an increase to the number of credits being bid into its reverse auctions by sellers.

3.2 Market snapshot

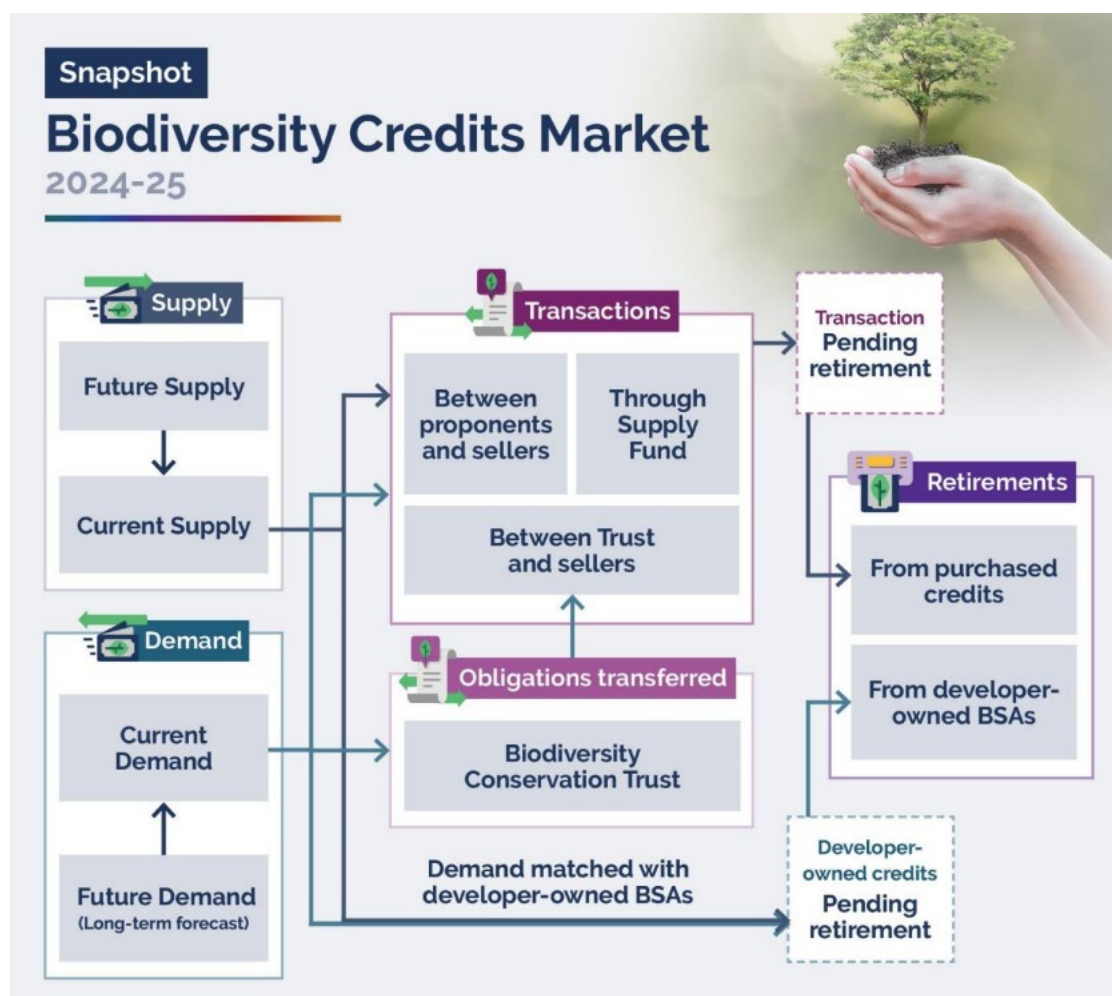
As at 30 June 2025, there were 948,000 credits generated, of which around 218,000 were retired since the Scheme began.^c Around 40% of retired credits were self-generated by development proponents. There are around 454,000 credits available in supply (that is, created but not yet transacted or retired).

Figure 3.1 presents an overview of the market, illustrating the changing status of credits through supply, ownership transfer and retirement. Table 3.1 provides a snapshot of the credits market in 2024-25 and Table 3.2 illustrates the observed differences in how development proponents interacted with the market.

^b Excluding development proponents who create their own credits.

^c These are credits generated since the inception of the Biodiversity Offsets Scheme and excludes credit types generated under the old BioBanking scheme due to differences in the available credit types between the old and new scheme.

Figure 3.1 Schematic overview of the biodiversity credits market in 2024-25



Note: BSA refers to Biodiversity Stewardship Agreement

Table 3.1 Snapshot of the biodiversity credits market in 2024-25

	Number of credits in 2024-25	Change from prior year
Supply^a		
Current supply (credits created but not yet purchased or retired)	453,736	21%
Forecast future supply (forecast additional credits to be created from in-train Biodiversity Stewardship Agreement applications)	331,238	180%
Demand		
Current demand (short-term forecast from development applications) ^b	112,157	n/a
Forecast future demand (long-term forecast from development applications) ^b	1,029,035	n/a
Demand from Biodiversity Conservation Trust (obligations for which credits are yet to be acquired) ^c	45,770	-2%
Credits transacted in the market^d		
Between proponents and sellers	58,532	-10%
Through Credits Supply Fund, including Trust purchases	14,803	16%

	Number of credits in 2024-25	Change from prior year
Between Trust and sellers ^e	8,708	103%
Obligations transferred to Biodiversity Conservation Trust	12,812	18%
Retirements ^d		
From purchased credits	81,738	251%
From proponent-owned Biodiversity Stewardship Agreements	31,734	-37%
From use of variation rules (by Biodiversity Conservation Fund)	692	1206%

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 and unpurchased Biodiversity Offsets Scheme credits generated to date.. Credits generated under the BioBanking Scheme are excluded.

b. Demand forecasts are calculated by the 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. Of these, the Biodiversity Conservation Trust has purchase commitments in place for 22,610 credits.

d. Transaction and retirement figures include both Biodiversity Offsets Scheme and BioBanking equivalence credits.

e. Represents credits transacted directly between the Trust and sellers. In addition to these credits, the Trust has also purchased credits via the Credits Supply Fund reverse auctions.

Source: IPART analysis, using data from the Department of Climate Change, Energy, Environment and Water and Biodiversity Conservation Trust.

Table 3.2 Summary of developers' interactions with the market 2024-25

	Credit obligations transferred to the Fund	Credits purchased in the market	Retired credits that were self-generated
Number of development proponents ^b	144	44	15
Number of credits	12,812	73,335	31,734
Value of credits	\$60 million	\$104 million	N/A ^a
Average number of credits per developer	89	1,667	2,116
Average price/cost per credit	\$4,670	\$1,420	N/A ^a

Note: Dollar values are in \$2024-25.

a. Retired credits that are self-generated are not assigned a value because they have never been traded on the market

b. Some proponents may use a combination of acquittal methods to meet their obligations.

3.3 The number of credits generated has continued to grow but the rate of increase has slowed

In 2024-25, 276,000 new credits were generated across 31 new Biodiversity Stewardship Agreement (Stewardship Agreement) sites.^d The number of credits generated on new sites this year was around 10% less than the number of credits generated on new sites in 2023-24 (308,000).

The number of credits created exceeded the number of credits retired during the period, leading to an increase in the total number of unretired credits (around 21% higher than in 2024-25).

d In addition to this, another 33,400 credits were generated through variations to existing BSAs 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 have been advised by the Department 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.

The number of new stewardship sites created in 2024-25 is lower than the equivalent number for last year. However, the total area covered by the new sites was greater than the area covered by sites established in 2023-24, with the average number of hectares per site more than double that of last year.

3.3.1 Location and type of credits created appears to be responsive to demand from development

Demand for credits is driven by regulatory obligations that are tied to where development impacts occur, as well as the types of ecosystem and species impacted. Like development and major construction projects, credit generation can be highly variable in terms of location from year to year. There is strong evidence that new credits available in the market follow the growth in demand.

The Murrumbidgee area is currently a major hub for the NSW electricity network expansion, driven by a need to connect new renewable energy sources to the grid. The region is home to the Southwest Renewable Energy Zone (REZ). In 2024-25, the Murrumbidgee LGA led the state in credit generation (54,000), producing twice as many credits as the next highest LGA, Narrabri Shire. Supply growth in the Narrabri Shire LGA is likely driven by demand linked to the Australian Rail Track Corporation's (ARTC) Inland Rail project.

However, while the Murrumbidgee LGA saw a significant number of new credits generated in 2024-25, the same region did not generate a single credit the year prior. The reverse was true in the Gunnedah LGA, where the number of new credits created in 2023-24 was over 20,000 (corresponding to new coal mining activity in the area) but fell to zero in 2024-25.

In 2024-25, new credits generated covered a total of 114 different credit types, including 35 types that had never been generated before. Supply increased significantly for the Regent Honeyeater, Riverine Chenopod Shrublands and Western Peneplain Woodlands compared to the number of credits for these types generated prior to 2024-25. For the Riverine Chenopod Shrublands credit (with less than 50% vegetation cover), around two thirds of the ~15,000 credits generated this year were generated by a development proponent and immediately retired.

Looking at credits created by area and type alongside information on the location and timing of major development projects, most (though not all) new credits appear to be being generated after demand for them is established rather than being generated on a speculative basis. One reason for this is likely a result of development proponents directly supplying their own credits (such as the Riverine Chenopod Shrublands discussed above). Proponents of large developments may have greater scope to do this because they may require large numbers of credits and already own sufficient land to make this approach expedient. However, the timing of credit creation in relation to credit demand may also result from government interventions to ensure that the right credits are supplied when they are needed.

The Department, through the Credits Supply Fund, has been active in working with landholders to generate in-demand credits. In 2024, the Department introduced the Stewardship Support Program. The program offers administrative and financial support to eligible landholders entering into a biodiversity stewardship agreement. This program has had significant uptake, with over 200 applications received to date, 8 sites approved with Stewardship Agreements drafted and a further 17 sites with completed BSA assessments and currently progressing through the regulatory approval process.^e

3.3.2 A significant proportion of credits retired were established directly by developers to meet their own requirements

This year, around 28% of the retired credits were from Stewardship Agreement sites that developers had generated themselves to offset their impacts on biodiversity. While this is a significant decline from 68% in 2023-24, it is a similar level to what was observed in 2022-23 (24%).

As of July 2025, approximately 41% of all credit retirements since the Scheme's inception were from credits that developers established themselves. Development proponents have indicated that generating their own credits can be cheaper and more certain than paying into the fund or sourcing credits through the market.¹¹ This is particularly the case for larger proponents, who can save time and costs through in-house expertise and better access to scale economies.



41% of all credit retirements since the Scheme's inception were from credits that developers established themselves.

3.4 Market trading activity is similar to last year

In total, market trading activity was not significantly different in 2024-25 compared with the 2023-24 year but there were some differences in the composition of trades. The number of trades in the market increased, but the average transaction size fell, with the total number of credits traded in the market and the total value of transactions remaining stable. The spread of credits traded also continued to rise. While the overall number of credits traded did not continue to increase this year, the level of activity remains considerably higher than it was 3 years ago.

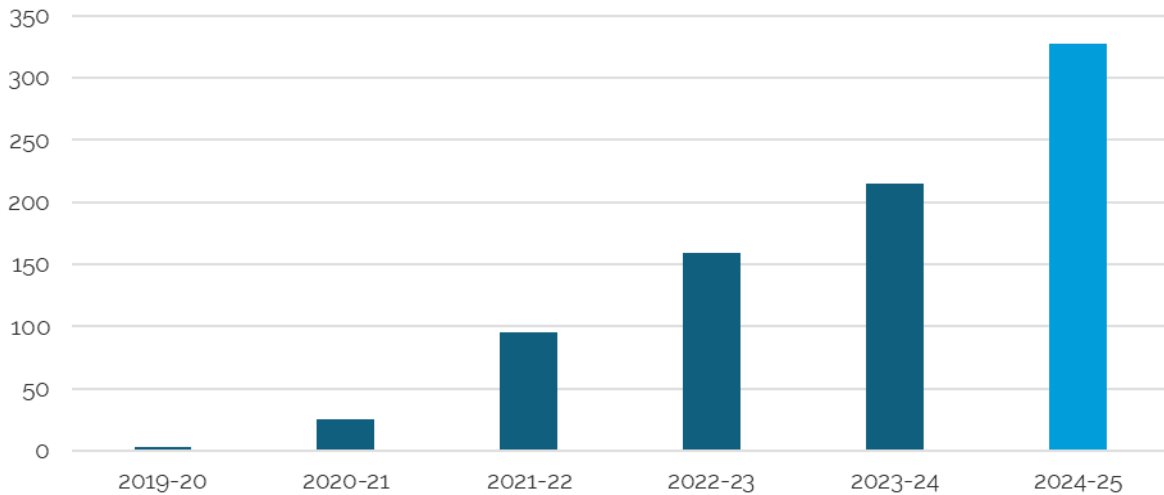
3.4.1 The number of individual trades has increased but transaction volumes and overall value have remained stable

The total number of trades conducted across the credits market rose from 215 to 328. However, the average transaction size fell. In 2024-25 the average transaction was 250 credits and \$525,000, down from 383 credits and \$792,000 in 2023-24. There was a 29% increase in the number of buyers and a 25% increase in the number of sellers participating in the market.

^e Data obtained from the Department of Climate Change, Energy, Environment and Water.

Figure 3.2 shows the growth in the number of market transactions through the life of the scheme.

Figure 3.2 Growth in the number of market transactions



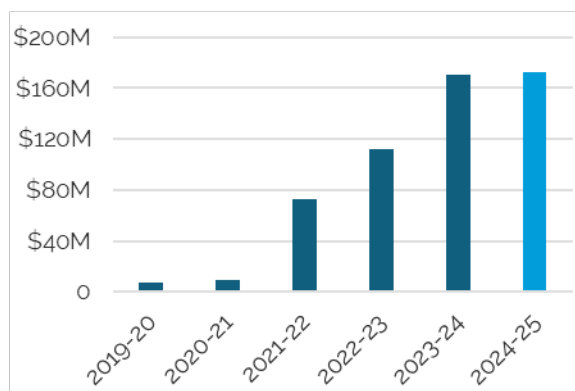
Note: This figure refers to credit transfers only. Retirement transactions are excluded from the analysis.

Source: IPART Analysis, using data from the NSW Department of Climate Change, Energy, the Environment and Water

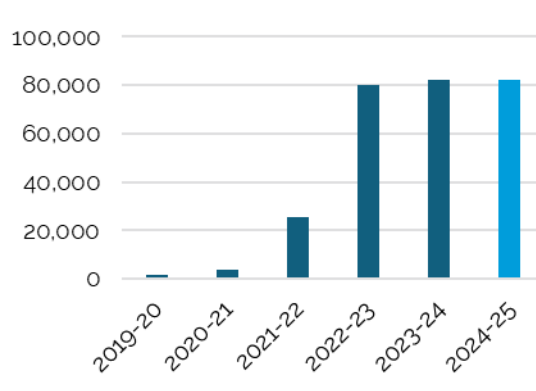
While the number of transactions rose, the number of credits traded (82,000), and the overall value of all credits traded (around \$170 million), showed no material change. However, as shown in Figure 3.3, these indicators were significantly higher compared with what was observed in earlier years, with a notable step change in activity in 2022-23.

Figure 3.3 Growth in value and number of credits transferred

Value of market transactions



Number of credits transferred



a. The graph above shows the number of credits traded between buyers and sellers in the market, after removing intermediary transactions including on-sales between the Supply Fund and end-buyers.

b. This figure refers to credit transfers only. Retirement transactions are excluded from the analysis.

Source: IPART Analysis, using data from the NSW Department of Climate Change, Energy, the Environment and Water

Draft finding

1. The total number of credits traded in the market, and value of market transactions, remained steady in 2024-25. However, there was continued growth in the number of market transactions and the number of participants.

3.4.2 Trade is occurring across more credit types and in more locations

The Scheme recognises 386 different Offset Trading Groups (of 'ecosystem credits') and 915 different species credits. By the end of 2024-25, only 169 of these had ever been traded. This includes 52 credit types traded for the first time in 2024-25.

In 2024-25, trade was spread across 78 different ecosystem credits and 40 species credits, which in total is 40% greater than the spread of credit types traded in 2023-24. The 40% expansion in the number of credit types traded between 2024-25 and 2023-24, follows a 65% increase between 2022-23 and 2023-24.^f

In recent years, the market share of the most frequently traded credits has reduced. While the composition of the top 10 most traded credits varies from year to year, the proportion of trades that these comprise gives an indication of the level of concentration in market activity. In 2022-23, the top 10 most traded credit sub-markets contributed to 92% of total market activity. By 2024-25, the top 10 most traded credit sub-markets contributed to 55% of total market activity.



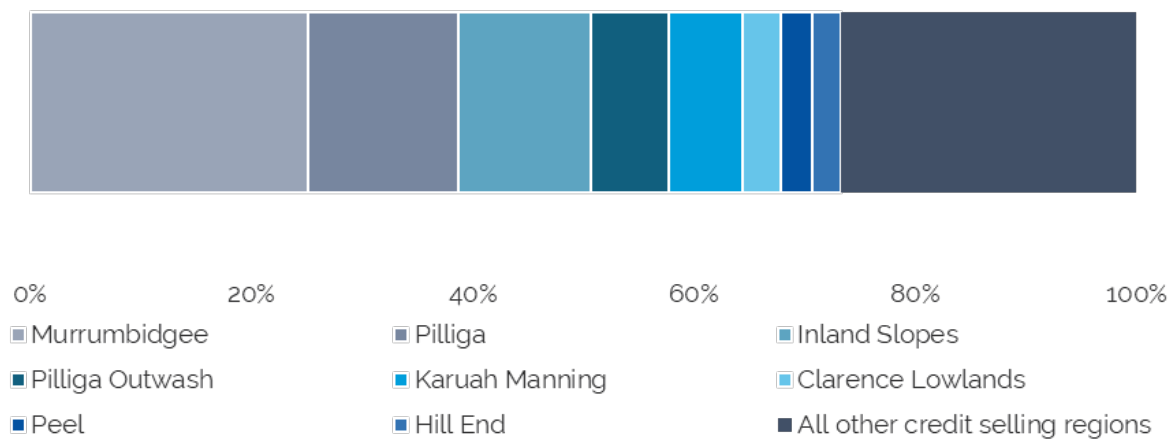
Biodiversity credits are also being traded across a broader range of locations in New South Wales than in previous years. For instance, trades in 2024-25 occurred across a total of 35 Interim Biogeographic Regionalisation for Australia (IBRA) sub-regions, up from 28 in the previous year and reflecting an all-time high.^g Of these, trading occurred in 7 IBRA sub-regions that had not previously recorded any trading, including the Snowy Mountains and Ellerston sub-regions.

^f In our analysis, we have treated each type of ecosystem as a single credit type. However, under like-for-like trading rules, each ecosystem credit is linked to a geographic region and is not always interchangeable with credits of the same type from other regions. The implication of this is that each type of ecosystem may comprise multiple location options.

^g The Interim Biogeographic Regionalisation for Australia (IBRA) is a classification of areas of Australia's land according to common environmental characteristics. There are 131 sub-regions in NSW.

Like supply, the location of biodiversity credit transactions is responsive to demand from development due to like-for-like and location specific offsetting rules. However, like trade in the top 10 credit types, the location of credits traded gives an indication of the concentration of trading. With trading volumes remaining steady, but covering more regions than before, overall credit transactions are more thinly spread across regions. This is shown by Figure 3.4.

Figure 3.4 Top 8 IBRA sub-regions by number of credits traded – 2024-25



Note: The graph above shows the number of credits traded in each IBRA sub-region, after removing intermediary transactions including on-sales between the Supply Fund and end-buyers.

Source: IPART Analysis, using data from the NSW Department of Climate Change, Energy, the Environment and Water.

This year saw the Pilliga region become the second most common location for credit sales through a 5-fold increase over the prior year. In the same timeframe, the South Olary Plain region did not sell a single credit despite being the most commonly traded region in the prior year. Of the top 8 credit selling regions in 2024-25, just 3 were part of the top 8 in 2023-24. Over the 3-year period in which we have been monitoring the market, we have observed high year-on-year variability in the areas and types of credits that experience high market activity.

3.5 Offset obligations transferred to the Biodiversity Conservation Fund continue to be significant but the number of obligations it holds fell for the first time

Most developers continued to use the Biodiversity Conservation Fund to meet their credit obligations. Of development proponents who did not establish BSAs to fulfill all their obligations, around 80% transferred some or all of their obligations to the Fund and around 20% traded directly in the credits market. This is similar to what we have observed in the previous two years.

The developers who transferred their obligations to the Fund transferred fewer obligations and paid more for each credit on average than those who traded directly in the market.^h This was also consistent with what we observed in previous years.

^h Note that this average may reflect differences in the types of credits being sought.

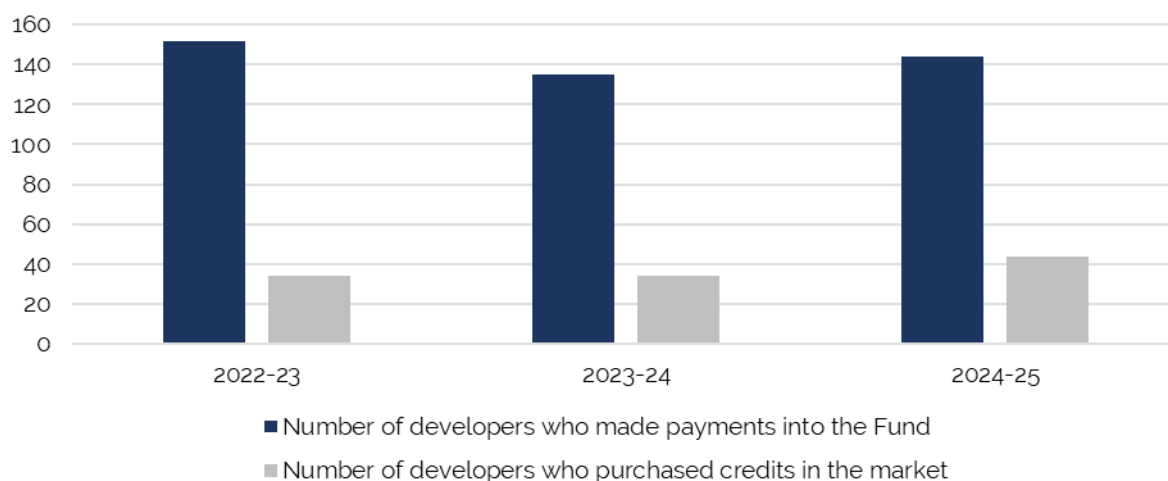
For the first time, the Fund acquired more credits than the number of obligations it took on with the Trust purchasing roughly 14,000 credits (worth around \$67 million)ⁱ, which was almost triple the number of credits purchased in the previous year.

As of 30 June 2025, the Biodiversity Conservation Fund had received roughly 80,000 obligations from development proponents, equivalent to \$337 million^j in payments, since 2018. Approximately 60% of those obligations remain with the Fund.

3.5.1 Smaller proponents continue to rely on the Biodiversity Conservation Fund and larger proponents tend to purchase credits in the market

Consistent with previous years, more development proponents used the Fund than purchased credits in the market. Around 80% of all development proponents used the Fund to meet at least part of their credit obligations with around 20% purchasing credits in the market. This proportion has not changed significantly over the past three years, as shown by Figure 3.5.

Figure 3.5 Developer offset pathways between 2022-23 and 2024-25



Note: The graph above includes those developers who both made payments into the Fund and purchased from the market.

Source: IPART Analysis, using data from the using data from the NSW Department of Climate Change, Energy, the Environment and Water and the Biodiversity Conservation Trust

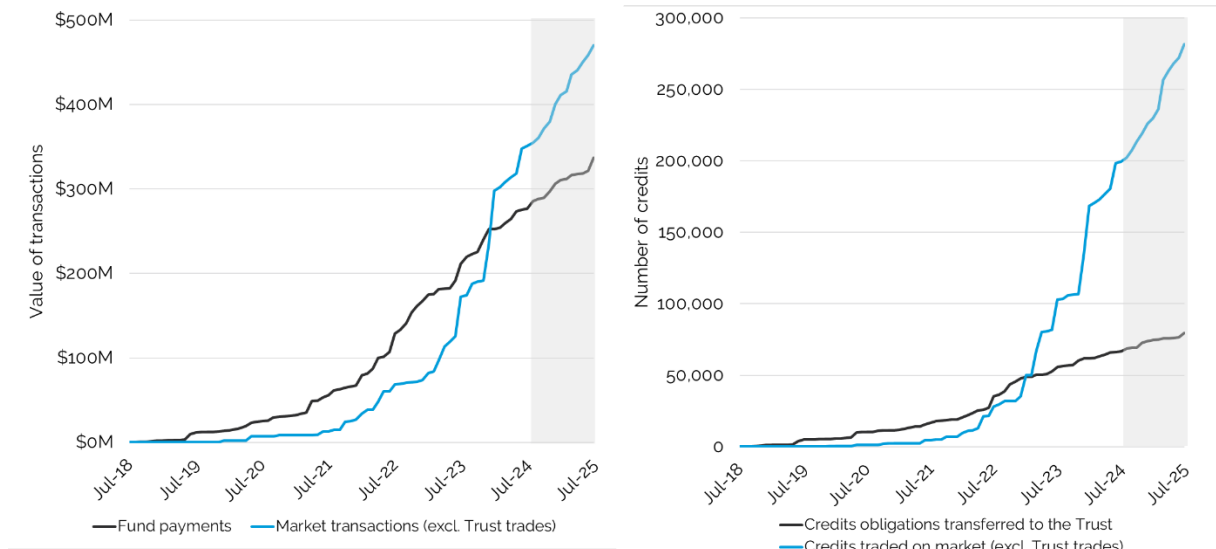
However, while a minority of development proponents purchased credits in the market, the size and value of market transactions exceeded that transferred to the Fund. 73,335 credits were purchased by developers in 2024-25, with a value of around \$104 million. This is substantially higher than the number and value of credits transferred to the Fund during the same period. In 2024-25, 12,812 credits were transferred to the Fund with a value of around \$60 million.

The number of credits purchased through the market exceeded the number of credit obligations transferred to the Fund by almost 6 times in 2024-25, continuing the steep increase in the number of obligations acquitted via the market compared with the Fund since 2022-23. There has been a notable shift from June 2022, when proponents acquitted more credit obligations through the Fund than the market, shown in Figure 3.6.

ⁱ Excludes commitments to purchase credits and payments towards funding conservation actions

^j In \$2024-25 terms. In nominal terms, this is \$311 million.

Figure 3.6 Comparison of Fund payments and market transactions – by total value and number of credits



Note: The graph above shows the number of credits traded in the market, after removing intermediary transactions including on-sales between the Supply Fund and end-buyers

Source: IPART Analysis, using data from the Biodiversity Conservation Trust

Developers who purchased credits in the market, purchased an average of around 1,700 credits each at an average price of around \$1,420 per credit. Conversely, developers who transferred credits into the Biodiversity Conservation Fund transferred an average of 89 credits each at an average price of around \$5,000 per credit. Although there was a small increase in the number of development proponents engaging with the market (see Figure 3.5) the market remains highly concentrated on the buyer side, which may have implications for the level of competition in the market (see Chapter 4 for more analysis).

Draft findings

- 2.  Around 80% of all development proponents who did not generate their own credits met their obligations by transferring some or all of them to the Biodiversity Conservation Fund, while around 20% met their obligations by purchasing credits in the market.
- 3. Typically it is development proponents seeking larger numbers of credits who participate in the market. Despite being made by a minority of developers, the total number of credits purchased in the market was around 6 times higher than the number of credit obligations transferred to the Fund.

3.5.2 The Fund has increased its purchase and retirement activity

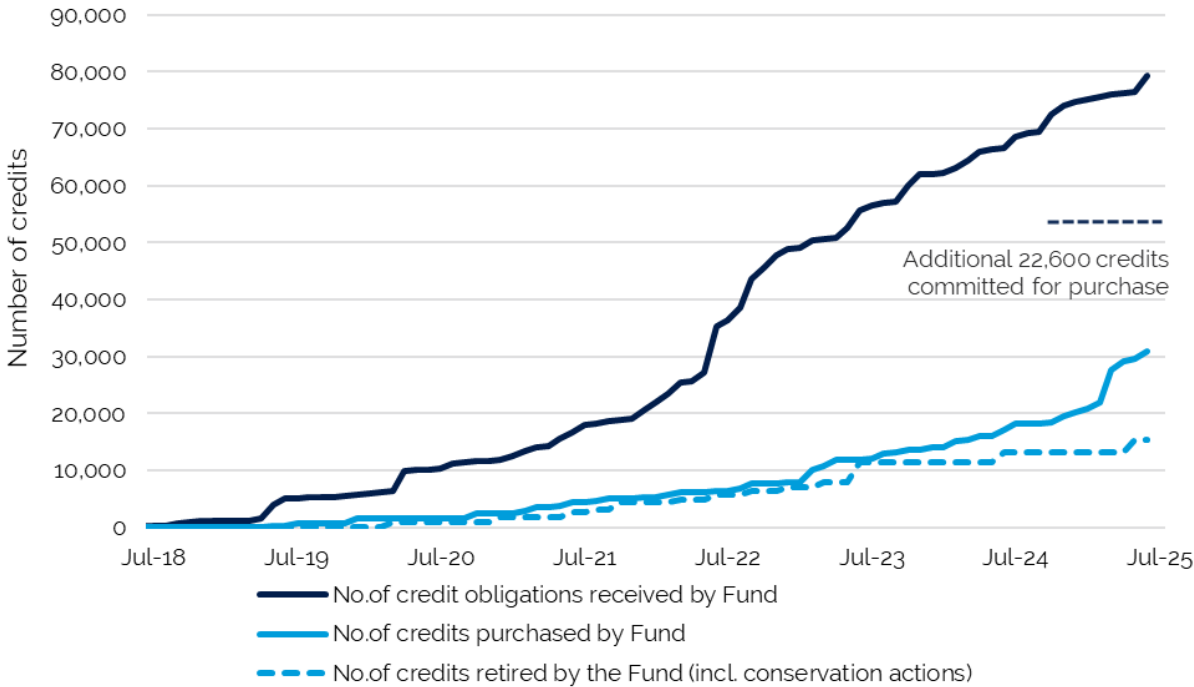
As at 30 June 2025, credits have yet to be purchased for around 60% of the obligations taken on by the Fund. The balance of obligations in the Fund fell during 2024-25 for the first time due to an increase in the Fund's purchase and retirement activity (the result of actions taken over several years to address this issue) which has helped reduce the backlog of credit obligations.

For the first time, the Trust's credit purchases exceeded the number of new obligations that it received. Over 2024-25, the Trust purchased roughly 14,000 credits worth \$67 million – nearly tripling both the number of credits and the dollar amount of credits that it purchased in the previous year. It also met roughly 2,500 credit obligations by funding conservation actions. In contrast, it accepted roughly 13,000 credit liabilities, resulting in a net reduction in its obligations by roughly 3,500 credits or 5%.

In addition to these purchases, the Trust has committed to purchase another 22,600 credits, or roughly half of its outstanding obligations. Purchase commitments include instances where the Trust has entered into a contract to purchase credits or has made a purchase offer via its credit tenders, reverse auctions, or open fixed price offer rounds, but the credits have not yet transacted. These may include credits that are not yet available but have been identified as likely to be created in the future at potential new Biodiversity Stewardship Agreement sites.

We note that despite the increase in the Trust's purchasing activity, many of its credits are awaiting the administrative step of retirement. In total, there are 15,700 credits that have been purchased by the Trust but are pending retirement. The trends in obligations, purchases and retirements over time are shown in Figure 3.7.

Figure 3.7 Biodiversity Conservation Fund obligations versus purchases and acquittals



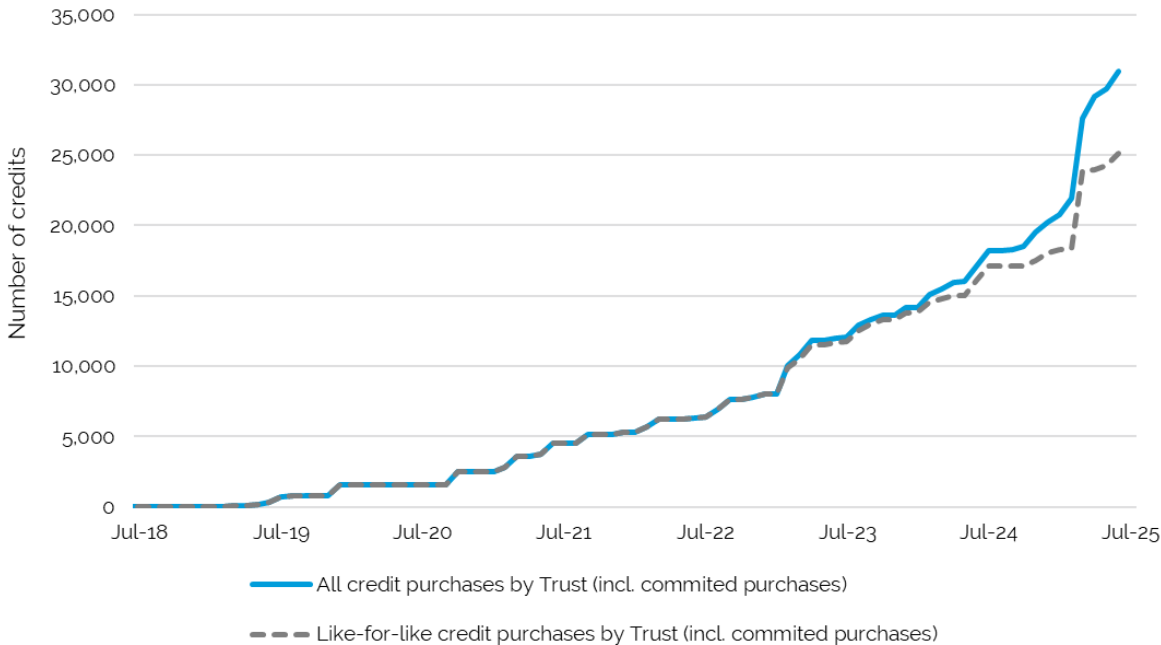
Source: IPART Analysis, using data from the Biodiversity Conservation Trust

3.5.3 The Biodiversity Conservation Trust increased its use of variation rules and conservation actions to meet credit obligations

Around one third of the Fund's offsetting activities in 2024-25 were completed through the exercise of variation rules and conservation actions (that is, they do not meet the like-for-like offsetting rules associated with the original credit obligation).^k This was a substantial increase in the use of these actions, up from 13% the year prior (see Figure 3.8).

^k Excluding credits committed for purchase by the Trust

Figure 3.8 Biodiversity Conservation Trust like-for-like credit purchases versus all credit purchases



Source: IPART Analysis, IPART Analysis, using data from the Biodiversity Conservation Trust

Draft findings

- 4. For the first time, the Trust's credit purchases exceeded the number of new obligations that it received into the Biodiversity Conservation Fund. However, approximately 60% of the Fund's obligations are yet to be purchased.

3.6 The Supply Fund's reverse auctions are attracting more credits from sellers

The Biodiversity Credits Supply Fund (Supply Fund) operates within the Department as an intermediary purchaser of in-demand credits on behalf of developers.¹² The credits are purchased via a series of reverse auctions conducted each year, where sellers can 'bid' to sell credits. In 2024-25, the Supply Fund's reverse auctions facilitated the transfer of 18% of the credits purchased in the market.



In a reverse auction, a 'bid' is a proposal made by a seller of credits. The 'bid' will include a singular type of credit, with the price and number of credits offered for sale determined by the seller. In this section, a 'bid' refers to each reverse auction entry made by a seller.

In 2024-25, the Supply Fund conducted 2 state-wide and 2 targeted reverse auctions. The 4 auctions drew a total of 782 binding bids from credit sellers^l, which equates to a 13% rise in the average number of bids per auction relative to the prior year. The number of credits included in each bid was also higher this year than in 2023-24, contributing to an overall increase in the number of credits approved for purchase by the Supply Fund in 2024-25.

There was a greater spread of credit types offered in 2024-25, with 91 different types compared to 82 in the prior year. Despite this, the top 3 most commonly offered credits, the White Box – Yellow Box – Blakely's Red Gum Grassy Woodland, Koala and the Large-eared Pied Bat, accounted for around a third of all individual bids.

The Supply Fund's auctions in the 2024-25 reporting period were conducted in advance of several changes to its auction process, including reduced fees, making bids from sellers non-binding and a new ability to provisionally accept bids in advance of finding a buyer.

3.6.1 Reverse auctions have seen lower average bid prices and an increase in credits approved for purchase by the Supply Fund

The Supply Fund doubled its credit purchases in 2024-25 compared to the previous year. This indicates a higher proportion of successful bids in each reverse auction. For the 5 most commonly offered credits at auctions over the past 2 years, average bid prices have decreased by between 6% and 24%.^m

3.7 Credit pricing remains highly variable

The spread of activity across several sub-markets means that transactions are low in number for most credit types and locations. Because of this, pricing data for individual credits is scarce, and it is difficult to identify any overall trends in credit pricing.

We have observed large variations in some credit prices using historical transaction data. An example is the White Box - Yellow Box - Blakely's Red Gum Grassy Woodland credit, which is the most highly traded credit in the market. In 2024-25 its prices ranged from roughly \$450 per credit to over \$7,000.

Some variation in prices is to be expected in a well-functioning market, as a result of:

- geographical location of credits (in particular, ecosystem credits, which may not be fully substitutable because of location-based like-for-like trading rules and as a result will have different options for location substitutability depending on their geographical distribution)
- differences in the underlying cost base and management costs of sites - larger BSAs achieve economies of scale and are better positioned to offer more competitive prices
- differences in transaction sizes, with larger transactions often achieving lower prices per credit.

^l Including for non-targeted ecosystem and species credits

^m The 6 credits chosen for this analysis were those with the most reverse auction bids (not including outliers) in 2023-24 and 2024-25. The bid price analysis excludes statistical outliers. Outliers are identified if occurring outside 1.5 times the Interquartile Range. Purchase price analysis includes all available datapoints.

However, for some types of transactions, the price per credit disclosed in the register is not a good measure of the traded value of that credit. Those transactions include:

- bulk-transactions – i.e. groups of credits purchased under one 'lump sum' agreement and all displaying the same, average, unit price (this may include averaging ecosystem and species credit prices, which tend to be very different when priced individually)
- related-entity transactions – where related parties transact with each other at a price – often as low as \$1 - not reflective of a competitive transaction
- transactions that have been negotiated under option arrangements where a credit price may be agreed well in advance of the transaction taking place (option agreements)
- transactions where a buyer has separately agreed to fund either the Total Fund Deposit or up-front costs that would normally need to be covered by the purchase price.

These transactions are not clearly marked or identified in the available data. While we have attempted to correct for these wherever possible, we note that many prospective market participants would be unaware of these issues and/or unable to correct for them.

As noted earlier, some price variation in ecosystem credits can occur in line with the location of the credits. This is because of the differences in the underlying cost of land across different BSA sites throughout NSW. As a result, ecosystem credits that are more geographically dispersed (e.g. White Box – Yellow Box – Blakely's Red Gum Grassy Woodland) may see more variation in prices compared to ecosystem credits that are less geographically dispersed (Cumberland Plain Woodland). Species credits, on the other hand, can be traded and retired freely regardless of the location of those credits. However, we have also observed high price variation within species credits. Box 3.1 summarises the location substitutability rules for credits under the Scheme.

Box 3.1 Location substitutability of credits

There are 2 types of credits in the NSW credits market:

- Ecosystem credits, which can be traded within 'Offset Trading Groups' comprising a group of similar plant community types
- Species credits.

Location-based trading rules apply only to ecosystem credits and their Offset Trading Groups. The rules require that:

- Ecosystem credits must be located either:
 - in the same IBRA sub-region as the impact site
 - an adjacent IBRA sub-region to the impact site
 - within 100km from the impact site.
- Species credits can be located anywhere in NSW.

Box 3.1 Location substitutability of credits

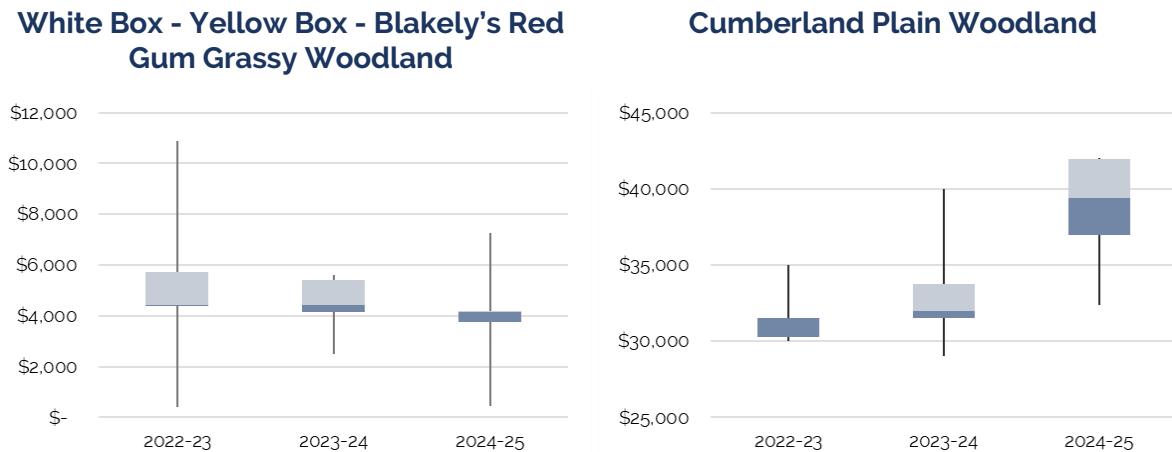
Location substitutability is also practically limited by the geographical distribution of a given ecological entity: geographically-dispersed entities naturally offer more opportunities for location substitutability, compared to entities that are geographically-constrained.

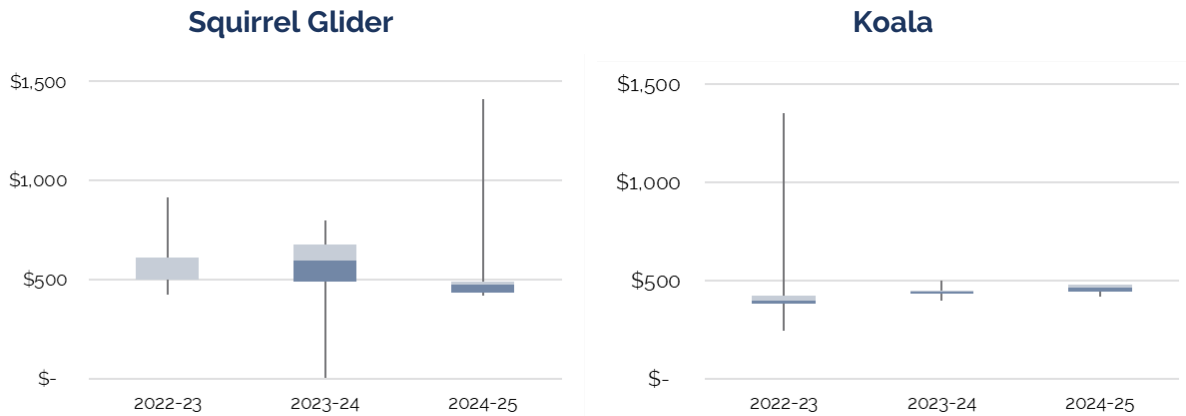
Source: NSW Department of Climate Change, Energy, Environment and Water, [Like for like offset rules](#)

There are some early indications of improving price stability for some credit types. In Figure 3.9 below, we see a narrowing of the interquartile range of prices for White Box - Yellow Box - Blakely's Red Gum Grassy Woodland, Squirrel Glider and Koala credits. Less price dispersion in individual markets could occur for multiple reasons, including improved liquidity, less transaction bulk and related-entity transactions, or participants gaining more clarity over their price expectations. However, this has not been observed uniformly across all traded credits.

Figure 3.9 shows through a box and whisker plot, that prices for some of the Scheme's most traded ecosystem credits have seen material variation over the past three years.

Figure 3.9 Credit prices over time for the scheme's most traded credit types – 2022-23 to 2024-25





Note: Price analysis includes all available data points, such as outliers.

Source: IPART Analysis, using data from the NSW Department of Climate Change, Energy, the Environment and Water

Box 3.2 How to read a box and whisker plot

The box shows the **interquartile range** of the data – i.e. the middle 50% of the data.

The line inside the box marks the **median** (the centre of the data).

The whiskers extend from the box to the **minimum and maximum** data points

Chapter 4

Market performance and competition

What are the causes and impacts of market failures and frictions in the credits market?



The performance of, and competition within a market can be affected by a range of factors. Some of these give rise to market failures, which are structural or systemic issues that can distort prices, hinder efficient market clearing, or compromise fair trading. Market failures are a priority concern because they can have immediate and significant adverse impacts for participants.

Other issues may not result in outright market failure but can still hinder the smooth and efficient functioning of the market. These are referred to in this chapter as market frictions. Examples of market frictions include inaccurate market data or high costs of trading.

Separate from market failures and frictions are issues that may affect the confidence of participants deciding to enter or remain in the market. These can include perceptions of weak or improper governance, limited transparency, or concerns about the market's ability to deliver robust and enduring biodiversity outcomes.

This chapter discusses market performance and competition through the lens of market failures, frictions and confidence.

4.1 Key points in this chapter

Our findings on market competition, the effectiveness of trading mechanisms, transaction costs, information and market confidence are consistent with our last two annual reviews.

Access to the Biodiversity Conservation Fund option at the current pay-in charge continues to suppress the development of the market and prevents it from establishing prices that reflect the balance of demand for and supply of credits. Market prices, including reverse auction prices, are unable to freely adjust beyond the Fund's pay-in charge. As a result, there is a risk that the market clearing price could be set at a level that prevents some potentially feasible trades from occurring.

Access to the Fund is available to all development proponents for all credit types, even for vulnerable and threatened species. This enables development to occur in cases where credits are unavailable to offset the impacts of development on a like-for-like basis. We have observed a material increase in the Fund's use of variation rules and conservation actions, in part to reduce the backlog of obligations we identified in our previous reviews. Despite this, the Fund still holds around 60% of all obligations that have been transferred to it, with no credits purchased for them. There is a risk that like-for-like offsetting objectives will be compromised if legislation allows the Fund to continue to operate in its current manner. We consider that the Fund pay-in charge should reflect the risk that like-for-like credits will not be able to be sourced. The Biodiversity Offsets Payment Calculator (BOPC) Order 2022 could be amended to allow the Trust to take into account factors such as the natural scarcity of an entity, or the available supply of a credit in the market when determining the risk premium component of the Fund pay-in charge.

Recent government interventions, notably through the Supply Fund, have made strides in reducing the supply-demand time lag issues and reducing upfront financial risks for landholders with in-demand credits. The reverse auction process has enabled quicker matching of demand and supply, though its overarching objective of reducing the cost of credits has sparked some distrust amongst credit sellers. Market information issues, high transaction costs and long search times for direct buyer-seller transactions persist.

There continues to be low confidence in the governance of the market. Through our consultation we have observed an increase in the number of stakeholders expressing concern, apprehension or uncertainty about perceived overlaps in government agency roles, with many stakeholders calling for better role clarity and more transparent governance arrangements. We have recommended that the NSW Government set clear definitions and objectives for each of its functions within the credits market, and release timely and accurate information into their outcomes. Best practice market governance would require operational, regulatory and policy setting roles to be clearly separated.

Given these issues, we recommend that the credits market be subject to ongoing independent performance monitoring, with the aim of reporting on indicators of competition and efficiency.

4.2 Market failures

The biodiversity offsets market was itself introduced to address a type of market failure. That failure was unaccounted external harm to biodiversity from development. The market for biodiversity credits and the imposition of offset obligations on development proponents seeks to address this problem. However, several features of the credits market introduce the risk of other types of market failures that make this intervention less successful than it could be.

When market failures occur, the market does not yield efficient prices and some demand is not met that could have been met. This can occur, for example, when prices are unduly influenced by a small number of participants who may hold market power. Market failure can also arise when supply and demand are not matched at the prevailing price (failure to clear). In the biodiversity credits market this occurs as a result of the Fund pay-in charge (set outside the market) setting a ceiling price for credit purchasers. It is exacerbated by the Fund's ability to not purchase credits to meet the obligations it has taken on and instead deliver offsets through variation rules or conservation actions, even where like-for-like credits are available.^a

Market failures represent economically inefficient outcomes and create risks of price-making or price-taking behaviour. To ensure that trading occurs in a way that is efficient, and aligned with the objectives of the market, it is important that market failures are addressed.

This section discusses our observations of market failures in the biodiversity credits market and makes recommendations on how to address them.

4.2.1 The market remains highly concentrated and competition varies across groups of credits

Market concentration is the measure of how market share is distributed between various entities within a given market. The more concentrated a market is, the more likely it is that those with high market share also wield market power over prices.

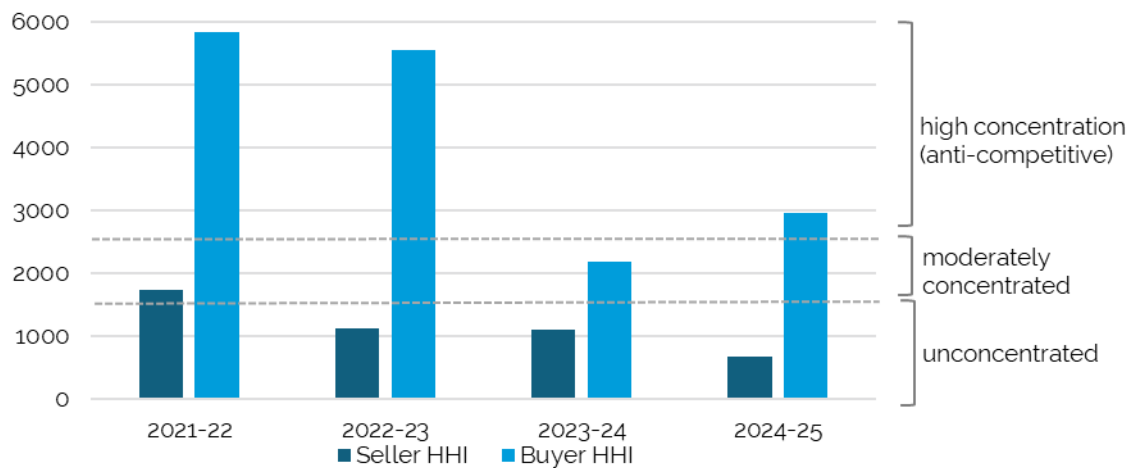
^a In correspondence to IPART, the Biodiversity Conservation Trust noted that it always prioritises purchases of like-for-like credits, as required under the Biodiversity Conservation Regulation. It noted that the Trust Board sets principles for moving down the offset hierarchy, including minimum periods that the Trust must test the market for like-for-like credits.

Market power is a type of market failure that can lead to poor outcomes including reduced competition or unfair trading practices. When the concentration of *sellers* is high, market prices could become artificially high. Conversely, when the concentration of *buyers* is high, market prices could become artificially low.

The analysis of market concentration that follows focuses on a definition of the whole biodiversity credits market as a single market, including all regions and credit types (broad market definition). There is an alternative view in which different combinations of region and credit types are each separate markets (narrow market definition). In the latter view, individual credit-selling land holders would have higher shares of these smaller markets. If a credit-buyer was obliged to buy credits from a particular geography or for a particular species that is only present there, then the seller would have enhanced relative market power. The greater the buyer's ability to source credits from different places, the more the broad market definition would apply.

Examining the market shares of buyers and sellers across the whole of the biodiversity credits market (i.e. across all subcategories of credits and regions), buyer concentration is high overall and is higher than the concentration of sellers. This is shown in our analysis of the Herfindahl-Hirschman Index (HHI)^b for buyers and sellers in Figure 4.1.

Figure 4.1 Trends in market concentration over time – all credits



a. This figure represents the market concentration of completed transactions only. It does not reflect the concentration of unmet supply or demand.

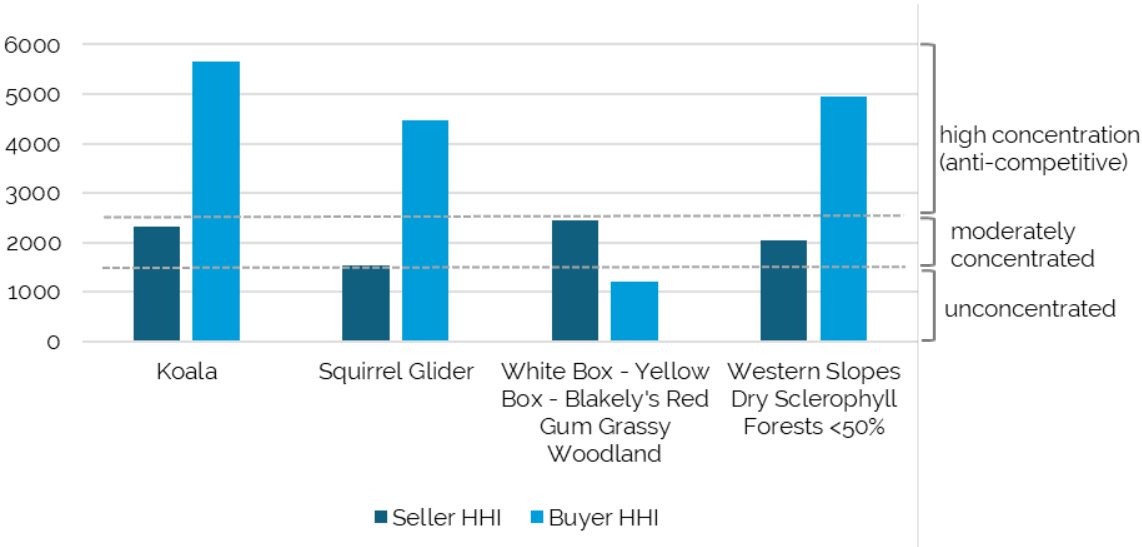
b. This analysis excludes the market share of the Biodiversity Conservation Trust, and the Credits Supply Fund as an intermediary between buyers and sellers. Buyers and sellers participating in the auctions are still included in this analysis.

Source: IPART analysis using data from the NSW Department of Climate Change, Energy, the Environment and Water

Figure 4.2 shows buyer and seller concentration within sub-markets of 4 highly traded credits, which together account for 40% of credits traded in the market.

b 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 moderate concentration, and values above 2500 represent high concentration (or anti-competitive outcomes).

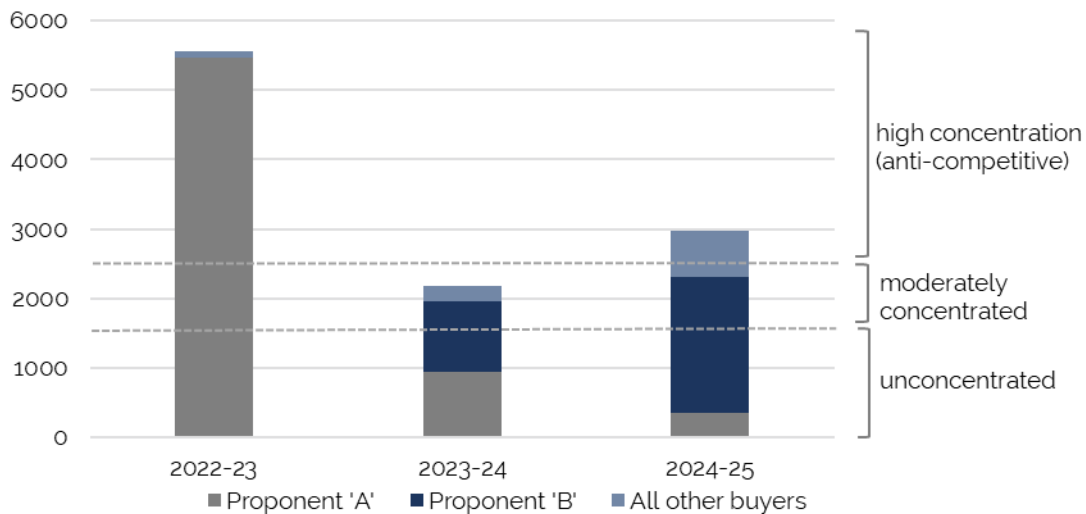
Figure 4.2 Market concentration in 2024-25 for 4 most traded credits



a. This figure represents the market concentration of completed transactions only. It does not reflect the concentration of unmet supply or demand.
 b. This analysis excludes the market share of the Biodiversity Conservation Trust, and Credits Supply Fund as an intermediary between buyers and sellers. Buyers and sellers participating in the auctions are still included in this analysis.
 Source: IPART analysis using data from the NSW Department of Climate Change, Energy, the Environment and Water

One of the reasons buyer concentration is high is that the biodiversity credits market is a compliance market, meaning that demand is driven by the biodiversity offset obligations of certain developments. Major developments play a large role in generating demand. As a result, buy-side market concentration largely reflects the timing and mix of major developments occurring at any given point in time. As an example, Figure 4.3 shows the impact of demand from two major developments on overall buyer concentration. We see that the peak in buyer concentration in 2022-23 is largely attributed to demand from one major development proponent (Proponent 'A'). In 2023-24 and 2024-25, demand from this proponent reduced, while another major buyer (Proponent 'B') entered the market.

Figure 4.3 Impact of major buyers on buy-side market concentration



a. This figure represents the market concentration of completed transactions only. It does not reflect the concentration of unmet supply or demand.

b. This 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.

Source: IPART analysis using data from the NSW Department of Climate Change, Energy, the Environment and Water

High buyer concentration is likely to remain a long-term feature of the market

The analysis above is a case study of the impact of two major developments on overall buyer concentration. However, as long as major projects depend on the market to meet their credit obligations, high buyer concentration is likely to remain a long-term feature.

High concentration, either in buyers, sellers, or both, heighten the risk of anti-competitive behaviours and can adversely affect fair trading in the market. Given this, the NSW Government should take active measures to monitor and minimise the risk of anti-competitive behaviours by:

- ensuring demand, supply and pricing information is accurate, timely and symmetrically available to all participants
- promoting competition in existing credit procurement pathways, including the Supply Fund and Biodiversity Conservation Trust credit tenders and auctions
- monitoring competition and pricing and identifying markets of credits that may face higher risk of anti-competitive outcomes

Later sections of this chapter discuss these measures in more detail.

Draft findings

5. The market concentration of buyers is high overall and is higher than the concentration of sellers. High buyer concentration is driven by demand from major infrastructure projects, and is likely to be a long-term feature of the credits market

4.2.2 Market prices cannot freely adjust to changes in supply and demand

Allowing the market to set prices based on supply and demand is important for sending signals to suppliers on expected prices in advance of them signing in-perpetuity conservation agreements. For development proponents, the market price guides where and how development can occur in a way that prices in biodiversity externalities. Market failure occurs when prices fail to reflect or respond to underlying levels of supply and demand and do not accurately deliver the price signals that participants rely on to make informed decisions.

Our prior annual reports found that the Biodiversity Conservation Fund charges had a price ceiling effect on the market and prevented prices from freely adjusting to changing levels of supply and demand. This is because:

- When a proponent makes a payment into the Fund, the Trust must take on the obligation – there are currently no restrictions on when a proponent can pay into the Fund, and the Trust cannot refuse a payment into the Fund. As a result, commercially-minded buyers will only purchase credits from sellers in the market if they can do so at a price lower than that offered by the Fund.
- Most Fund charges are calculated using a cost-build up method and are not directly adjusted for changing levels of demand and supply. Even where there is high demand for a credit, and no available supply, the Trust cannot adjust Fund charges to factor in these changing dynamics.^c
- The Fund may choose not to purchase credits that are available in the market at a price that it considers to be too high.

As a result, market prices are heavily influenced by the level of the pay-in charge calculated by the Trust.

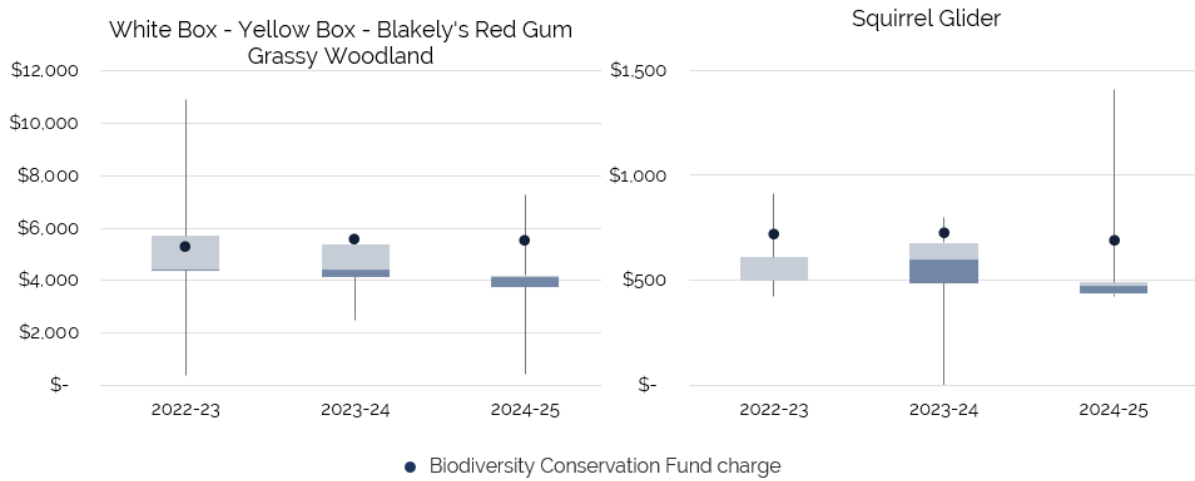
Each of these issues remain relevant to the market in 2024-25, although we note that changes have been made to restrict the period of time for which the Fund is able to hold an obligation. While this means that the Fund can no longer put aside demand for credits indefinitely, its ability to meet its credit obligations using variation rules and conservation actions means that it will continue to be able to meet obligations without purchasing like-for-like credits in the market.^d

Figure 4.4 provides an example of the Biodiversity Conservation Fund's average pay-in charge compared with the market price for two highly traded credits, which together account for 20% of all credits traded between 2022-23 and 2024-25. We observe that since 2022-23, the Biodiversity Conservation Fund charge has sat above the median market prices for both example credits.

^c In correspondence to IPART, the Department noted that the Biodiversity Conservation Trust incorporates supply and demand into the cost-structure model in assigning the Total Fund Deposit category (management costs) in the routine annual update.

^d In correspondence to IPART, the Department noted that the Biodiversity Conservation Trust always prioritises purchases of like-for-like credits, as required under the Biodiversity Conservation Regulation. It noted that the Trust Board sets principles for moving down the offset hierarchy, including minimum periods that the Trust must test the market for like-for-like credits.

Figure 4.4 Example price ceiling effect for two commonly traded credits



- a. Prices shown are in nominal terms
- b. This chart denotes market price data in box plots. The vertical lines denote the maximum and minimum datapoints. Blue boxes denote the 1st Quartile, grey boxes denote the 3rd Quartile, and the junction between the two blue and grey boxes denote the median.
- c. Market prices include all transactions, including related-party transactions and bulk-trades, that may be higher or lower than median prices. Interpretation of the box plots should consider the potential for these outliers in the underlying data.
- d. Biodiversity Conservation Fund charges shown above include the risk premium and delivery fee. Charges shown represent the average Fund charge over each financial year.

Source: IPART analysis, using data from the Biodiversity Conservation Trust and NSW Department of Climate Change, Energy, the Environment and Water

This trend is also observed across most other frequently traded credits, though the relative position of the Biodiversity Conservation Fund charge compared with median market prices varies substantially. In the case of Cumberland Plain Woodland credits, the Fund charge is around 9% above the median market price, while for Koala credits it is roughly 170% higher.

Government interventions are aimed at lowering the cost of credits

One of the key stated objectives of the Supply Fund is to 'lower the cost of biodiversity credits, compared to current forecasts'.^{e13} However, to date there is no information reported on the extent to which the Supply Fund is achieving this objective.

When the Supply Fund runs its reverse auctions, it uses the applicable Biodiversity Conservation Fund charge as an indicator of 'value', and only shortlists credits that are offered at a sufficient discount to this charge. In effect, the Fund charge acts as the ceiling price in the auction and prevents prices from reflecting real demand and supply balances, as would otherwise be expected from a competitive auction design. In our 2023-24 annual review, we highlighted the risks that the reverse auction could place continued downward pressure on prices, particularly if calculation of Biodiversity Conservation Fund charges are adjusted with reference to transaction prices from the reverse auction. By capping auction prices at a level that might be below the market clearing price, the auctions may preclude some feasible trades from occurring.

^e In correspondence to IPART, the Department noted that the aim to 'lower costs compared to current forecasts' was based on projects overestimating offset costs due to use of the BCF charge as the default.

Our analysis of reverse auction data found that the average prices bid were lower this year. Of the 5 most offered credits, average bid prices between 2023-24 and 2024-25 reduced by between 6% and 24%. This is shown in Table 4.1.

Table 4.1 Trends in average bid prices for commonly offered credits

Credit type	Change in average bid price between 2023-24 and 2024-25
White Box - Yellow Box - Blakely's Red Gum Grassy Woodland	-16%
Koala	-6%
Squirrel Glider	-21%
Western Slopes Dry Sclerophyll Forests >=50% and <70%	-24%
Large-eared Pied Bat	-10%

Note: The credits chosen for this analysis are those with most reverse auction non-outlier bids in FY2023-24 and FY2024-25. Bid prices used in this analysis exclude statistical outliers. Outliers are identified using the 1.5 times Interquartile Range Method.

Source: IPART analysis using data from the Department of Climate Change, Energy, Environment and Water

To some extent, the reduction in average bid prices reflects a natural learning process, as credit sellers apply experience from past auctions to refine their bidding strategies. However, a material risk arises if reverse auctions continue to place downward pressure on prices to levels that do not allow sellers to earn a reasonable return. Biodiversity Stewardship Agreements are in-perpetuity agreements, and once established, landholders cannot easily exit the market. As a result, if credit prices fall below sustainable levels, some credit sellers may be forced into selling credits at artificially low prices. Where this is the case, we would expect to see lower volumes of credits being bid into the market by sellers over time.

In correspondence to IPART, the Department stated that reverse auctions assist stakeholders to buy and sell credits at a price determined by the market. It also highlighted that the Department does not restrict landholders from supplying credits to other buyers, nor does it restrict proponents from purchasing credits from other credit sellers.¹⁴

There is both uncleared demand and supply in the market for the same credit types

The concurrence of both uncleared demand and supply for the same credit represents a market inefficiency that could otherwise be resolved in an effective market through the market adjusting until it establishes a market clearing price. Where there is an artificial price ceiling, such as the Biodiversity Conservation Fund charge, the market price is restricted from rising beyond that level (as development proponents will not pay more than that price to buy credits in the market). As a result, some feasible trades at higher prices may be precluded from happening.

Our 2023-24 annual report found that for at least some credit types, there was both outstanding demand and outstanding supply in the market.¹⁵ We have observed the same occurrence in our analysis of the credits market this year.

We consider the following example of the Glossy-Black Cockatoo credit:

- To date, the Trust has taken on obligations for over 1,100 Glossy-Black Cockatoo credits. Data on the Trust's acquittals and purchase commitments indicates it would meet roughly 60% using conservation actions (that is, it would clear its obligations without obtaining Glossy Black-Cockatoo credits). The remaining 40% are outstanding, though the Trust has purchase commitments in place for some of these outstanding obligations. Outstanding obligations without purchase commitments represent uncleared demand in the market.
- During this time, there were 4 reverse auction bids offering Glossy-Black Cockatoo credits for sale. The earliest of these bids was at a price higher than the Fund pay-in charge. In each subsequent auction, the bid price incrementally lowered, and at the most recent auction, Glossy-Black Cockatoo was offered at a 10% discount to the most recent Fund pay-in charge. However, none of the credits were approved for purchase. This represents uncleared supply in the market.

In summary, despite the fact that the Trust has obligations for a large number of Glossy-Black Cockatoo credits, and despite the fact that some landowners have been prepared to offer Glossy-Black Cockatoo credits for sale, to date the Trust has not met these obligations through purchases in the market. In our view, this outcome illustrates the effect of the Fund pay-in price as a ceiling on prices for credits in the market. Developers with credit obligations will be reluctant to pay more than the Fund pay-in charge for credits, and as a result, the Supply Fund does not accept offers from sellers at prices higher than the pay-in price. We consider that the Fund pay-in price may be preventing transactions occurring at mutually-acceptable levels.

In the example above it should be noted that the Trust did not necessarily participate in the reverse auctions, and was not necessarily offered the credits to purchase. The Glossy-Black Cockatoo example illustrates that there is an opportunity for the market to clear this outstanding demand and supply, if prices are free to adjust to determine a mutually acceptable clearing price.

Draft findings



6. The Biodiversity Conservation Fund pay-in charge has a price-ceiling effect on the market and limits the market's ability to freely adjust prices based on underlying supply and demand.

4.2.3 Like-for-like offsetting would be compromised by unrestricted use of the Biodiversity Conservation Fund

The availability of the Biodiversity Conservation Fund pay-in option allows development to proceed where credits are not available in the timeframes required by development proponents. This supply-demand time lag has been a fundamental issue in the credits market driven by the long lead time for credit assessment and generation, and unclear/unreliable forward demand and supply data. The Fund is one of several measures introduced by the NSW Government that seeks to address this issue (see Box 4.1).

As indicated in previous years, we consider that there is potential for a market maker to help the market to deliver the required liquidity and facilitate inter-temporal clearing in periods where there is a mismatch of demand and supply. However, we also consider that the objectives and current rules around the Fund create unintended consequences for the market and prevent it from performing commercially sustainable market making functions.¹⁶

If the Biodiversity Conservation Trust continues to be required to take on obligations for credits where the chances of like-for-like acquittals are low, it could lead to increased use of variation rules and conservation actions in the longer term. The NSW Government has made, and continues to make, changes to the rules around the Fund to reduce the impact it is having on the market. We discuss some of these changes below.

Box 4.1 Other interventions to support matching of supply and demand

The Biodiversity Conservation Fund offers development proponents the option of transferring their obligations (i.e. their demand) at a fixed pay-in charge to the Fund. The Fund then takes on the obligation to secure biodiversity offsets. This allows development proponents to proceed with development when the credits they require are not available.

There are also other ways that the NSW Government is addressing the issue of timing between credit demand and supply. The Supply Fund actively engages with major developers and peak bodies to collect forward demand data through Credit Demand Expression of Interest forms. Credit demand collected through these forms is published on the Supply Fund's current demand register to help landholders see if they could have in-demand credits.

The Biodiversity Conservation Trust and Supply Fund credit procurement programs also accept credit offers from in-train BSA applications, helping to match near-term demand and supply ahead of time.

Additionally, the biodiversity certification process allows for a streamlined biodiversity assessment process where development is proposed at a landscape or precinct scale. Under the biodiversity certification process, biodiversity impacts and any offset requirements are assessed across a range of planning proposals, allowing individual developments to proceed without needing individual biodiversity assessments. The process allows for earlier identification of credit demand that can support new supply to be generated in time for when credits are needed.

New legislation supports the Trust to acquit obligations within 3 years

Over the years, the Fund has accumulated obligations for a wide range of credit types, including credits which were in low or zero supply at the time they were transferred. Our first two annual reports found that the Trust was accumulating obligations faster than it could acquit them, and we highlighted the risks to the financial sustainability of the Fund and the impact on the market and environmental outcomes, if its balances continued to rise at the same rate.

Recent changes to the *Biodiversity Conservation Act 2016* require the Trust to acquit obligations within 3 years of payments being made into the Biodiversity Conservation Fund. Where the Trust cannot secure an offset within 3 years, it must enter into an agreement with the Minister for the Environment to determine how the obligation will be met.^f The new 3-year timeframe places a limit on how long the Trust can hold onto credit obligations and requires the Trust to proactively manage its obligation balances. We support the introduction of a 3-year acquittal timeframe and consider that it will improve risk-management and longer-term financial sustainability of the Fund.

Without complementary changes to allow the Trust to determine which obligations it accepts, and/or for the Fund charge to reflect the risk that like-for-like credits may be unavailable, the 3-year acquittal timeframe is likely to lead to an increase in the Trust's use of variation rules to acquit its obligations.

As indicated in our 2023-24 Annual Report, we consider that the following would be key features of an effective and sustainable market maker:¹⁷

- it should not take on excessive financial risk by guaranteeing the supply of credits for which there is no prospect of purchasing them within a reasonable timeframe, or by holding an inventory of credits that it is unable to sell.
- its prices should not be set too low to buyers or too high to sellers, but should allow movements in both of these to reflect a scarcity of demand or supply.
- it should operate in a commercial way and with commercial objectives – for example, its strategy of buying, selling and pricing credits should deliver long-term financial sustainability and its operating strategy should be achievable, realistic and time-specific.

Over a third of the Trust's purchases in 2024-25 were not on a like-for-like basis

In 2024-25 the Trust undertook a major credit purchasing program to reduce its backlog of outstanding credit obligations. For the first time, in 2024-25, the Trust's credit purchases exceeded the rate at which it received new obligations, resulting in a net reduction in its obligation balances.^g However, over a third of the Trust's acquittals in 2024-25 were made using variation rules or conservation actions – i.e., on a non-like-for-like basis.

The legislation currently does not impose any restrictions on when a proponent can pay into the Fund. This means the Trust may take on obligations for credits even where there are low prospects of finding like-for-like credits in the near future. Additionally, the Trust must calculate the charge in accordance with the formula in the BOPC Order. The current formula does not adjust the risk premium to take into account the risk that it cannot procure like-for-like credits.

This leaves the Trust with the obligations that are the hardest or most costly to acquit, and as a result, the Trust may be required to rely on variation rules and conservation actions as a more frequent tool to meet hard-to-acquit obligations. Each use of variation rules or conservation actions undermines the like-for-like ecological standard of the Scheme.

^f *Biodiversity Conservation Amendment (Biodiversity Offsets Scheme) Act 2024*, section 31

^g At 30 June 2025, the majority of these purchased credits were pending retirement. We understand from communications with the Trust that although these credits have been purchased and acquired, they are pending the administrative step of submitting credit retirement applications

In correspondence to IPART, the Department noted that the BCT continues to prioritise like for like offsetting in accordance with its statutory offset hierarchy.¹⁸ The Trust has also stated that conservation measures remain its last resort option to meeting obligations, and that it seeks to obtain like-for-like credits for a minimum of two years (or two subsequent market testing periods) before considering other offset pathways.¹⁹ However, it also makes clear that the lack of supply of some credits and historical under-pricing of the Fund charge have impacted its ability to obtain like-for-like credits for some obligations.²⁰ In correspondence from the Department we have been advised that the BCT can, and sometimes does, pay more than the BOPC price to purchase credits from the market by considering scarcity and supply factors as part of its value for money assessment.

As at 30 June 2025, the Biodiversity Conservation Trust used variation rules and conservation actions to secure obligations^h for 134 Offset Trading Groups of credits. This represents around 40% of the 326 Offset Trading Groups for which developers have transferred obligations to the Trust.

The credits for which variation rules have been used the most are:

1. **Illawarra Zieria**, an endangered shrub that grows exclusively in the Illawarra region²¹
2. **Pale-headed snake**, a vulnerable snake found in the north-eastern quarter of NSW²²
3. **Superb Parrot**, a vulnerable parrot found throughout eastern inland NSW²³

All these species have a threatened status under the *Biodiversity Conservation Act 2016*.

The Trust has commitments in place to meet nearly 3,000 credit obligations for Illawarra Zieria using conservation actions. To date, there has been no supply generated for this credit. There are relatively lower chances for these credits to be identified at a site and permanently conserved because:

- the Illawarra Zieria grows exclusively in the Illawarra region and has a narrow geographical distribution, and
- to date demand for the credit has been low, with sudden demand in 2024-25 attributed to clearing from one large developer in the Illawarra region.

Under the current framework, there is a risk that the Biodiversity Conservation Fund can be used as a pathway to allow development to proceed even where there are no or low prospects of sourcing like-for-like credits within a three year period. This may even occur for credits that are listed as threatened and may be at serious and irreversible risk of extinction, as defined by the *Biodiversity Conservation Act 2016*. This issue is discussed further in Chapter 5.

Draft findings



7. Many of the Trust's acquittals in 2024-25 were not on a like-for-like basis. To date, the Trust has used variation rules and conservation actions to secure around 40% of all Offset Trading Groups for which developers have transferred obligations to the Trust. This includes obligations for endangered and vulnerable species.

^h i.e., by purchasing or committing to purchase a credit or fund a conservation action

Our prior annual reports recommended reducing reliance on the Biodiversity Conservation Fund and managing its offset risks

Our 2022-23 Annual Report argued that phasing-out the Fund option and reducing reliance on it in the meantime would improve competition, allow market price mechanisms to function more freely to signal the cost of biodiversity offsetting, and allow the reverse auctions to achieve equilibrium prices that are independent of the charges set by the Trust.²⁴ We acknowledged that removing the Fund option could have ramifications for the rate at which development occurs, and the cost at which biodiversity impacts are offset. We recommended the NSW Government consider a phase-out strategy that minimises sudden impacts on development while still taking action as swiftly as possible to improve competition and price signalling.²⁵ We also recommended that other government programs in place for generating supply of in-demand credits at the time they are likely to be required by developers be enhanced.

Our 2023-24 Annual Report acknowledged the usefulness of the Fund as a market maker. We recommended that as long as the Fund remains a feature of the market, action should be taken to reduce its adverse impact on the market. We supported legislative amendments to allow regulations to reduce reliance on the Biodiversity Conservation Fund, and to require the Trust to meet its credit obligations within a 3-year period.²⁶ We also recommended the Trust set the pay-in charge at a level sufficient to provide a high degree of confidence that it can obtain like-for-like credits within a 3-year period.²⁷

The Fund can continue to provide a useful function if offset risks are better managed

Since we released our 2022-23 Annual Report, the Trust has undertaken a major credit purchasing program in an effort to reduce its backlog of obligations. In 2024-25, the Trust purchased almost three times more credits than in the prior year.

The NSW Government also introduced legislative reformsⁱ that would allow regulations to be made that prescribe the circumstances in which a person is prevented from paying into the Biodiversity Conservation Fund. The Department is currently consulting on these proposed regulations, with new provisions expected to be finalised and released in 2026. The proposed amendments to the regulations would require certain proponents to demonstrate efforts to seek credits through other means before making a payment into the Biodiversity Conservation Fund. However, at this stage there are no proposed controls to limit payments into the Fund for credit obligations where the prospects of securing like-for-like credits is low.

The Tribunal recognises the progress made through these changes and acknowledges the benefits the Fund can have in providing demand-side liquidity and allowing for an efficient, predictable pathway for development to proceed where there are supply-demand time lags. As noted earlier in this report, it is likely that this supply-demand time lag will continue to be a feature of the credits market, and as such, there is an ongoing need for interventions that help address this issue and serve a market making function.

ⁱ Under the *Biodiversity Conservation Amendment (Biodiversity Offsets Scheme) Act 2024*

However, the Tribunal also recognises that under current legislative arrangements, there are risks that the Trust takes on obligations for which there are no or low prospects of securing like-for-like credits and/or continue to receive obligations at a pay-in charge that does not adequately compensate the Fund for the risk that credits will either not be available or will be available at a significantly higher price. For such credits, the Trust will have to continue relying on variation rules and conservation actions to meet its obligations. Over the long term, this could result in serious or irreversible ecological impacts for species already listed as vulnerable, endangered, or critically endangered.

Ultimately, it is the role of the consent authority to determine whether development with unavoidable impacts on biodiversity should proceed. However, in making that determination, it is important that the consent authority has access to accurate information about which biodiversity types are at high risk of not being able to be offset on a like-for-like basis and that if development is able to proceed by transferring obligations into the Fund, that the Fund is able to take that risk into account in its charges.

The BOPC Order currently provides that Fund charges are to include a risk premium that is commensurate with the risk determined by the Trust of securing offsets, and sets out a methodology for how that premium is to be calculated. At present, the Trust may apply a:

- 13.2% risk premium for ecosystem credits in the Greater Sydney region, or
- 12.3% for species credits and ecosystem credits outside the Greater Sydney region.²⁸

The Order currently does not factor in the risk that the Trust cannot secure like-for-like credits in the formula for setting the risk premium. For example, the Trust cannot take into account the scarcity or available market supply of a credit in determining the risk premium. Our 2023-24 annual report recommended that as long as the Biodiversity Conservation Fund continues to be a feature of the market, the Trust should set the pay-in charge at a level that is sufficient to provide a high degree of confidence that it can obtain like-for-like credits within a 3-year period. We continue to underline the importance of this and recommend that the BOPC Order be amended to allow the Trust to establish pay-in prices that include a risk premium that takes into account the risk it cannot secure like-for-like credits based on the natural scarcity and/or supply of a particular credit in the market. We note the Trust has recently consulted on proposed changes to the BOPC Order, through the proposed changes to do not cover the calculation of the risk premium.

Draft recommendations



1. In setting Fund charges, the Biodiversity Conservation Trust should be allowed to take into account the risk that it cannot secure like-for-like credits, for example, based on the natural scarcity and/or supply of a particular credit in the market. This could be achieved via an amendment to the Biodiversity Offsets Payments Calculator (BOPC) Order.

In Chapter 5, we also make recommendations on how the Trust can leverage its experience to inform Accredited Assessors, planning authorities and the broader market on species that could be at risk of serious and irreversible impact.

4.3 Market frictions

Issues that hinder the efficient functioning of the market are referred to as *market frictions*.

Market frictions make the process of participating in the market more difficult, costly, or time intensive than it needs to be. They may arise, for example, from high transaction costs or inaccurate information about supply and demand. Market frictions can also affect prices. For example, long search times for buyers and sellers can delay prices from adjusting to changes in supply and demand.

Minimising market frictions is important for supporting the development of the market and ensuring that all desired trades can be executed.

This section discusses our observations of market frictions in the biodiversity credits market and makes recommendations on how to address them.

4.3.1 Search costs remain high and disincentivise direct transactions between participants

There are various options available to find buyers and sellers in the market:

- searching public registers and the biodiversity credits catalogue, and directly negotiating with the listed buyer or seller
- engaging a third-party intermediary to find a suitable buyer or seller
- selling or buying credits through the Supply Fund
- selling credits or transferring obligations to the Biodiversity Conservation Trust.

In our 2023-24 review of the credits market, we noted that information about each of these trading pathways was spread across a range of locations, making it difficult for participants to obtain information about each option. To address this, the Department has undertaken work to consolidate information and contain all market information, including Biodiversity Conservation Fund pricing information, within a single Departmental webpage. We consider this is a useful first step in reducing complex search processes. However, more work is needed to ensure that public registers of demand and supply information are accurate.

In recent years the Department has made incremental changes to the scope and process of the Supply Fund's reverse auctions to facilitate more trading activity. For example, as of the August 2025 reverse auction, the Supply Fund now allows sellers to submit bids for credits that are not on the indicative credit list – i.e., credits that are not explicitly being sought by developers at the time of auction. One of the reasons for this change is so that the Supply Fund can continue to service demand that emerges in-between auctions. The reverse auction cost-recovery mark-up was also recently reduced from 8% to 5%, making buy-side participation in the auctions more attractive.

Fewer changes have been made to support direct transactions between buyers and sellers in the market. This remains an area of concern for many stakeholders, who continued to stress the need for easier search processes to facilitate direct negotiations. For instance:

- Concrete, Cement and Aggregates Australia (CCAA) members reported that purchasing credits on the market was difficult because of a lack of accessible or authoritative sources of credit pricing, limited visibility of supply, demand and transaction history, and heavy involvement of intermediaries rather than direct landholder engagement.²⁹
- BAM Sustainability Pty Ltd, a consultant, considered that increased government intervention contributed to delays, uncertainty and high participation costs, rather than enabling straightforward exchanges between buyers and sellers.³⁰
- At our workshops, one buyer shared difficulties in accessing contact details for credit owners from the supply register.³¹

Our prior annual reports noted that market arrangements do not promote efficient price discovery and disincentivise developers from engaging directly with sellers in the market. These issues remain relevant in 2024-25. We maintain our prior recommendation to introduce a trading platform to centralise transactions and information flows, and reduce search costs for all parties.

We note that in March 2026, the Department engaged a partner to deliver a NSW Government biodiversity credit market registry. The Department stated that the platform will provide digital infrastructure to underpin biodiversity credit market transactions in New South Wales, enabling the full lifecycle management of biodiversity credits and obligations, while supporting transparent and efficient market participation. The Department indicated that the credit registry would be in operation in early 2027.

Draft recommendations



2. The department should undertake and assess the business case for introducing a centralised trading platform that would enhance transparency and price discovery and improve the efficiency of trading in the market.

4.3.2 Market information is inaccurate, delayed and difficult to interpret

Decisions around land use and participation in the Offsets Scheme have serious financial consequences for participants. In a well-performing market, participants would be able to access accurate and timely market information that will inform their decisions on land-use and purchasing or selling of credits. This information would cover, at minimum, supply and demand for different types of credits, and the prices at which those credits are trading in the market. Ensuring this information is accurate, timely and available equally to all participants is essential for supporting accurate price signalling and promoting competition.

The transactions register does not flag off-market trades that could mislead price expectations

The credits transaction register is the main source of pricing information in the market. It contains a record of all transactions between buyers and sellers and the reported sale price of each credit. However, some types of transactions on the register display misleading prices. These include:

- bulk-transactions – i.e. groups of credits purchased under one 'lump sum' agreement and all displaying the same unit price
- related-entity transactions – i.e., credits transferred between known or related entities at non-market prices
- transactions that have been negotiated under option arrangements where a credit price may have been agreed well in advance of the transaction taking place (option agreements)
- transactions where a buyer has separately agreed to fund either the Total Fund Deposit or up-front costs that would normally need to be covered by the purchase price.

In our 2023-24 Annual Report we stressed the need for transactions data to identify all related entity, option deed and bulk trade negotiations, so that that participants could use the transactions register to accurately estimate the market price of credits. This would require buyers and sellers to declare if their credit transfer is between related entities or part of option arrangements or bulk trades, and for these declarations to be visible on the register.

There have been no changes to the transactions register since that time, and stakeholders continued to report difficulties interpreting the transactions register because of unidentified off-market trades³²

We maintain our recommendation that the Department should begin to collect this information from participants as part of the credit transfer paperwork, and include that information against each transaction in the transactions register as soon as possible.

Draft findings



8. Transactions data does not identify key characteristics of transactions (such as related entity, options deed and bulk trade negotiations) which allow other parties to interpret and understand price implications.

Draft recommendations



3. The department should update the transactions register to identify all related entity, option deed and bulk trade negotiations, in order to give sufficient context to historical prices for participants to interpret them and understand their implications.

Market information is fragmented and complex to navigate

The biodiversity credits market is comprised of hundreds of sub-markets for each type of tradeable credit (there is some degree of substitutability between different credit types, which varies depending on individual circumstances, such as location). While a small number of commonly traded credits have relatively well-established prices, most credits are thinly traded and information about their prices must be pieced together from a range of market sources.

Over time, successive forms of government interventions have introduced different methods of trading credits. The Biodiversity Conservation Fund holds credit tenders and fixed price offers to purchase credits from sellers, and the Credits Supply Fund holds reverse auctions to facilitate buyers and sellers to trade. Each of these trading mechanisms feature their own sets of demand, supply and pricing data. As a result, market participants must access a wide range of information sources across different trading methods to obtain a full picture of price-related data.

Figure 4.5 maps each of the information sources that a typical participant would consider to reach an informed expectation of current or future prices.

Figure 4.5 Information sources on supply, demand and pricing

Supply data	Pricing data	Demand data
Credits Supply Register	Credit transactions register	Credits Demand Register
Biodiversity Credits Catalogue	BioBanking transactions register	Biodiversity Conservation Fund credits wanted list
Credits Supply Fund approved credit list	Biodiversity Conservation Fund charge report	Biodiversity Conservation Fund charge report
	Biodiversity Conservation Trust tender outcomes	Credits Supply Fund credits in-demand list
	Credits Supply Fund auction outcomes	Major projects short-term demand estimate
		Major projects long-term demand estimate

Source: IPART analysis

Stakeholders across buyer, seller and third-party groups continued to report difficulties navigating the current suite of market information sources.³³

We maintain our view that market information sources are fragmented, complex and difficult to navigate. We consider that this complexity is, in part, a consequence of the range of trading mechanisms introduced through government interventions. Consolidating market data across these mechanisms is critical to enabling participants to engage with the market more effectively and to be better informed.

In correspondence to IPART, the Department acknowledged the importance of improving the accessibility of information and noted steps taken to improve information resources for participants. The Department submitted:

“The Department and the BCT acknowledge the importance of clear, timely and reliable market information. Information about credits purchased by the Department through the Supply Fund, including for SODAs, is recorded in the public register and the Department’s sales dashboard within one day of the transaction being approved. The Department is also improving accessibility and quality of information about credit supply, demand and pricing. The Department’s credit supply and

*demand registers were upgraded in 2023 to improve data quality and allow users to view, download and analyse data in multiple formats. Credit sales dashboards are available to visualise credit prices over time, and the Department is expecting to release upgrades to the dashboard in 2026.*³⁴

Draft recommendations



4. The department should make demand, supply and transaction information simpler and more accessible for market participants to navigate.

Some market participants are better informed around prices than others

The approach to information disclosure by market intermediaries has implications for how buyers and sellers are informed about prices.

In our 2023-24 Annual Report, we noted that the Supply Fund discloses weighted average prices of successful bids only to participating buyers in the auction, and not to sellers. At the time this information is disclosed to prospective buyers, buyers are free to exit the auction and can use this pricing information to progress negotiations with sellers outside of the auctions – well in advance of the auction price information being disclosed to the rest of the market.

Once the transaction is completed, all market participants (including sellers) can observe actual sale prices via the transaction register; which provides reliable price information, rather than post-auction estimates which may not accurately reflect finalised sales and risk sending misleading price signals.

We note that in correspondence to IPART, the Department stated that the disclosure of weighted average prices to buyers is done on a limited basis, for the subset of credit types required by the buyer and reflecting the weighted average of the volume of credits proposed to be purchased. It stated that the weighted average price is not designed to reflect an overall average of all successful credits offered and is caveated appropriately (especially where credits have not yet been created). The Department also noted that it has seen no evidence of buyers using this information to progress negotiations with sellers outside of the auctions.

The Supply Fund's Operating Protocol states that it will publish information on outcomes of the reverse auctions 'as required'³⁵. In October 2023, the Supply Fund published weighted average auction prices in its market update, which it states is "*Published as part of the [Supply Fund's] commitment to transparent and regular reporting and to support development of the biodiversity credits market, including to increase the availability of information to market participants.*"³⁶. Since this time there have been 7 more reverse auctions, for which no price updates have been disclosed to the market^j

^j Reverse auction prices are disclosed on the transactions register once the transaction is completed but are not identifiable as auction transactions. Following the completion of an auction, it can take several months for credits to be transacted and subsequently reported on the transactions register.

It is important that key pricing information, such as the weighted average price of successful bids (i.e. the price that buyers are charged for credits) is fully disclosed to all participants. This transparency is essential for sellers to assess the price environment accurately and to ensure that the auction mechanism provides accurate price signals to all participants. This could be done in a similar manner to the Biodiversity Conservation Fund's reporting of its credit tender outcomes.

We maintain our recommendation that the Department should disclose the weighted average price of successful bids to all sellers at the time of notifying them of the auction outcomes. We consider that this information should also be published to the broader market in each of the Supply Fund quarterly market updates.

Draft recommendations

5. The Department should publish information on bid stacks and clearing prices of credits in each auction transparently and equally to all participants, in order to address information asymmetries and provide more transparency into prices.

The Biodiversity Conservation Trust publishes all Fund charge quotes provided to development proponents in accordance with the *Biodiversity Offsets Payment Calculator Order 2022* ('BOPC Order'). The BOPC Order requires that charges provided to applicants are published between 180 and 270 days after they are provided to proponents.³⁷ The result is that some sellers have delayed access to Fund prices, which could adversely affect their negotiations with buyers. In our 2023-24 Annual Report, we recommended streamlining the availability of Biodiversity Conservation Fund pricing information for all participants, and noted that delayed access to pricing information increases search and transaction costs for sellers.³⁸

In February 2026, the Biodiversity Conservation Trust released a Discussion Paper seeking feedback on proposed changes to the BOPC Order. One of the proposed changes is to amend the BOPC Order to require at least weekly publication of Fund charge quotes provided to development proponents.³⁹ We support the proposed change to weekly publication of the Fund charges and consider that releasing Fund charges on a timelier basis will support improved market understanding and confidence for all participants. We note that weekly publication of charges would have the added benefit of providing a signal of demand to the market and enable more time and cost efficient search processes.

The Biodiversity Conservation Trust has also proposed to discontinue the price estimation service currently available for landholders to obtain an estimate of Fund charges. The Trust states that the price estimation service is currently being used to establish a price for credits where there is no market demand, and that discontinuing the service would reduce the impact of the Fund charge as a price signal.⁴⁰ We acknowledge the Trust's efforts to reduce the impact of the Fund charge on market prices. However, the Fund charge will continue to set a maximum market price, even if landholders cannot request an estimate of a charge before demand is established, because developers are able to choose to pay this charge instead of purchasing credits from suppliers. Ultimately, providing landholders an early indication of Fund charges will improve access to information and help inform price expectations, which in turn will help landholders decide whether they want to go ahead with a BSA. At the time price estimates are issued, the Trust could disclose whether there is no demand for the relevant credit, to avoid landholders relying on those price estimates as an indication of market demand.

Establishing a BSA is a time intensive and costly process for landholders, often requiring high upfront financial risk. Landholders will be willing to take on these costs and risks only if they can be confident that prices will allow them to recover these costs and compensate them for the opportunity cost of conserving their land in-perpetuity. Market information, including estimates of Fund charges, are important for helping landholders to form a view on the likely financial implications of entering a BSA. As a result, withholding charge/price estimates from landholders will be unhelpful for supporting participation in the long run.

Biodiversity Conservation Fund charges were underreported until January 2026

At our stakeholder workshops, some participants noted that the register of Biodiversity Conservation Fund charges reported only the predicted credited price and not the other components of the total Fund charge including the delivery fee, risk premium and indexation.⁴¹ Together these components can add 10-20% to the total charge paid by developers. Credit sellers considered this resulted in false price expectations for buyers and it unfairly impacted their trade negotiations.

Following the workshops, we found that the Biodiversity Conservation Trust's register of charges was inconsistent with the requirements under the *Biodiversity Offsets Payment Calculator Order 2022* (BOPC Order). The BOPC Order requires the Biodiversity Conservation Trust to publish the predicted credit price as well as the delivery fee, risk premium and any indexation.

We raised the matter with the Biodiversity Conservation Trust, which subsequently amended its register of Biodiversity Conservation Fund charges to publish the full amount of charges from January 2026 onwards.

4.3.3 Transaction costs remain high

If transaction costs are higher than necessary it may deter landholders from participating in the market and encourage buyers to bypass the market by self-delivering offsets or paying into the Biodiversity Conservation Fund, even where this is not the most efficient outcome.

Our prior annual reports identified high transaction costs and timeframes, as well as onerous administrative paperwork to submit credit transfer and retirement forms. At present, the application to transfer credits requires completion of a Microsoft Word application form, and demonstration of:

- proof of authority to sign
- proof of identity
- providing witnesses to execute the agreement.⁴²

Each credit transfer application is manually assessed by the Department, and further information may be requested. This year stakeholders continued to stress the need for simpler and more time and cost efficient transaction processes. For example, stakeholders reflected on:

- onerous and complex paperwork, often requiring legal advice, which added to the financial costs of completing trades
- high transfer and retirement fees, which they considered disincentivised proponents with smaller obligations from trading in the market and instead making a payment into the Fund.⁴³

Data from the Department indicates that the average processing time for credit transfers and retirements have improved slightly in 2023-24, as shown in Table 4.2 below. The Department notes that delays to the transfer and retirement timeframes could stem from:

- fees not being paid by applicants at the time applications are submitted
- payments not being made into the Total Fund Deposit, where required
- time taken for the department to undertake due diligence
- responsiveness of the applicant to requests for additional information from the department.

Table 4.2 Processing timeframes for credit transfers and retirements

Transaction type	Average processing time reported in 2023-24 (business days)	Average processing time reported in 2024-25 (business days)
Transfers	22.2	19.7
Retirements	22.2	18.2

Source: IPART analysis using data from Department of Climate Change, Energy, Environment and Water

Note: IPART's 2023-24 Annual Report reported processing timeframes in total days (inclusive of weekends and public holidays). To match the latest data provided by the Department of Climate Change, Energy, Environment and Water, data from 2023-24 has been converted to business days.

At present, the Department charges a \$1,905 fee for each transfer or retirement application.⁴⁴ In some (albeit few) cases, the transfer and retirement fee can exceed the total transaction value. In comparison, the Biodiversity Conservation Trust charges a delivery fee equivalent to the larger of \$120 or 5% of the predicted credit price, per credit.⁴⁵ As a result, development proponents with smaller, lower value credit obligations may be further incentivised to use the Fund pay-in option instead of the market.

In June 2025 the Department signalled its intent to review the structure and pricing of transfer and retirement fees, as part of its ongoing consultation on potential amendments to the Biodiversity Conservation Regulation 2017.

We understand from the Department that reforms to the fee structure for credit transfer and retirement applications are being considered.

Separately, the Biodiversity Conservation Trust also proposed changes to the delivery fee component on the Fund charge as part of its consultation on amendments to the BOPC Order. The Trust proposed to replace the current fee structure with a \$2,460 fixed fee per, plus \$160 per credit obligation transferred to the Fund.⁴⁶

We support the Department's initiatives to review the fee structure for credit transfers and retirements and acknowledge the recent improvements to processing times. Proposed changes to the Biodiversity Conservation Fund delivery fees may also help to align the cost incentives between making payments into the Fund and transferring/retiring credits through the market. However, onerous administrative processes continue to discourage active participation in the credits market. We recommend that the NSW Government continue to explore ways to simplify and shorten the transaction process through automation, determining the appropriate level of delegation, providing more upfront information to avoid resubmissions and improving transparency around credit ownership.

Draft recommendations



6. The Department should explore ways to simplify and shorten the transaction process, including by:
 - a. automating certain parts of the process
 - b. determining the appropriate level of delegation for transaction authorisation
 - c. providing more upfront information and support to minimise follow up information requests
 - d. providing greater transparency around credit ownership.

4.3.4 Landholders incur high upfront costs and risks

In addition to the high transaction costs and inefficiencies, there are also significant costs and risks to entering the market. High entry costs are not a barrier to supply, *per se*. In a well-performing market, credit prices would rise to enable landholders to recover these costs, ensuring supply matches demand, where possible. Entry costs for landholders include:

- **upfront costs** associated with entering into a Biodiversity Stewardship Agreement, including costly and time intensive site assessments, as well as potential upfront capital gains tax implications
- **opportunity costs** of entering into an in-perpetuity Biodiversity Stewardship Agreement (that is, the foregone value of using the land for other purposes, such as the profits that could be made from agriculture)
- **search and transaction costs** associated with finding willing buyers and transacting credits
- **ongoing costs** of land management and administration.

Landholders will be willing to enter the market only if they can be confident they will recover, at minimum, the cost of establishing and managing their land as an offset site in perpetuity. They would typically also seek to achieve credit prices that compensate for the opportunity cost of conserving their land in-perpetuity, less any private benefits they may want to consider (for example, increased wildlife or amenity, improved biodiversity/wildlife, better erosion control or personal satisfaction).

Several credit sellers (especially those with smaller, independent, family-owned sites), and some developers noted that:

- BSA assessment costs were prohibitively high, particularly for proving species presence⁴⁷
- high land costs resulting in credit generation being financially unviable in some local government areas⁴⁸
- obtaining financing for stewardship sites was difficult due to uncertainties around credit pricing and valuation, Total Fund Deposits income streams and legal issues⁴⁹
- Bega Valley Shire Council also submitted that because its land portfolio consists of smaller parcels of land (under 20 hectares), BSA establishment was financially unviable due to lower credit yields per site and higher per-hectare costs.⁵⁰

Upfront costs vary with economies of scale

While smaller landholders and developers reported difficulties in achieving prices that recover their upfront costs, larger developers described credit generation as cost-effective. They noted that generating credits themselves was cheaper and preferable to sourcing credits from the market.⁵¹

For example, in a previous review we heard from Sydney Water that they have been able to establish BSAs on land they already owned that had no alternative economic use⁵² (for example, buffer zones around water infrastructure). Industrial developers such as mines and quarries may also minimise upfront land costs by establishing BSAs on unused land present on their mining leases.⁵³ The Trust advised us that there are 10 Stewardship Agreements that have been established either wholly or partly on leased crown land.

To better understand the incentives for credit generation, we sought information from a range of market participants on their perceptions of 'representative' upfront and ongoing BSA costs. We collected responses from 2 major developers, 2 landholders with personal and consultant experience in BSA establishment, and 2 anonymous landholders. We received information on 9 existing BSA sites, and 15 hypothetical sites.

Responses to our questionnaire indicated that:

- economies of scale apply to the management costs of BSA sites, meaning that larger sites experience cheaper managements per hectare.^{k,l}

^k The management costs of establishing a BSA site can include labour and material costs, insurance, ongoing advisor fees (e.g. legal, tax, financial, land valuation advice), site inspection and reporting costs, tax payable on management costs received from the Total Fund Deposit and the \$1,905 annual administration contribution.

^l Using Department data, we also found compelling evidence for the presence of scale economies in Total Fund Deposits. Given that Total Fund Deposits represent the present value of all future management actions required under a BSA, there is further implication that management actions reduce for larger sites on a per hectare basis.

- stronger economies of scale apply to the upfront costs of establishing BSA sites, meaning that on average, larger sites experience cheaper upfront costs per hectare.^m

Across our 3-year reporting period, the NSW Government has undertaken a range of initiatives aimed at reducing the upfront costs and risks for prospective landholders entering the market.

The Stewardship Support Program offers administrative and financial support to eligible landholders to enter into a BSA. This program has had significant uptake since its introduction in 2024, with over 200 applications received to date, 13 sites progressed to initial field assessment, 8 sites approved with BSAs drafted and a further 17 sites completed BSA assessments and progressing through the approval process. Under the program, eligible landholders who are able to create in-demand biodiversity credits may also receive their biodiversity site assessment at no cost.

The Credits Supply Fund and the Biodiversity Conservation Trust's credit procurement activities have also worked to reduce upfront risks by allowing landholders with in-train BSA applications to offer their future credits for sale. This has allowed landholders with in-demand biodiversity to have greater revenue certainty prior to finalising their BSA and incurring the full suite of upfront costs.

Work has also been undertaken to improve demand forecasts to improve price expectations for current and prospective landholders.

4.3.5 Upfront capital gains tax reduces incentives to enter the market

Capital gains and losses from generating biodiversity credits are subject to Commonwealth tax law, and potentially capital gains tax. A capital gains tax event (referred to as type D4) applies on signing a BSA, based on expected credit sale value. This disincentivises landholders from signing a BSA until they have secured a buyer for some or most of their credits.

In 2023, the Department advised us that it applied to the Australian Taxation Office for a class ruling to clarify current capital gains tax requirements for a range of participants. The class ruling was sought with the aim of providing an authoritative source on capital gains tax to save time and money for landholders and their advisers when preparing BSA applications.

The Australian Taxation Office released its rulings in April 2026⁵⁴, which may help to clarify the application of the tax rules to biodiversity stewardship under the Scheme. The Australian Taxation Office's rulings are available on its website under [Class Ruling 2026/15](#) and [Class Ruling 2026/16](#).

4.4 Confidence in the market

Market confidence refers to the attitude of participants to current and future market conditions, including believing in:

^m The upfront costs of establishing a BSA site can include costs associated with a preliminary feasibility study, BSA assessment report, advisors (e.g. legal, tax, financial and land valuation advice), site preparation and the \$3,175 BSA application fee.

- policy and regulatory stability over time (not creating risks that credit values will change markedly over time as a result of government interventions/changes)
- transparency of governance arrangements and the management of actual or perceived conflicts of interest
- fairness of trading, including trading that is facilitated via brokers and third-parties
- the accuracy and reliability of market information
- the market's ability to deliver robust biodiversity outcomes.

When participants have poor confidence in these outcomes, they are less likely to enter the market or continue to participate in it. For sellers, participation in the credits market is voluntary and is influenced by their confidence in its performance as much as, or more than prices. For credit buyers, demand is largely compliance-driven, though low market confidence can still influence which offset pathways proponents choose to use, or the degree to which private investors choose to engage with the market. This is particularly the case as market involvement has long term consequences. Stewardship agreements are in-perpetuity arrangements that have both up-front and lifetime impacts for market participants.

Ensuring high confidence in the market is critical for supporting its long-term sustainability and continued participation in it. This section considers the level of confidence in the market, the factors affecting confidence, and whether the NSW Government could do more to improve it.

4.4.1 Stakeholders considered that low transparency into SODAs introduced uncertainty

In May 2025, the *Biodiversity Conservation Regulation 2017* was amended to introduce Strategic Offset Delivery Agreements (SODAs)ⁿ - a pathway for eligible Renewable Energy Zone developments to meet their biodiversity offset obligations. The pathway allows for eligible development proponents to enter into a SODA with the Environment Agency Head, whereby the Department would be responsible for meeting the offset obligations of the development through:

- the retirement of like-for-like biodiversity credits
- the funding of a biodiversity conservation action that would benefit the relevant threatened species or ecological communities.

In correspondence to IPART, the Department noted that SODAs have been established to recognise the urgency of the transition to renewable energy while maximising strategic biodiversity outcomes from the investment in biodiversity offsetting. It also highlighted that SODAs are subject to statutory transparency and offsetting requirements.⁵⁵

The introduction of SODAs has sparked new concerns among stakeholders on whether current market conditions can continue to attract investment and participation in the market going forward.

ⁿ Under the Biodiversity Conservation Amendment (Strategic Offset Delivery Agreements) Regulation 2025

Several credit sellers and third-parties who participated in our consultation voiced concern about the lack of transparency on the commercial terms and exact offsetting arrangements of SODAs, including pricing arrangements and the types of acquittal pathways being applied (e.g. like-for-like credit purchases vs conservation actions)⁵⁶. For example:

- One stakeholder considered that the introduction of SODAs was impacting the free operation of the market by placing downward pressure on credit prices. They noted that this could reduce confidence of new landowners to enter the scheme.⁵⁷
- Another stakeholder expressed concern regarding periodic changes to the Scheme, including via the introduction of SODAs, which they considered could undermine the establishment of a free market and disincentivise landholder entry.⁵⁸
- Other stakeholders noted that the regulations governing SODAs were introduced without public consultation and with insufficient communication regarding the changes and their potential impacts on the market.⁵⁹

The NSW Government signed the first SODA for the Central-West Orana transmission project in October 2025. Given the timing of its introduction, we have not directly assessed the impacts to participation, credit prices, or market operation resulting from SODAs.

We also note that since the time that these submissions were made, the Department published two quarterly offset progress reports for the SODA with the Energy Corporation of NSW for the Central West Orana transmission project. The Department is required on a quarterly basis, for each SODA, to publish a report on the expenditure it has incurred and details of the actions that benefit biodiversity values it has carried out.⁶⁰ The published reports include information on the expenditure and progress in meeting the obligations under the Central West Orana transmission project SODA.⁶¹ In correspondence to IPART, the Department noted that clear and regular updates will be available to the market throughout SODA delivery, and that credits purchased and retired for a SODA, including price, are discoverable in the credit transaction register.

4.4.2 There is a lack of confidence in market governance

Our last two annual reports found that participants have low confidence in the governance and integrity of the credits market. Stakeholders suggested there was insufficient separation of the roles of NSW Government as a Scheme administrator, market maker, broker and compliance monitor, and called for more transparency into the governance of the market.

We have found that many market participants continue to have low confidence in the governance of the market, with many expressing concern about the NSW Government holding multiple roles as policy maker, market administrator and participant, and unclear objectives of government interventions.⁶² This sentiment has been shared by landholders, developers, investors, third-parties and statutory bodies external to the Scheme. Stakeholders pointed to the NSW Government's role:

- as a credit buyer, as well as its role in influencing maximum market prices (via the Biodiversity Conservation Trust)

- in entering bespoke offset agreements with developers, as well as its role in reducing the cost of credits and running reverse auctions (via the Supply Fund). Some stakeholders noted this introduced direct competition with brokers
- in approving Biodiversity Stewardship Agreements, disclosing market information, setting Scheme policies and market rules and ensuing compliance.

In addition, we have heard from a number of stakeholders who expressed that they have been negatively impacted by government policy/regulatory changes to the regime that occurred in the past. Some stakeholders have argued that they have experienced a significant reduction in the value of credits they generated compared with what they expected, as a result of these changes.⁶³

Stakeholders have been vocal about these concerns since our first review (2022-23) and many of these concerns remain relevant to date.

In response to our 2022-23 Issues Paper, the NSW Independent Commission Against Corruption (ICAC) warned of the risks resulting from insufficient separation of market facilitation and government roles:

"... in the Commission's experience, agencies experience difficulties, such as regulatory capture, when they have dual roles of facilitation and regulation and/or governance responsibilities."

– NSW Independent Commission Against Corruption (ICAC), August 2023⁶⁴

ICAC also noted examples of other investigations that highlighted problems with dual facilitation and regulation roles which led to regulatory failure and public perceptions of corrupt conduct.⁶⁵

The Department has advised us that its roles and functions in administering and implementing the Scheme are closely managed through robust governance arrangements and meet all requirements for procurement, probity and decision making in line with statutory instruments. The Department states that each branch working on the Scheme has very clear functions and accountability, and that there is appropriate separation of responsibilities.⁶⁶

Nevertheless, given the complexity of the Scheme, the varied roles that government has within it and the ongoing concerns raised by stakeholders, we remain of the view that there is a need for clearer definition of government roles and a separation of functions that could give rise to real or perceived conflicts of interest. The NSW Government must work towards clearly separating market-facilitation, operational, regulatory and policy setting roles from one another. This is crucial for the market to develop fairly and sustainably, and to avoid the risks of regulatory failure outlined in ICAC's 2023 submission. In correspondence to IPART, the Department noted that the sources of potential corruption risks identified in ICAC's 2023 submission pre-date the separation of the planning and environment agencies. The Department considered that some of the risks outlined in ICAC's submission were addressed through recent scheme-related amendments, including amendments to the *Biodiversity Conservation Act 2016* in 2024.

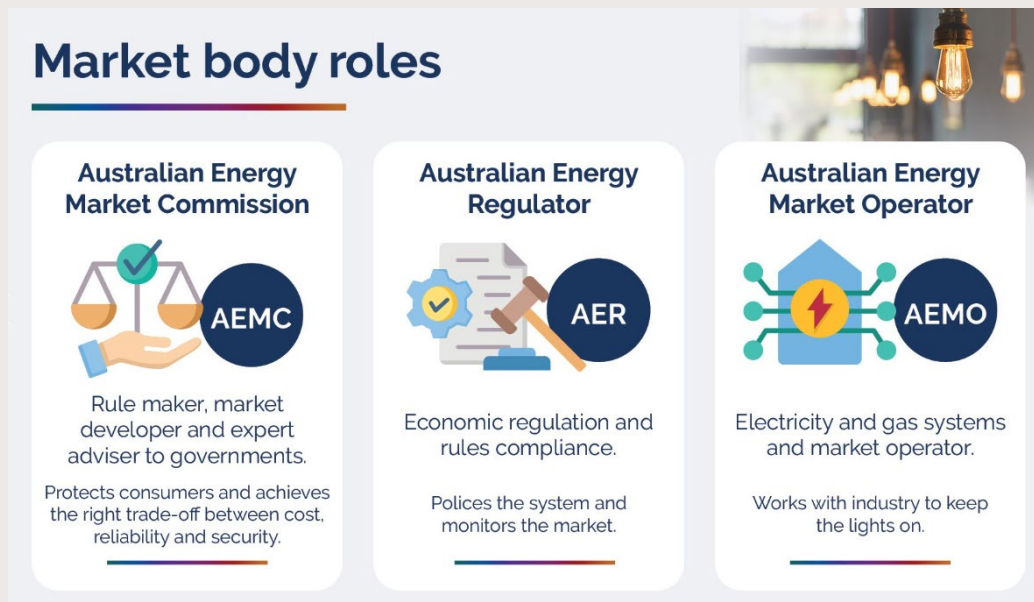
Box 4.2 summarises the separation of operational, regulatory and policy setting roles in the Australian energy market. While the national energy market is materially larger in scale than the NSW biodiversity credits market, the general principles of separation of powers provide a useful guiding example for the NSW Government to consider in this context.

Box 4.2 Governance of the National Energy Market

The National Energy Market governance structure was designed to deliver effective competition, to provide clear accountabilities and to support investment certainty in the energy sector by separating decisions on government policy, energy regulation and energy system operation.

Each market body is an independent decision-maker with clear powers, functions and accountabilities that support the efficient operation of the market in the long-term interests of consumers.

Key market bodies and their functions are summarised below.



Source: Australian Energy Market Commission

At minimum, there is a need for more transparency into the objectives and outcomes of government entities participating in, or facilitating activity the credits market. As an example, the Credits Supply Fund Operating Protocol states that a key objective of the Supply Fund is to lower the cost of credits. The Supply Fund also purchases credits for the Environment Agency Head (via the Department), where it has entered into a SODA with a proponent.^o

^o In correspondence to IPART, the Department has clarified that the Supply Fund purchases and sells credits for SODAs in the same way it sells credits to any other buyer; it does not purchase credits on behalf of SODA proponents. The legal obligation sits with the Environment Agency Head (EAH). The Supply Fund has always required bids to be below the BCF charge, and this has not changed for SODAs.


However, reporting by the Credits Supply Fund does not support transparency into how these objectives have been achieved. For example, there is no public reporting on successful bid prices,^P how these prices compare to Biodiversity Conservation Fund charges, or how the Supply Fund's reverse auctions have contributed to lowering the cost of credits.

Landholders participating in reverse auctions have also expressed some level of distrust in the integrity of the process because of the Supply Fund's objective to lower the cost of credits. Despite this, many landholders continue to use the reverse auctions as a sales pathway given the barriers and difficulties to negotiating directly with buyers. Since its inception, the Supply Fund's role has gradually broadened – from initially running reverse auctions for target credits, to now playing a more active role in matching supply and demand outside of auction cycles. Many of the Supply Fund's functions are aligned to those of a broker. Several private brokers expressed that the Supply Fund's access to detailed supply, demand and pricing information introduced unfair competition for them.

In order to improve confidence in the governance of the market, government entities should be upfront and transparent about their objectives and release timely, accurate reporting that demonstrates how these objectives are being met. Until this information disclosure is improved, stakeholders will continue to view government interventions with scepticism and could lack confidence in their fairness and governance. In clarifying its agency objectives, it is expected the NSW Government would also take into account the recently amended Commonwealth National Competition Principles.

We note that in correspondence to IPART, the Department stated that it did not consider there was declining confidence in the governance of the market. It noted that data on the increased use of the Supply Fund and engagement with the Department was evidence of confidence in the market.

Draft findings

- 9.  Market participants tell us that they lack confidence in the governance of the market, with many stakeholders raising concerns around the roles and objectives of government agency interventions.

Draft recommendations

- 7.  The NSW Government should set clear definitions and objectives for each of its functions within the credits market, and report on progress against their objectives. Operational, regulatory and policy setting roles should be clearly separated to minimise the corruption risks outlined in ICAC's August 2023 submission to IPART

^P Reverse auction prices are disclosed on the transactions register once the transaction is completed but are not identifiable as auction transactions. Following the completion of an auction, it can take several months for credits to be transacted and subsequently reported on the transactions register.

4.4.3 Confidence in market governance can be increased through monitoring and transparency

Our prior annual reports recommended that poor confidence in the governance of the market could be improved by increasing transparency and introducing independent oversight. In its 2023 submission to IPART, the NSW ICAC also suggested establishing a dedicated or more independent regulator to address market confidence and minimise risks of regulatory capture resulting from multiple government agency roles.⁶⁷

Our 2023-24 Annual Report considered several forms of oversight including:

- independent market monitoring
- monitoring by an independent expert committee
- in-house monitoring and reporting by the Department
- no monitoring.⁶⁸

Assessing the merits and risks of each option, we considered that independent market monitoring was the best option to support confidence in the market. We noted that many stakeholder concerns related to the interventions of government agencies in the market, and as such, it would be more appropriate for oversight to be independent of government.⁶⁹

Evidence from this year's annual review continues to support the need for independent monitoring of the credits market. In submissions and at our consultation workshops, some stakeholders expressed declining confidence in the governance of the market, stating that their concerns stem from recent changes to the Scheme including the added functions granted to the Department in 2025 in relation to SODAs.

Any independent monitoring should also cover the impacts to biodiversity in NSW from the Biodiversity Offsets Scheme. To the extent possible, this should include reporting of net gains or losses of different biodiversity types across NSW and at a IBRA region or sub-region level. We discuss reporting of biodiversity outcomes further in Chapter 5.

Draft recommendations



8. The NSW Government should maintain ongoing independent performance monitoring of the biodiversity credits market. This monitoring should report on indicators relating to competition, efficiency and biodiversity outcomes.

In addition to independent market monitoring, the NSW Government should seek to introduce greater transparency into the way in which its entities are trading in the market. Other sections of this report have already discussed related issues and recommendations, including:

- the NSW Government should consider introducing a centralised trading platform to enhance transparency and price discovery and improve the efficiency of trading in the market.
- the Credits Supply Fund should publish information on bid stacks and clearing prices of credits in each auction round transparently and equally to all market participants.

- the Biodiversity Conservation Fund charges should be published on a weekly basis, as proposed in the Biodiversity Conservation Trust's February 2026 Discussion Paper.
- the NSW Government should set clear definitions and objectives for each of its functions within the credits market, and release timely and accurate information into their outcomes.

4.4.4 There is a need for oversight of brokers and advisors

Brokers and third-party advisors play an important and necessary role in the market because of its complexity, lack of adequate information and high search timeframes and costs. However, in each of our annual reviews, stakeholders have expressed concern about potential misuse of insider information and actual or perceived conflicts of interest among brokers and third-party advisors.

We heard the following from stakeholders during this year's consultation:

- buyers noted the usefulness of brokers in supporting and navigating the complexity of the credits market
- Cement Concrete and Aggregates Australia said that its members reported that an increasing concentration of credits being acquired by brokers, who they claim control access to credits and set inflated prices⁷⁰
- a few stakeholders, including both third-parties and landholders, reflected a level of distrust for brokers and implied that those who work on both sides of the market may not always act in the best interests of their clients⁷¹

Unlike Accredited Assessors, brokers and third-party advisors are currently not licensed to operate in the market and the Department has limited oversight into their activities. Ineffective oversight of brokers and advisors creates potential for misconduct and could reduce market participants' ability to access strategic advice. We consider that a lack of regulation of brokers in complex markets increases the risks that these types of behaviours could occur. In our 2023-24 Annual Report, we recommended that the Department should accredit Biodiversity Offsets Scheme Advisors (including brokers and other advisors) through a process similar to the accreditation of assessors.⁷²

Since this time, the Department has commenced consultation on potential amendments to the *Biodiversity Conservation Regulation 2017*, including to introduce a simple accreditation scheme to recognise the role of brokers in the market.⁷³ The Department noted that it intends to consult on the proposed changes. At the time of writing this report, it is unclear what the proposed accreditation scheme would involve and what compliance and enforcement measures would be implemented alongside it.

We support the Department's initiative to introduce accreditation for brokers. Consistent with our 2023-24 annual review, we recommend the accreditation be similar to that already in force for Accredited Assessors. The Department could consider the following principles in developing an accreditation and compliance framework for brokers, as well as other third-party advisors:

Clarity

- 01 The accreditation pathways and conditions for assessors and advisors should be as similar as possible.
- 02 Credit buyers and sellers are easily able to understand the obligations that accreditation places on advisors.
- 03 Advisors should be qualified to support people to navigate the market. That is, they should be fit and proper persons and have relevant experience.
- 04 Individuals may hold accreditation as both assessors and advisors. The nature of the market means that a specialised skillset is required to navigate it, which is not held by many people.

Honesty

- 01 The Department should have a level of oversight of the advisors' activities. For example, it could require broker involvement to be registered on credit transfer applications and advisor involvement to be registered on Biodiversity Stewardship Agreement applications.
- 02 The Department should provide a clear definition of what constitutes an actual or perceived conflict of interest, and monitor how individual advisors are managing these.⁹

These principles have been designed to balance transparency and oversight with administrative burden. We also consider any accreditation framework should be simple to understand for market participants, so that these consumers clearly know what they can expect from their services.

Draft findings

- ☆ 10. The market would benefit from greater oversight of advisors and brokers. In financial services markets and similar markets in other jurisdictions, brokers and other third parties are subject to regulation.

Draft recommendations

- ✓ 9. The Department should accredit Biodiversity Offsets Scheme Advisors (including brokers and other advisors) through a process similar to the accreditation of assessors, in order to support confidence in third-parties and their oversight.

⁹ An example of this type of guidance can be found in ASIC Regulatory Guide 181: Licensing: Managing Conflicts of interest

Chapter 5 >>

Conservation outcomes

How has the market performed its function in facilitating biodiversity conservation?

05

The Biodiversity Offsets Scheme (the Scheme) provides a mechanism to avoid, minimise and offset the impacts of development and some types of clearing on biodiversity in NSW.⁷⁴ The Scheme establishes the credits market and sets the rules around it to achieve the objectives of the *Biodiversity Conservation Act 2016* (the Act), which include conserving biodiversity and slowing the rate of its loss, encouraging and enabling voluntary participation by landholders to conserve their land, and supporting and guiding prioritised and strategic investment in conservation.⁷⁵

The Biodiversity Offsets Scheme aims to strike a balance between the need for economic development and its impact on biodiversity. Like similar schemes across the world, the NSW credits market is affected by competing policy objectives. Tensions exist between the need for beneficial development to occur and the need for environmental conservation. The NSW Government's role is to determine the right balance between these objectives.

Within the Scheme, the biodiversity credits market aims to ensure that Scheme participants can match supply and demand of biodiversity credits to deliver offsets, typically on a like-for-like basis. As such the credits market plays a role in delivering some of the conservation outcomes central to the Scheme.

These outcomes must be accurately measured and transparently reported. If they are not, then there is a risk that the Scheme creates the appearance that offset is occurring when it is not. Where trade-offs need to be made, and development is sufficiently beneficial to proceed without expectation of like-for-like credit retirements this should be determined in accordance with clear guidelines and decision-makers must have access to all relevant information.

Clear and transparent reporting of environmental outcomes is important to hold decision makers to account and ensure that the people of NSW understand what trade-offs are being made. It also builds confidence amongst participants that the market can deliver on the Scheme's objectives. This is particularly important given the long-term nature of landholders' engagement with the Scheme. If the community loses faith in the market's ability to deliver robust and reliable conservation outcomes, the market may be perceived as lacking a social licence to operate and this may deter new market entrants⁷⁶ – especially if prices are too low and barriers to entry are too high. This could deter longer-term investment into biodiversity stewardship in NSW and put the objectives of the Act at risk.

This chapter discusses how the market is delivering on the conservation objectives of the Scheme and what can be done to improve it.

5.1 Key points in this chapter

The Biodiversity Offsets Scheme has delivered measurable conservation benefits. However, like-for-like credits have not been secured for all unavoidable development impacts. Under current arrangements, there is a risk that some development approvals are granted on the assumption that proponents can offset unavoidable impacts through like-for-like credit retirements, without visibility of the risk that this may not occur.

To date, more than half of all obligations that have been transferred to the Biodiversity Conservation Fund have not been purchased. Of those that have, a significant portion have been met via variation rules and conservation actions rather than through obtaining like-for-like credits. Because the Fund is required to accept all obligations transferred to it, there is a risk that obligations are transferred for which there is very little likelihood that like-for-like credits will be obtained. The Trust can play a valuable role in increasing decision-makers' visibility over this by publishing a list of biodiversity types for which suitable like-for-like credits have been sought but not acquired.

The Department is currently developing lifecycle reporting of its credit liabilities that would link the initial development impact to its delivered offset. We recommend that it continue this initiative, ensuring that information on all obligations can be traced to their offsets.

While it is important that the Scheme does not impose unnecessary costs on development, there is an inherent tension between the objective of keeping credit prices low to support development and allowing them to be sufficient to achieve strong environmental outcomes. Suppressing prices or relying on low-opportunity-cost land may limit the extent to which additional conservation is occurring and discourage long-term investment into conservation from landholders who require a commercial return in order to participate.

5.2 The Scheme in its current form allows development to proceed without certainty of offsets

To date the Biodiversity Offsets Scheme has delivered measurable conservation benefits:

- 171 sites have been set aside for permanent conservation under Stewardship Agreements, covering roughly 93,000 hectares of land across NSW
- Almost one million biodiversity credits have been generated through these sites, spanning 255 unique types of biodiversity, including vulnerable, endangered and critically endangered species.^a

In the absence of the Scheme or other similar measures, much of this conservation may not have occurred, biodiversity externalities would remain unaddressed, and fewer private landholders would be attracted to the prospect of biodiversity stewardship and land conservation. However, it is important that market participants and the broader community are informed of the areas where the Scheme is and isn't achieving biodiversity outcomes.

The Scheme has not ensured that like-for-like credits are delivered for every development impact. In practice, the Biodiversity Conservation Fund and SODA mechanisms allow development to occur before a suitable offset has been secured. Where the Trust has determined that it cannot obtain like-for-like credits, offsets may instead be delivered via variation rules or by funding conservation initiatives. To date, the Biodiversity Conservation Fund has accepted obligations for 326 different credit types, of which 40% have been offset, to some degree, by applying variation rules or conservation actions that allow the Trust to adopt actions other than purchasing like-for-like credits.

^a Credits generated under the BioBanking Scheme are excluded from these figures.

Biodiversity assessments of proposed developments do not consider the risks that like-for-like credits may be unavailable

Ultimately, it is the role of the relevant consent authority to consider the biodiversity impacts of a development, determine whether that development is allowed to go ahead, and whether any additional measures are needed to minimise the impacts if consent is granted. In making that determination, it is important that consent authorities have access to accurate information about which biodiversity types are at high risk of not being able to be offset on a like-for-like basis.

There is currently no framework for consent authorities to consider the risk that a proponent may be unable to secure like-for-like credits. This is because:

- the proponent can make a payment into the Biodiversity Conservation Fund as an alternative to generating credits or purchasing credits in the market, and the Fund can hold onto that obligation for up to 3 years, and
- there is a lack of reliable information on which entities, to date, have been offset using variation rules and conservation actions due to a lack of like-for-like credit supply.

This could result in some development approvals being granted on the assumption that proponents can offset unavoidable impacts through like-for-like credit retirements, without consent authorities having visibility of the risk that like-for-like credits may not be available.

The Trust has valuable market insights that could help inform consent authorities about offset risks

There is a need for an offset pathway that allows important development, including housing and essential infrastructure to continue without undue delay from navigating the credits market. Government market interventions including the Biodiversity Conservation Fund have been designed with this purpose in mind. These interventions have been effective at limiting delays to important infrastructure development, and there is scope for the Trust to leverage its experience with the market to inform the identification of biodiversity types for which there is a high likelihood that the Trust will not be able to obtain like-for-like credits within the three year timeframe required of them. This may also help identify additional entities that are at risk of serious and irreversible impacts.

When proponents enter the offsetting stage of the "avoid, minimise, offset" hierarchy, the Biodiversity Conservation Trust acts as a buyer of last resort for those proponents who cannot purchase or generate like-for-like credits themselves. Current legislation requires the Trust to take on obligations even where there are low prospects of finding like-for-like credits in the near future. Further, the Trust cannot adjust the risk premium in its charge calculation to take into account the risk that it cannot procure like-for-like credits.

As a result, the Fund has gradually accumulated obligations for a range of biodiversity types that are difficult to offset, including those that are at risk of serious and irreversible impact. In 2024-25, the Trust increased its use of variation rules and conservation actions - in part to address its backlog of outstanding credit obligations. In 2024-25, 35% of the Trust's credit purchases were made on a non-like-for-like basis.

Multiple rounds of market sounding, credit tenders and open fixed price offers have provided the Trust with valuable insights into current and near-term supply levels for a range of credit types. The Trust has applied these insights to make informed decisions about whether to meet its obligations through like-for-like credit purchases, variation rules, or conservation actions. Figure 5.1 illustrates the offset hierarchy established by the Biodiversity Conservation Regulation and applied by the Trust.

Figure 5.1 Offset hierarchy under the Biodiversity Conservation Regulation



We consider that the Trust could play a valuable role in providing transparency into which entities may be at high risk of not being met with like-for-like credit retirements. This information would allow development consent authorities to take a risk-weighted approach to assessing the likely biodiversity impacts of a development, and the effectiveness of any offset requirements imposed on a proponent. To ensure this information is made available to consent authorities, it would need to be included within a Biodiversity Site Assessment Report or a Biodiversity Certification Assessment Report prepared by an Accredited Assessor. We recommend that:

- The Trust should publish a list of high offset risk entities, comprising of credit obligations that the Trust has held for longer than three years, and any obligations that have previously been offset using non like-for-like arrangements. The purpose of this list would be to inform the market, Accredited Assessors and consent authorities, on which entities are at high risk of not being offset through acquisition of like-for-like credits. We acknowledge that supply is responsive to demand, and that the past is not a definitive indication of the future. With this in mind, the list should be periodically updated based on new information.
- Assessments of serious and irreversible impacts should take into account the Trust's list of high offset risk entities as an indicator of where offsets may be at high risk of not being delivered on a like-for-like basis. To do so, the Department should require Accredited Assessors, when assessing serious and irreversible impacts as part of a Biodiversity Assessment Development Report or a Biodiversity Certification Assessment Report, to report on which biodiversity impacts from a proposed development may be unlikely to be offset on a like-for-like basis, using the list published by the Trust. This would enable development consent authorities to take into account the risk that biodiversity impacts cannot be offset on a like-for-like basis when weighing up the case for development approval and determining the conditions of consent.

Draft recommendations

10. The Biodiversity Conservation Trust should annually publish a point-in-time list of 'high offset risk entities', comprising of:
 - a. credits obligations that it has held for longer than three years
 - b. credits obligations that it has previously offset using non like-for-like rules.

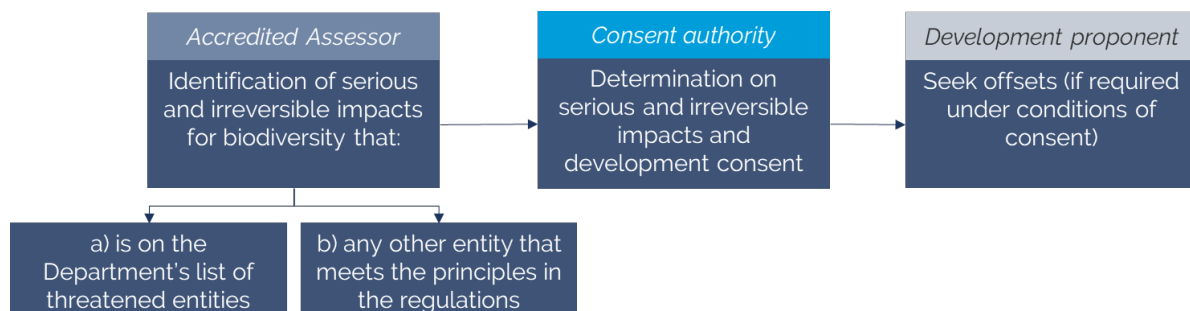
11. The Department should require Accredited Assessors, as part of a Biodiversity Assessment Development Report or Biodiversity Certification Assessment Report, to note any offset requirements of a proposed development that are on the Trust's list of 'high offset risk entities'.

5.3 There is insufficient data to support assessments of serious and irreversible biodiversity impacts

The concept of serious and irreversible impacts is a central component of the Biodiversity Conservation Act 2016. It is designed to protect threatened species and threatened ecological communities that are most at risk of extinction from potential development impacts or activities.⁷⁷

The framework for serious and irreversible impacts is summarised in Figure 5.2 below.

Figure 5.2 Framework for serious and irreversible impacts within the Offsets Scheme



Under the serious and irreversible impacts framework:

- The Department publishes a list of threatened species and ecological communities that are at most risk of extinction from development activities. Anyone with suitable information may nominate entities to be added or removed from the list.
- At the time of preparing either a Biodiversity Assessment Development Report or a Biodiversity Certification Assessment Report, an Accredited Assessor must identify any serious or irreversible impacts likely to be caused by the development for any entities on the Department's list of threatened entities, or any other entity that is likely to meet the 'serious and irreversible impacts' principles set out in clause 6.7 of the *Biodiversity Conservation Regulation 2017*. These principles are summarised in Box 5.1 below.
- The development consent authority is responsible for determining whether the proposed development will have serious and irreversible impacts on biodiversity.^b

^b In making its determination, the consent authority will consider the guidance published by the Department on serious and irreversible impacts.

- If a consent authority determines that an application for development would have serious and irreversible impacts for biodiversity values, it must not grant approval for applications made under Part 4 of the *Environmental Planning & Assessment Act 1979*. It may grant approval only if the application is for State significant development or State significant infrastructure, or the application has been exempted from the requirement to be accompanied by a biodiversity assessment report by order of the Minister. The consent authority must consider those impacts and determine whether additional measures are needed to minimise the impacts if approval is to be granted.
- Development proponents who are required to offset any serious and irreversible impacts may enter the credits market to purchase credits, generate credits themselves, or make a payment into the Biodiversity Conservation Fund.

Box 5.1 Principles for determining serious and irreversible impacts

The Biodiversity Conservation Regulation 2017 sets out the following principles to assess whether an impact is likely to contribute significantly to the risk of a threatened species or ecological community becoming extinct:

1. The impact will cause a further decline of a species or ecological community that is currently observed, estimated, inferred or reasonably suspected to be in a rapid rate of decline.
2. The impact will further reduce the population size of the species or ecological community that is currently observed, estimated, inferred or reasonably suspected to have a very small population size.
3. The impact is made on the habitat of the species or ecological community that is currently observed, estimated, inferred or reasonably suspected to have a very limited geographic distribution.
4. The impacted species or ecological community is unlikely to respond to measures to improve its habitat and vegetation integrity and therefore its members are not replaceable

Source: *Biodiversity Conservation Regulation 2017* (NSW) clause 6.7

We have heard from some stakeholders that the process for assessing serious and irreversible impacts, in practice, is limited by the absence of data on the rate of clearing of threatened entities – a key principle in the framework for determining serious and irreversible impacts.⁷⁸ As a result, Biodiversity Development Assessment Reports may lack meaningful assessments of the risks that proposed developments would have on threatened entities.

There is a need for centralised reporting of data on the approved biodiversity clearing in NSW, as well as on net gains or losses of biodiversity delivered by the Biodiversity Offsets Scheme. This data would help to inform assessments of biodiversity impacts caused by proposed development, and provide information for decision makers, prospective market entrants and the general community on risks to threatened entities in NSW.

We discuss this issue further in the following sections and in Draft Recommendation 12.

5.4 Conservation outcomes of the Scheme are not adequately measured or reported

Measuring and reporting on conservation outcomes is crucial for providing clear market guidance on how the Scheme's ecological objectives are being achieved. This was a core concern of the NSW Native Vegetation Panel and other stakeholders, who asked that IPART's assessment of market performance consider the extent to which the Scheme has met its stated objectives.⁷⁹

Stakeholders called for investigation and reporting of:

- the benefits of the Scheme to the environment, and its overall cost to the public⁸⁰
- the connectivity of the state's regional retired offsets and available stewardship sites and their overall value to the state's environment assets⁸¹
- tracing of how, when and where offsets have been delivered for each development⁸²
- how the market has performed in terms of conserving threatened species.⁸³

We agree that assessment of both the market and the Scheme should take into consideration the Scheme's stated ecological objectives. Without robust measurement and transparent reporting against these objectives, stakeholders could lack confidence in the market's ability to deliver robust, like-for-like credits.

At present, there is no available assessment or reporting into the overall impact of the Scheme on biodiversity outcomes across the state. External to the scheme, there are two sources of biodiversity reporting that occur in NSW:

- The NSW Biodiversity Outlook Report, which covers a range of biodiversity indicators across NSW. This report is published by the Department of Climate Change, Energy, Environment and Water every 5 years, with the most recent report published in 2024.⁸⁴
- The NSW State of the Environment (SoE) Report, which provides an overview of the health of several aspects of the NSW environment, including biodiversity. The report is published by the NSW Environmental Protection Agency every 3 years, with the most recent report published for 2024.⁸⁵

While these reports publish useful information on the number and types of threatened species, condition of threatened vegetation formations and the rate of land clearing, it is difficult to draw a connection between the published data and the outcomes delivered by the Scheme, or the credits market specifically. This is because:

- there is insufficient information available to establish the counterfactual biodiversity scenario i.e. what the state of biodiversity would hypothetically look like in the absence of the Scheme
- there is an absence of comprehensive data illustrating the actual impact that the biodiversity market and associated offsets have had on ecological outcomes. Without these, it is difficult to determine when and where conservation benefits are being realised, or the net gains or losses of biodiversity within specific ecosystems or regions.

5.4.1 The Department should continue to develop transparent reporting of the biodiversity outcomes for individual obligations

In March 2026, the Department engaged a partner to deliver a NSW Government biodiversity credit market registry.^c The Department stated that the platform will provide digital infrastructure to underpin biodiversity credit market transactions in New South Wales, enabling the full lifecycle management of biodiversity credits and obligations, while supporting transparent and efficient market participation. The Department indicated that the credit registry would be in operation in early 2027.

We consider that the Department's initiative to track and publish the lifecycle of individual obligations would be useful for enhancing transparency into both the impacts and outcomes for biodiversity, and provide visibility into if and how the objectives of the Act are being met. It is important that this reporting includes the specific locations and credit types used for each offset, along with the offsetting method used to fulfil the obligation. This reporting could also help to bridge the gap between broader environmental reporting in NSW, the effectiveness of serious and irreversible impacts assessments, and the outcomes delivered by the Scheme and the credits market.

Draft recommendations

- 12. The Department should annually report on biodiversity development impacts and offsets. The reporting should include:
 - a. The location and type of biodiversity cleared under the original offset obligation
 - b. The location and type of biodiversity of the delivered offset
 - c. Whether the offset was delivered under like-for-like rules, variation rules or conservation actions, including the outcomes delivered by any conservation actions.

5.4.2 Some stakeholders expressed concern about the standard of management of Biodiversity Stewardship Agreements

We heard concerns about whether the standard of Biodiversity Stewardship Agreements is sufficient to compensate for the harm to biodiversity that development sites cause.⁸⁶ At our workshops a stakeholder queried whether stewardship sites are being managed to a level that sufficiently offsets the impact on affected ecological communities and species. They said that current assessment practices, such as those conducted by the BCT, focus on whether management actions are completed, rather than whether these actions provide adequate compensation for impacted ecological entities.

^c The Biodiversity Conservation Amendment (Biodiversity Offsets Scheme) Act 2024 introduced the requirements for a statutory register.

Given the scheme's relative infancy, compared to its in-perpetuity design, it is difficult to evaluate the long-term performance of Biodiversity Stewardship Sites at this stage. A more comprehensive assessment could be made closer to the conclusion of the 20-year management period for each site. At that stage, it would be possible to assess a range of indicators, such as the number of sites that have transitioned into active management and those that have maintained a level of condition in line with their offset requirements.

We note that in correspondence to IPART, the Trust highlighted that it undertakes annual reporting and oversees a comprehensive five-year ecological monitoring program of BSAs to assess management effectiveness. The Trust stated that:

- Annual reporting is a yearly, activity-based check-in for BSAs that confirms landholders are delivering agreed management actions, supports the release of management payments, and provides the compliance and accountability foundation that complements five-year ecological monitoring.
- The Ecological Monitoring Module (EMM) is a standardised, science-based five-yearly monitoring program using methods accredited by Accounting for nature. Across the whole private land conservation estate it includes over 3,000 permanent monitoring plots, including control plots. It collects vegetation, structure and soil condition data at agreement and control sites to assess ecological condition and change over time. EMM monitoring is a requirement of BSAs once sites enter active management. Once baseline monitoring is established, sites are re-surveyed at five-year intervals, allowing the Trust to detect ecological changes, assess management effectiveness, and support five-year agreement management plan reviews. Landholders are responsible for commissioning their five-year reviews from appropriately trained ecologists using tools and standards set by the Trust.

The Department also highlighted that a 2024 statutory review of the BAM found that it met the statutory requirements to assess biodiversity values to a standard of 'no net loss'.⁸⁷

5.4.3 We received mixed feedback on the integrity of site assessments

We heard additional feedback on the standard of site assessments:

- An anonymous submission argued that the Biodiversity Assessment Method (BAM) accreditation's low entry standards, combined with limited compliance and auditing, has allowed poorly qualified assessors to undertake site assessments. They expressed this led to inaccurate credit evaluations through Biodiversity Development Assessment Reports and declining confidence in the scheme and its outcomes for biodiversity.⁸⁸
- However, Bega Valley Shire Council noticed a collective improvement with how Accredited Assessors undertake site assessments and an increased understanding of the costs and benefits to balance survey effort against assuming the presence of species.⁸⁹

The anonymous submission raised that improving transparency around the performance of accredited assessors would improve public and industry trust in the scheme.⁹⁰ While the ecological integrity of stewardship agreements and their assessment standards fall outside the remit of our market monitoring review, it echoes the ongoing concerns about the biodiversity outcomes delivered by the scheme.

5.5 Government objectives to reduce credit prices may discourage long-term investment in conservation

The NSW Government has signalled, through its design of the Offsets Scheme and objectives of market interventions, that lowering the cost of credits is a key priority.⁹¹ We agree that there is a legitimate need to ensure that important housing and infrastructure developments can feasibly proceed under the Scheme, and that credit prices reflect the efficient and accurate costs of conserving biodiversity. However, there is an inherent tension between achieving robust biodiversity outcomes and the objective of maintaining low credit prices for developers.

These two objectives may only work in tandem if the market is first able to deliver accurate price signals that reflect the true, in-perpetuity costs of biodiversity conservation. If functioning effectively, these signals would also reflect the opportunity costs and any private benefits of conserving land in-perpetuity. Our analysis of the market this year, and in prior years, indicates that the market cannot currently deliver these signals freely. Until it can, it will not be possible to accurately determine what constitutes an 'efficient' price for biodiversity credits, and any objective to lower the cost of credits may have the adverse effect of excluding potential market entrants.

There is evidence that some supply in the market does not fully account for the opportunity costs of in-perpetuity land conservation in the way a seller seeking an appropriate commercial return would. For example, Sydney Water has indicated that it typically only uses land with no alternative development potential for biodiversity conservation, such as exclusion zones around water infrastructure. Various other landholders have noted that current prices do not adequately compensate for the opportunity cost of in-perpetuity land management.⁹² It is therefore likely that at least some of this land would have been conserved anyway given its limited alternative uses or landholders may have opted to enter BSAs in whole or part for private benefits of biodiversity conservation (e.g. personal satisfaction or increased wildlife presence). Other studies into landholder engagements with biodiversity offsets in NSW have also shown that some landholders who participate in permanent land conservation do not expect to recoup the full opportunity costs of developing their land.⁹³

If the market is to support ongoing, long-term financial investment in biodiversity stewardship, care must be taken to ensure that government interventions do not rely on land that would have been conserved anyway or on landholders' willingness to enter into non-commercial agreements.

5.6 Impacts of recent policy changes

Through our consultation this year we observed an increase in the number of stakeholders expressing concern about the impacts of recent policy changes on the like-for-like offsetting principles of the Scheme, including the introduction of SODAs and their ability to offset large scale biodiversity impacts by funding like-for-like conservation actions as an alternative to retiring like-for-like credits. This change has occurred at the same time that the Trust has increased its use of variation rules and conservation actions to meet its credit obligations.

Variation rules and funding of conservation actions provide flexibility in offset acquittals. However, stakeholders consider that this flexibility has come at the expense of like-for-like credit retirements, which they consider ensure higher-quality and equivalent compensation for biodiversity losses. Their concerns are partly driven by the lack of clarity and reporting, on a whole of scheme level, around how, where and at what cost conservation actions are delivered, as well as the outcomes they achieve for impacted biodiversity.

Since receiving these submissions from stakeholders, the Department has published two quarterly offset progress reports for the SODA with the Energy Corporation of NSW for the Central West Orana transmission project. The reports include information on the expenditure and progress in meeting the obligations under the SODA.

The Trust also publishes some details about its conservation actions, including the cost, the species or threatened ecological community benefiting from the action, and the number of corresponding credit obligations met.⁹⁴ In correspondence to IPART, the Department noted the BCT currently reports like for like acquittal percentages and will publish a public acquittal report by April 2026 to improve traceability from BCF payments to credit retirements.⁹⁵

Consolidated reporting on how obligations are being met across all acquittal pathways (including how and why conservation actions or variation rules are used as alternatives to like-for-like credit retirements) would help to provide transparency to participants on the robustness of biodiversity outcomes delivered by government interventions.

Appendices

Appendix A >>

Terms of reference



I, Victor Dominello, Minister for Customer Service and Digital Government, under section 12A of the Independent Pricing and Regulatory Tribunal Act 1992, request the Independent Pricing and Regulatory Tribunal (IPART) to monitor and report on the operation of the biodiversity credits market within the Biodiversity Offsets Scheme (the Scheme).

Background

The Scheme is the NSW framework for offsetting unavoidable impacts on biodiversity from development with biodiversity gains through landholder stewardship agreements.

Applications for development or clearing approvals that enter the Scheme must set out how impacts on biodiversity will be avoided and minimised and remaining residual impacts as identified in the approval must be offset. This can be achieved by retirement of biodiversity credits or payment to the Biodiversity Conservation Fund (BCF) which transfers the offset obligation to the Biodiversity Conservation Trust (BCT).

Landholders can establish Biodiversity Stewardship Agreements (BSAs) to create biodiversity credits. These credits are then available to the market for purchase to offset the impacts of biodiversity by development, by the BCT (through the BCF), the Credits Supply Fund (through the Department of Planning and Environment)^a or by government or others to secure outcomes for conservation.

Proponents can also establish their own Biodiversity Stewardship Agreements to generate and retire the credits they need to offset their development. Part of the proceeds from credit sales are held in trust by the BCT to support the long-term management of the biodiversity stewardship sites.

The current biodiversity credits market builds on the previous NSW biodiversity credits market created under the Biobanking Scheme. The market is rapidly growing, and this is expected to continue over the next 10 years and beyond because of economic development, including housing, manufacturing and infrastructure delivery.

The task

IPART is requested to:

- Monitor the performance of and competition within the biodiversity credit market, and make findings and recommendations with the aim of:
 - maintaining and promoting competition
 - addressing the interests of existing and potential biodiversity market participants, and supporting fair trading
 - identifying opportunities to improve market efficiency and address market failure
- Report annually on the performance of and competition within the biodiversity market for a period of three years (annual market monitoring report).

a These Terms of Reference were written prior to a machinery of government change in early 2024, where the Department of Planning and Environment split into the Department of Climate Change, Energy, the Environment and Water and the Department of Planning, Housing and Infrastructure.

Relevant considerations

In undertaking this task, IPART is to have regard to:

- The purpose and structure of the Scheme
- The roles and responsibilities of the Department of Planning and Environment, the BCT, local government authorities and other participants
- The incentives and impacts of the Scheme on existing and potential market participants, including developers, landholders and Biodiversity Stewardship Agreement holders, accredited assessors, local government authorities and other interested parties
- The impact of government interventions, including the Biodiversity Credits Supply Fund and the BCF
- Whether there are gaps in data collected or reported on by participants in the market or the timing of making that data available that could help track performance of the market
- Recent reviews of the Scheme including the parliamentary inquiry into the integrity of the Biodiversity Offsets Scheme and Audit Office report on the effectiveness of the Biodiversity Offsets Scheme
- Any other matter that IPART considers relevant.

The process

IPART is required to consult with the Department of Planning and Environment, the BCT, developers, BSA holders, accredited biodiversity assessors, local government authorities and other interested parties during the preparation of an annual market monitoring report.

IPART is to publish an annual market monitoring report within six months after the end of each financial year, commencing with an annual report for the 2022-23 financial year.

IPART may also publish reports at other times if it considers appropriate.

Appendix B >>

Glossary

B

Term	Description
Accredited assessor	An individual accredited by the NSW Department of Climate Change, Energy, the Environment and Water to apply the Biodiversity Assessment Method.
Active (and passive) management	When a site first has a Biodiversity Stewardship Agreement applied to it, it is under passive management which means the landholder only has to undertake minimal management to conserve what's currently on the site. Once the Biodiversity Stewardship Agreement holder has sold enough credits to meet the Total Fund Deposit, the site enters active management. This means the Biodiversity Stewardship Agreement holder has to undertake the management actions in the Biodiversity Stewardship Agreement's Management Plan and will receive annual payments from the Biodiversity Stewardship Payment Fund to cover management costs.
BioBanking Scheme	The predecessor of the Biodiversity Offsets Scheme. Credits generated under the BioBanking Scheme are tradeable in the Biodiversity Offsets Scheme after an assessment of equivalence has been applied.
Biodiversity Assessment Method (BAM)	The document that outlines how an accredited person assesses impacts on biodiversity at development sites and stewardship sites. This document also provides the method for quantifying the credits associated with these impacts.
<i>Biodiversity Conservation Act 2016</i>	The NSW legislation that sets the provisions for the Biodiversity Offsets Scheme, among other things.
<i>Biodiversity Conservation Amendment (Biodiversity Offsets Scheme) Act 2024</i>	An Act passed by NSW Parliament in November 2024 to amend several aspects of the <i>Biodiversity Conservation Act 2016</i> , with aims to reform the Biodiversity Offsets Scheme. It was assented to in December 2024.
Biodiversity Conservation Fund (BCF)	The Fund that proponents can pay into to transfer their credit obligations to the Biodiversity Conservation Trust. The Biodiversity Conservation Trust must use the money earned from the payment to source like-for-like credits in the market, to acquit its liability for these credit obligations.
Biodiversity Conservation Fund Charge System	The method set by the Biodiversity Conservation Trust to calculate the amount of money that a proponent must pay into the Biodiversity Conservation Fund to transfer offset liabilities.
Biodiversity Conservation Trust (the Trust)	A non-profit NSW Government organisation tasked to partner with landholders to enhance and conserve biodiversity across NSW. In the Biodiversity Offset Scheme, the Trust's current role is to manage the Biodiversity Conservation Fund, Biodiversity Stewardship Payments Fund and support landholders once they've entered into a Biodiversity Stewardship Agreement.
Biodiversity credit	The standardised unit to measure biodiversity impacts in the Biodiversity Offsets Scheme. Biodiversity credits can be traded on the biodiversity credits market.
Biodiversity Credits Supply Fund (the Supply Fund)	The Fund used by the NSW Government to buy in-demand credits to sell to public or private proponents who need to offset biodiversity impacts. Proceeds are re-invested to buy more credits.
Biodiversity offset	A way to compensate for unavoidable impacts on biodiversity from development or clearing.
Biodiversity Offsets Scheme (the Scheme)	The framework for offsetting unavoidable impacts on biodiversity from development with biodiversity gains through landholder stewardship agreements. The biodiversity credits market forms part of the Biodiversity Offsets Scheme
Biodiversity Stewardship Agreement (BSA)	An Agreement registered on the title of land to conserve habitat for native species and ecosystems and generate biodiversity credits to be sold to credit buyers who have offset obligations or want to secure conservation. The

	Agreement is in perpetuity and the sale of credits is meant to fund the management of conservation.
Biodiversity Stewardship Payments Fund	The Fund that provides annual payments to Biodiversity Stewardship Agreement holders for land management costs.
Credit buyer	An individual or organisation seeking to buy biodiversity credits on the market, to meet development consent conditions or some other purpose.
Credit obligation	The need to purchase credits in the market to satisfy biodiversity offset requirements of a development or clearing approval. Credit obligations may be passed on to the Biodiversity Conservation Trust by paying a certain amount into the Biodiversity Conservation Fund.
Credit supplier	A landholder that has entered into a Biodiversity Stewardship Agreement to sell credits on the market and fund conservation management on their land.
NSW Department of Climate Change, Energy, the Environment and Water (the Department)	The NSW Government Department responsible for administering the Biodiversity Offsets Scheme.
Ecosystem credit (and Offset Trading Group)	Biodiversity credit representing impacts on vegetation associated with ecological communities. Ecosystem credits are classified by Offset Trading Groups, which group ecosystem credit types for trading purposes.
IBRA regions and subregions	The Interim Biogeographic Regionalisation for Australia, a classification of areas of Australia's land according to common environmental characteristics.
Like-for-like rules	The rules that decide what credits can be used to offset biodiversity impacts, to seek to ensure that biodiversity impacts are offset with biodiversity that is very similar to the biodiversity that is being impacted.
Market broker	An agent who assists credit buyers and/or sellers to trade in the market.
Market transaction	A transfer of credits between distinct entities in the market.
Nature positive	An approach to development whereby nature is repaired and regenerated, unlike traditional approaches which mainly seek to slow or stabilise the rate of biodiversity loss.
Proponent	An individual or organisation undertaking development according to a development consent. Many proponents will be credit buyers but not all credit buyers are proponents.
Retiring credits	Once someone with a credit obligation has purchased credits, they must retire the credits to prove they have met their credit obligation.
Reverse auction	The tender process used by the Department to purchase in-demand credits to sell to credit buyers through the Credits Supply Fund.
Species credit	Biodiversity credit representing impacts on flora or fauna species habitat.
Strategic Offset Delivery Agreement (SODA)	A method of meeting offset obligations under the Biodiversity Offsets Scheme. By entering into SODA, renewable energy proponents can meet an offset obligation set through a planning approval. The Environment Agency Head delivers the offsets either through the retirement of like-for-like biodiversity credits or funding conservation actions targeted at species or ecological communities impacted by the development.
Total Fund Deposit (TFD)	The value of money needed to cover future Biodiversity Stewardship Agreement management costs, paid into the Biodiversity Stewardship Payments Fund when a Biodiversity Stewardship Agreement holder sells credits.

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- ¹² NSW Environment and Heritage, [Biodiversity Credit Supply Fund and credit purchasing](#), accessed 25 February 2025.
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- ²² NSW Government Office of Environment & Heritage, [Pale-headed Snake – profile](#), accessed 2 April 2026
- ²³ NSW Government Office of Environment & Heritage, [Superb Parrot - profile](#), accessed 2 April 2026
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- ²⁵ IPART, [2022-23 Biodiversity Market Monitoring Annual Report](#), December 2023, pp. 59-60
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- ²⁷ IPART, [2023-24 Biodiversity Market Monitoring Annual Report](#), December 2024, pp. 9-10
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- ³⁰ Tony Meppem, [Submission to IPART Discussion Paper](#), 18 November 2025, p. 1
- ³¹ IPART, [Summary of stakeholder workshops – Biodiversity Credits Market monitoring review](#), December 2025, p. 3
- ³² IPART, [Summary of stakeholder workshops – Biodiversity Credits Market monitoring review](#), December 2025, p. 3
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