
Media Release

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Making the biodiversity credits market work for NSW

The NSW Independent Pricing and Regulatory Tribunal (IPART) has released its Biodiversity Credits Market Monitoring Annual Report 2022-23.

Tribunal member Sandra Gamble said a well-functioning biodiversity credits market was important to ensure economic development takes place in a way that conserves our unique natural environment.

"The key role of the biodiversity credits market is to connect biodiversity credit buyers and sellers to trade credits at a price that reflects the efficient cost of offsetting biodiversity," Ms Gamble said.

"However, the annual report has found the biodiversity credits market is not performing well and requires several changes."

The report found several key challenges affecting fundamental aspects of the market such as pricing, transaction costs and barriers to entry.

In particular, the report found that allowing development proponents to pay into the Biodiversity Conservation Fund to meet their offset obligations prevents the market from developing and establishing efficient prices to reflect the supply and demand for different credits.

"Government interventions to reduce entry costs and make the market more directly accessible for landholders to buy and sell credits themselves are better ways to ensure an efficient market."



The report recommends the Government phases out the Biodiversity Conservation Fund pay-in option and establish interim measures to manage the change while the market develops.

"We have also made other recommendations to improve information, reduce trading complexity and increase confidence in the market. However, while these changes may improve the experiences of market participants, they won't fix the fundamental problems inhibiting a well-functioning market," Ms Gamble said.

"Previous reviews of the broader Biodiversity Offsets Scheme have identified similar problems. Our recommendations take these into account and our review examines in detail how the biodiversity credits market can work better."

Ms Gamble said NSW was one of the first jurisdictions globally to introduce a market-based mechanism for valuing biodiversity conservation.

"The Biodiversity Conservation Fund has played an important role ensuring essential development was not delayed where no credits existed in a complex and newly established market. We've learnt a lot and IPART has recommended necessary changes," she said.

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