

Submission to IPART Discussion Paper: Biodiversity Credits Market Review (2024–25)

26 November 2025

Introduction

Bega Valley Shire Council (Council) appreciates the opportunity to provide feedback on IPART's review of the NSW Biodiversity Credits Market. Our submission reflects practical challenges experienced by Council and local stakeholders, including systemic inefficiencies, high costs and barriers to establishing local biodiversity stewardship agreement sites. We propose reforms to improve market transparency, incentivise positive developer behaviour, and deliver tangible ecological and community benefits.

Council recognises the complexity involved in developing and implementing a market-based framework for biodiversity protection. Our aim of this submission is to support the refinement of the Biodiversity Offset system. We acknowledge that, given its complexity, this framework is still evolving and remains somewhat in its developmental phase.

Before addressing the IPART Discussion Paper directly, Council wishes to highlight three priority issues that significantly impact our engagement, and that of our local community, with the biodiversity offset market.

Council priority issues

1. Incentivising positive developer behaviour through a more responsive system

There are clear opportunities to encourage more environmentally responsible construction practices by rewarding developers who reduce their actual development footprint. However, the current system lacks the flexibility and timeliness to respond to improvements made during the construction phase.

Offset credit calculations are based on the proposed development footprint, which can sometimes be difficult to estimate accurately—especially for complex developments – and are calculated at the time of lodging a Development Application (DA). The Biodiversity Assessment Methodology (BAM) applies a precautionary approach when estimating impact areas, sometimes resulting in overestimations of the subsequent offset liability. This was evident in the Merimbula Airport Extension.

Case study example

The Merimbula Airport Extension project was assessed using construction techniques available at the time, and BAM's precautionary approach led to a conservative estimate of biodiversity impacts. However, new technologies enabled 'precise' engineering during Stage 1, substantially reducing the actual area of impact. This reduced footprint would have resulted in significantly fewer offset credits and substantial savings to the project.

Unfortunately, the only pathway to recalculating offset credits for Stage 1 and applying those savings to Stage 2 is through a formal modification to the development application. This process is fraught with risk, complexity and delays. Grant funding deadlines, uncertainties around reopening the BAM calculator, and potential changes to species associations all make this option untenable—even when the environmental and financial benefits are clear.

From the initial BDAR preparation based on preliminary plans, to conditioning credit retirement in development consent, to credit identification and retirement, and finally to construction and determination of the actual footprint—the system is an unwieldy goliath. It lacks any mechanism to respond to improved data collection or construction practices that reduce environmental impacts.

Critically, developers have no incentive to minimise impacts during construction. Offset credits are conditioned in the DA consent and are required to be retired before the Construction Certificate (or equivalent) is issued. DA consent typically occurs before detailed engineering plans are finalised or tenders for innovative construction technologies are sought. This unwieldy system does not encourage positive developer behaviour and there is no incentive for developers to decrease environmental impacts during construction as these impacts have already been 'paid for' when offset credits are retired.

Recommendations

- Implement a streamlined process that allows **offset credits to be recalculated once development is completed**, based on verified reductions in impact area.
- Establish a **temporary Trust** between the phases of DA approval and project completion, where credit prices are frozen, to encourage developers to adopt practices that minimise the impact area.

2. Barriers to establishing Biodiversity Stewardship Agreement (BSA) sites

Currently, **no BSAs exist in the Bega Valley Shire**. Consequently, there is limited availability of suitable like-for-like ecosystem credits and some species credit species available on the market for local developments. Leaving Council, local developers and residents reliant on the fund, which is more costly and less locally beneficial.

Many excellent potential BSAs are not proceeding because local developers require more certainty before they invest in what they currently perceive as a risky market. For many local developers, paying into the Fund for credits is the clearest-cut short-term option.

The Biodiversity Supply Task Force (Task Force) has been a great initiative for increasing the supply of in-demand credits. However, the Task Force is a small team covering all of NSW and their main focus appears to be on lining up private bush owners to have their potential credits placed in the statewide auction for sale. They require more resources and a plan to work with the larger, on-site developers and lessen the complexity and cost of stewardship.

Council has encountered structural and financial barriers in attempting to establish BSAs to generate suitable offset credits for our community. The key challenge is the **high cost of establishing a BSA**, and these costs disproportionately affect smaller sites. Council-owned land typically consists of **small, fragmented parcels under 20 hectares**, which are:

- **ecologically valuable**, often containing in-demand credit types, but
- **financially unviable** for BSA establishment due to low credit yield and high per-hectare costs.

Council applied to the **Stewardship Support Program** to help offset these costs but was unsuccessful. The application was declined primarily because the small size of the proposed sites would generate only a limited number of credits, despite their ecological relevance and local demand.

As a result, **no BSAs currently exist within the Bega Valley Shire**, and neither Council nor local developers can source many of the required credits through the market. This forces project proponents to pay into the **Fund**, which is:

- **significantly more expensive** than market-based credit retirement
- **less beneficial to the local community**, as funds are not necessarily reinvested in local conservation outcomes.

Exploring New Models and Seeking Government Support

In recent discussions with Conservation Programs, Heritage and Regulation Group (CPHR), Council has explored the possibility of **amalgamating multiple fragmented land parcels**—provided they share common ownership and management—under a **single BSA agreement**.

This approach could:

- **Streamline administrative costs**
- Improve the **cost-efficiency of the Total Fund Deposit**
- Potentially make small parcels viable for credit generation

However, this is an **untested model**, and Council is still assessing its **financial feasibility and regulatory acceptability**. There is currently no clear guidance or precedent for this approach.

Council strongly urges the **NSW Government to prioritise support for local governments** that are willing to engage with the biodiversity offset market as they are an untapped resource. While councils often lack the financial and staffing capacity to undertake complex BSA projects, they are well-positioned to:

- Steward ecologically valuable public lands
- Generate credits that directly support **local development needs**
- Deliver **community co-benefits** such as habitat restoration, education, and amenity

With appropriate support—such as targeted funding, technical assistance, and streamlined processes—councils like ours could play a **critical role in strengthening the biodiversity market** and reducing reliance on the Fund.

3. Align Grant Funding with Local Biodiversity Outcomes

Grant-funded Council projects often lose significant portions of funding to offset obligations paid into the Biodiversity Conservation Fund (Fund), rather than delivering local environmental benefits.

Council recommendations

- Allow **offset funds to be reinvested locally** through Council-led stewardship initiatives.
- Enable **local credit retirement mechanisms**.
- Simplify BDAR and credit estimation processes to reduce consultant costs and administrative burden.

This approach would ensure that public investment delivers measurable biodiversity gains for local communities, rather than cycling back to government accounts.

Responses to the IPART Discussion Paper

1. Experience with the market in the 2024–25 financial year

Council's experience in the 2024–25 has been marked by challenges in accessing suitable offset credits for local developments. For example, the **Merimbula Boardwalk replacement project**—an important community infrastructure upgrade—was unable to source required credits through the market or the Biodiversity Supply Fund. Of the required six ecosystem credit groups and five species credits species, the reverse auction held in Sept/Oct 2025 offered only one relevant species credit, and it was not available until late 2026. This delay would jeopardise project funding, the timely project delivery of important infrastructure to the community and would further threaten degradation of a sensitive ecosystem from persistent community use. Council was forced to accept a more expensive quote through the Biodiversity Conservation Fund (Fund) to keep this project on-track.

2. Difficulties or inefficiencies in buying or selling credits (including via the Credit Supply Fund)

The Credit Supply Fund (Supply fund) is an excellent initiative and has helped developers to reduce costs of offset credits and improved the ease for purchasing credits on the market. Council and local stakeholders have experienced notable cost savings of offset credits since the establishment of the supply fund.

One local developer reported successfully retiring phascogale species credits via the **Supply fund** reverse auction for **\$52,000**, compared to a **\$120,000 Fund quote**—providing a 40% saving. However, this success was due to proactive engagement with the Biodiversity Taskforce, which is under-resourced and unable to support broader market needs.

Despite these improvements, Council and developers have encountered:

- **Limited market availability** of required credits
- **Delays and uncertainty** in accessing credits via the Credits Supply Fund
- **High costs and complexity** in setting up stewardship sites

The process to estimate biodiversity costs remains opaque and expensive, often requiring full BDAR completion and substantial upfront investment (up to \$200,000 for larger developments). This deters early planning and increases financial risk.

Increasing complexity in planning legislation—often requiring local, state and sometimes federal approvals—combined with sourcing biodiversity offsets, has led to significant delays in some local developments. These delays have resulted in substantial bank interest payments on loans. This situation discourages positive developer behaviour, as the focus shifts to reducing delays rather than prioritising better environmental outcomes, creating tension between Council and developers. In many cases, the additional costs borne by developers are a direct result of time delays, with funds going to banks as interest payments, instead of being invested in improved biodiversity outcomes.

3. Changes in performance and competition in the Credits Market (2024–25)

While credit price volatility has somewhat stabilised compared to 2–3 years ago, the market remains:

- **under-resourced**, particularly in facilitating auctions and stewardship site development
- **uncompetitive**, with limited supply and limited active sellers
- **risky for developers**, who often default to Fund payments due to lack of viable alternatives.

4. Characteristics to define sub-markets

No comments.

5. Experience with brokers, accredited assessors, and other third parties

Council and developers report mixed experiences:

- **Biodiversity Taskforce:** Highly helpful but under-resourced.
- **Accredited assessors (AA):** Essential but costly. Generally, we've noticed a collective improvement with how AAs undertake Biodiversity Development Assessment Reports (BDARs) and Biodiversity Stewardship Assessment Reports (BSARs) and an increased understanding of the cost/benefits of balancing survey effort against credit offset liabilities. AAs will now often choose, where feasible, to conduct more extensive and expensive surveys for Candidate Species Credit Species rather than assume presence and pay even higher offset credit costs, as occurred previously.

However, the additional time and expense required to confirm the presence of Species Credit species in BSARs—as part of many larger development projects—has frequently made BSA establishment financially unviable. This is especially true when factoring in the risks associated with credit generation and market fluctuations.

- **Brokers and consultants:** Often necessary to navigate complex processes but add to overall cost.

There is a need for:

- greater transparency in fees and services
- support for early-stage planning and credit estimation
- streamlined processes for stewardship site establishment.

6. Experience with the Biodiversity Conservation Fund (Fund) as a market alternative

As discussed above, the fund remains a default option for most local offset credits due to a lack of required credits – especially like-for-like ecosystem credits. While it is often more expensive, it provides a clear short-term solution for progressing developments, especially when bank interest rates are eating up all profits or risk not meeting grant-funding deadlines.

Nonetheless, Council would like to acknowledge the value of the Fund as an option for developments to progress when there is no availability of credits on the market or unfeasible timelines.

7. Pros and cons of BCFs use of variation rules and conservation actions

To date, Council and local developers have not previously utilised variation rules or conservation actions within the Bega Valley Shire, primarily due to not meeting the eligibility criteria. It is Council's understanding that after 7 March 2025, variation rules are no longer able to be conditioned in the consent, but that the Biodiversity Conservation Trust (BCT) retains the ability to use variation rules as part of its credit obligation hierarchy.

Despite the difficulties in Council and local developments finding suitable offset credits, these variation rules have not been offered by BCT, opting for expensive payments into the Fund instead.

8. Changes in information quality on credit prices, demand and supply (2024–25)

Council notes **significant improvement** in information availability via the **Biodiversity Credits Demand and Supply Dashboard**. However:

- developers still face challenges navigating pricing and estimating costs early
- reverse auction results and tender data remain limited and hard to interpret
- pricing remains unpredictable until late in the planning process, increasing risk.

Early engagement with credit offset planning is critical, but requires better tools, clearer guidance, and more proactive support from government.

Recommendations for improvements

Council urges the NSW Government to:

- Support local governments in establishing stewardship sites.
- Resource the Biodiversity Taskforce to expand its market facilitation role.
- Improve transparency and accessibility of pricing and credit availability – the dashboard, while an improvement, is still cumbersome to use.
- Enable recalculation of offset credits post-construction based on actual construction footprint area.
- Establish temporary trusts for credit price freezes to enable recalculations post construction.
- Align grant funding with local biodiversity outcomes.

Local offset credits would better serve local developments, reduce reliance on the Trust Fund, and enhance ecological outcomes for communities like Bega Valley.

Ends