



19 April 2021

Department of Planning, Industry and Environment
c/- Ms Michelle Chung
Director Biodiversity Offsets Scheme
Environment, Energy and Science Group
Locked Bag 5022
Parramatta NSW 2124

Dear Ms Chung

Response to proposed changes to the NSW Biodiversity Offsets Scheme

The Clean Energy Council is pleased to provide a submission in response to the New South Wales Department of Planning, Industry and Environment's proposed changes to the Biodiversity Offsets Scheme.

The Clean Energy Council (**CEC**) is the peak body for the clean energy industry in Australia. We represent and work with over 900 of the leading businesses operating in renewable energy, energy storage and renewable hydrogen. We are committed to accelerating Australia's clean energy transformation.

There are currently 30 large-scale renewable energy projects in the concept, planning or construction stage in New South Wales, with more investment expected with the introduction of the Renewable Energy Zones (**REZs**).

The CEC welcomes the Department of Planning, Industry and Environment's (**the Department**) commitment to improving the Biodiversity Offsets Scheme, in particular the Biodiversity Offsets Payment Calculator (**the calculator**). There has been considerable concern among our industry members for some time now about the calculator's significant price volatility which has created uncertainty for project planning and investment decisions.

Current state of the Biodiversity Offset Scheme

Consistent with our commitment as an industry to minimise our impacts on biodiversity in our project design, construction and operations, our members try to avoid native vegetation removal where possible. However, where this cannot be avoided, the renewable energy sector – like other industries – must seek options for offsetting the vegetation loss.

The four options available to the sector are for proponents to:

1. Establish and maintain their own offset sites
2. Purchase offsets privately on the market
3. Pay the BCT to take on their offset obligation ('developer charge')
4. Pay what they would have paid the BCT for a project under the *Saving Our Species* program (limited opportunities only).

We note that option 1 – establishing and maintaining one’s own offset sites – is a challenging and impractical option for many proponents, given that they are specialised in the development and operation of electricity generation assets, rather than land management for biodiversity outcomes. It is therefore preferable that industry can source offsets from land managers with the appropriate expertise and capabilities (via option 2 or 3), which should lead to more efficient outcomes and a lower cost of investment in NSW.

The Biodiversity Conservation Trust (**BCT**) developer charge (option 3) is currently seen by our members as an unfavourable route for securing offsets as it is a more expensive option. However, due to the difficulty in privately sourcing and securing offset sites, proponents are often required to utilise the BCT’s services. Within this context, the CEC makes the following recommendations in regard to the changes proposed by the Department:

1. **Improve market liquidity** – The high prices and high volatility of prices of offsets are understood to be largely due to the lack of liquidity in the market, meaning that even individual transactions can result in significant changes in expected prices. The CEC therefore regards the top priority for the reform of NSW Biodiversity Offsets Scheme to be to identify mechanisms/initiatives that can stimulate greater market liquidity for offsets, which should provide industry with a broader range of options for meeting their obligations. We look forward to engaging with the Department and the BCT on what these options may be.
2. **Provide clear information on credit classes and price calculations** – With the calculator having moved from a price guide for offset buyers, to a price setter for sellers, the CEC understands and supports the Department’s decision to remove the calculator from public view/use. However, we note that this will further reduce price discovery and transparency for biodiversity offsets, and we would encourage the Department to consider making indicative price ranges for different credit classes available on its website as soon as possible, in addition to the formal quotation process now being proposed. This will enable proponents to make indicative estimates of likely costs without having to go through a more administratively burdensome and lengthy process in order to simply secure an approximate cost estimate.

We also recommend that the BCT provides clear communication on how the credit price is calculated, not only for the benefit for the proponent who applied for the quote, but for all market participants. This is because clear communication will assist in demonstrating that the BCT developer charge includes considerations that should not be included in vendors’ prices, such as risk premiums.

Any further information that the BCT can make available to provide proponents with insights about the outlook for offsets availability and market prices would be welcome. Importantly, this guidance information will also provide improved context for quotations that may be issued by the BCT, and strengthen the perceived credibility of quotes provided.

3. **Quotes should remain valid for a sufficient amount of time** – Another important determination for improving the effective functioning of the quotation process will be the validity timeframe for quotations provided by the BCT. There will be an important balance to strike in the quote being timely enough in order to reflect recent market conditions, and it being of sufficient duration to avoid the need for proponents to make repeated quotation requests over a reasonable timeframe).

The validity period should be sufficiently long (up to 12 months) to provide confidence regarding the cost of utilising the biodiversity offsets, even while the proponent explores opportunities to potentially secure privately sourced offsets. We suggest that timeframes applied should be considered in consultation with industry in the next round of consultations.

4. **'Size' of projects should be based on size offset requirements** – We welcome the Department's proposal that smaller sized projects should receive quotes within 10 days, as opposed to 30 days for larger projects. Further clarification is required in relation to how project sizes will be determined/classified. We suggest that this should be determined based on the size of the offsets required, rather on the project's generation capacity (MW).

Thank you for the opportunity to provide a response on the Department's proposed changes to the Biodiversity Offsets Scheme. We look forward to engaging with you in the next stage of consultation as we work towards a credible, cost-effective framework that will serve the needs of industry over the longer term. Please do not hesitate to contact me on 0417 033 752 or at afreeman@cleanenergycouncil.org.au if you wish to discuss these matters further.

Yours sincerely,



Anna Freeman
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