



# Biodiversity Offset Opportunities

Guide for landholders

June 2023



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## Acknowledgment of Country

In the spirit of reconciliation Transgrid acknowledges the Traditional Custodians of the lands where we work, the lands we travel through and the places in which we live.

We pay respects to the people and the Elders, past, present and emerging and celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of NSW and ACT.





# Guide for landholders

## 1. Introduction

Many of our landholders have native vegetation that they wish to protect for conservation purposes and, in some cases, for generating income. This can be done by establishing a Biodiversity Stewardship Agreement (BSA) over their land to generate biodiversity credits, which can then be sold.

This guide provides general information and does not consider individual or unique circumstances.

For independent guidance on establishing a BSA on your land see the Biodiversity Conservation Trust guide published at <https://www.bct.nsw.gov.au/bsa-landholder-guide>.

## 2. What are biodiversity values?

Biodiversity values are divided into two categories: ecosystem credits and species credits.

- Ecosystem credits relate to patches of native vegetation with associated threatened species which are predicted to occur.
- Species credits relate to individual threatened species.

The basis of most BSAs are ecosystem credits, with potential to generate species credits dependent on the presence of suitable habitat and species.

## 3. Biodiversity Stewardship Agreement (BSA)

A BSA is a legal agreement between the landholder and the Minister administering the Biodiversity Conservation Act 2016 (BC Act). The agreement is registered on the property title and runs with the land in perpetuity. A BSA site is the area of a property that will be used to generate biodiversity credits under the BOS. The area included typically only covers native vegetation and threatened species habitat to be managed as part of the BSA.

The credits generated by the BSA are then purchased by organisations like Transgrid who are carrying out projects which have an impact on biodiversity that and needs to be offset.?



*Cotton bush, project EnergyConnect*

## 4. What does the Biodiversity Stewardship Agreement cover?

A BSA has no restriction on size, shape or layout (i.e. can be spread across multiple separate land parcels), so long as all the land it applies to is owned by the same landholder(s). There are some key factors that determine whether an area of land is suitable and whether the Minister will consider an agreement in the first place:

- The quantity, condition and configuration of the biodiversity values on the land will determine its suitability.
- The recommended minimum size for a BSA for Transgrid is about 250 hectares.
- Typically, larger sites with good condition vegetation provide the best value.

A 'sponsored' BSA means that Transgrid would cover the costs of survey, assessment and establishment of the BSA. Landholders can enter into a BSA independently and create credits that can be sold on the credit market, or with Transgrid's 'sponsorship' and sell the credits to Transgrid.

## 5. What steps are involved in establishing a Biodiversity Stewardship Agreement?

The main steps to establish a BSA on your land are completed by a qualified BSA assessor and would include

From the initial desktop assessment through to the finalised agreement and issuing of credits may take between one and two and a half years.



## What are the primary supporting documents of a BSA application?



**Biodiversity Assessment Report:** The report that details the survey results and the biodiversity values present on a BSA site, a summary of the Management Plan actions and the credits generated.



**Management Plan:** A document (template provided by the Credit Supply Taskforce) which details all the required management actions and monitoring that must be completed on the BSA site.



**Total Fund Deposit:** A detailed cost estimate (spreadsheet provided by the Biodiversity Conservation Trust) that determines the cost and frequency of each management action over a 20-year timeframe with an econometric model to determine the in-perpetuity costs after 20 years. Management costs must be specified at commercial rates and the Total Fund Deposit is indexed to CPI.

The Total Fund Deposit must be fully satisfied prior to regular annual management payments commencing.

## 6. Am I eligible to enter into a Biodiversity Stewardship Agreement?

To enter into a BSA, both the landholder and the land need to be eligible. For a landholder, eligibility can be affected by previous breaches of environmental legislation or other financial factors, e.g. personal bankruptcy or business insolvency.

Land eligibility can be affected by Property Vegetation Plans (PVPs), previous reservations (e.g. established under the Land Management (Native Vegetation) Code 2018 or other act, regulation or code), mining interests or other restrictive covenants on title.



Showing a sparse canopy due to historical clearing

## 7. What are my ongoing obligations under a Biodiversity Stewardship Agreement?

Under a BSA, the landholder is required to manage the land in accordance with the Management Plan. The Management Plan details the actions required to be undertaken. The Biodiversity Conservation Trust makes annual upfront payments to the landholder from the Biodiversity Stewardship Payment Fund for undertaking the required management actions.

Examples of required management actions include:

- Revegetation and native vegetation management – removal or clearing of native vegetation is not permitted
- Stock exclusion fencing around the BSA boundary
- Integrated feral animal and weed control to improve native biodiversity
- Ecological fire management may be required throughout the life of the agreement
- Rubbish removal, including unused or unrequired infrastructure
- Monitoring ecological values and annual reporting of site management.

The Management Plan is in-perpetuity with regular reviews every five years. Later changes can be made to the agreement, e.g. when the condition of the land has improved more than predicted by the Biodiversity Assessment Method (BAM) or if a new threatened species is detected within the BSA boundary, and a new plan can be developed to reflect the changes.



## 8. What are the benefits of entering a ‘sponsored’ Biodiversity Stewardship Agreement?

Benefits of entering a ‘sponsored’ BSA with Transgrid include:

- No upfront costs for the landholder
- Guaranteed credit sales
- Annual management payments in perpetuity
- Actions are costed at commercial rates – opportunity for savings and profit
- ‘Climate-proof’ income
- Additional returns include opportunity costs (such as land value)
- If effectively costed, the income stream from the funding of the management actions could support the sale of the property in the future.

## 9. What are the main risks of entering a Biodiversity Stewardship Agreement?

Entering a BSA comes with some risks that need to be considered, including:

- The agreement is in perpetuity and registered on title (i.e. runs with the land)
- Completion of the management actions is the responsibility of the landholder
- Management actions must still be completed, even if they exceed the annual payment
- Compliance is audited and enforced, and non-compliance can result in withholding of annual payments until the non-conformances are rectified
- Once credits are sold, the agreement is unlikely to be varied and cannot be terminated except under exceptional circumstances
- There are financial and taxation implications for entering into a BSA (including capital gains tax) for which the landholder should seek independent advice.

It is recommended that independent tax and legal advice is sought. However, interested landholders can refer to the BCT Biodiversity Stewardship Agreement Landholder Guide (<https://www.bct.nsw.gov.au/bsa-landholder-guide>) and the BCT Landholder Guide on Taxation Issues (<https://www.bct.nsw.gov.au/bsa-landholder-guide>)

## 10. Can I establish my own BSA without sponsorship (by Transgrid or anyone else?)

Yes - you can establish your own BSA to have more control over the credits generation and pricing. A good understanding of supply and demand is very important. As a starting point, we recommend a conversation with a suitably experienced professional Accredited Assessor. You can then lodge your Expressions of Interest with the Biodiversity Conservation Trust and the Credit Supply Taskforce to determine whether your property may contain in demand credit types.

Like many investments, higher returns may also come with the higher risk. It is advisable to have a contract in place with any potential purchaser of credits prior to undertaking the work required to establish a BSA.

In the case where you sell insufficient credits to fulfil the total cost of management actions, as determined in a Total Fund Deposit, then the land within the BSA is still subject to the agreement in perpetuity. Cancelling or varying a BSA after credits have been sold will only be considered in exceptional circumstances.



*Dodonaea stenozyga* (Desert Hopbush) recorded within the site

## Worked example of likely financial return

Transgrid works with landholders on three key financial components: establishment costs, opportunity costs and management costs. An example of the likely financial return to a landholder is provided below for a theoretical BSA of 500 hectares.

Cost	Cost responsibility	Approximate cost	Comments
Initial investigation	Transgrid	\$50,000	Desktop review and if necessary, preliminary site assessment
Establishment costs	Transgrid	\$200,000	Survey and reporting requirements and legal fees
Commercial incentive	Transgrid	\$1,500,000*	This is a payment directly to the landholder based on the current value of the land within the proposed BSA plus a commercial incentive.
Ongoing management	Biodiversity Conservation Trust	Paid yearly by the BCT to the landholder	Transgrid is responsible for the Total Fund Deposit which forms the basis of the annual payments from the trust.

A summary of potential financial returns to a landholder for a theoretical BSA site sponsored by Transgrid. This example does not cover tax liability or implications which should be considered separately by landholders.

\*This payment will depend on individual circumstances and the amounts will vary.

## 11. How to get involved/what to do next

'Sponsored' BSAs are one of the lowest risk ways to get involved in biodiversity offsetting, as Transgrid will cover the upfront costs associated with establishing the BSA including legal fees.

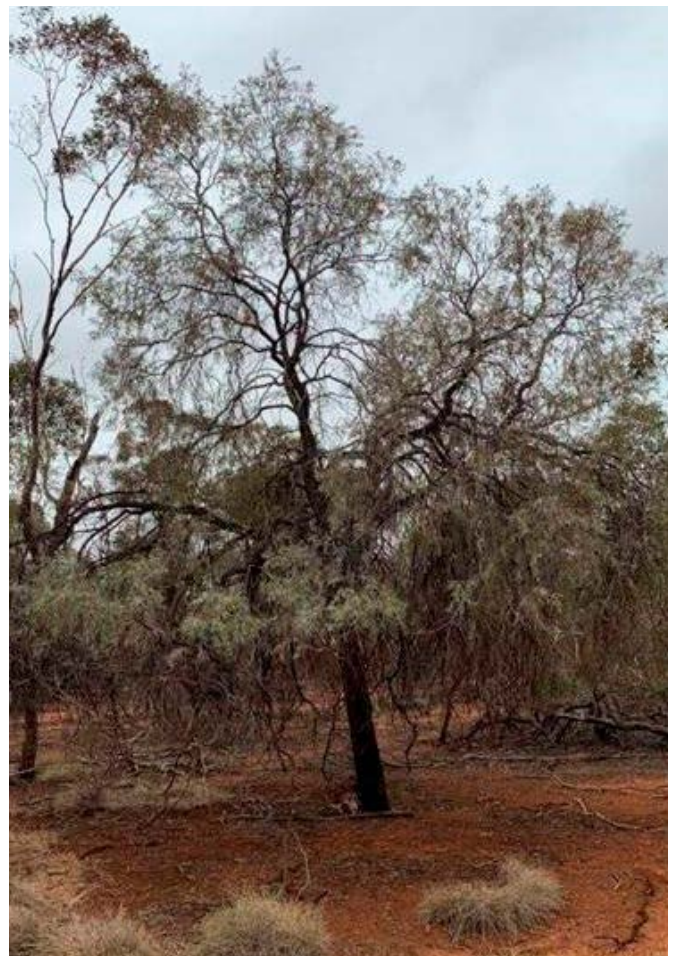
As part of an initial negotiation, Transgrid will identify, in consultation with the landholder, areas of the property that may be suitable as an offset. A Memorandum of Understanding (MoU) would typically be prepared to ensure both sides have clear expectations of the process moving forward.

If you would like to get involved, or would simply like more information on how you could participate and what it means for you and your property, please contact our community, landholder and easement team:

**1800 222 537 (free call)**

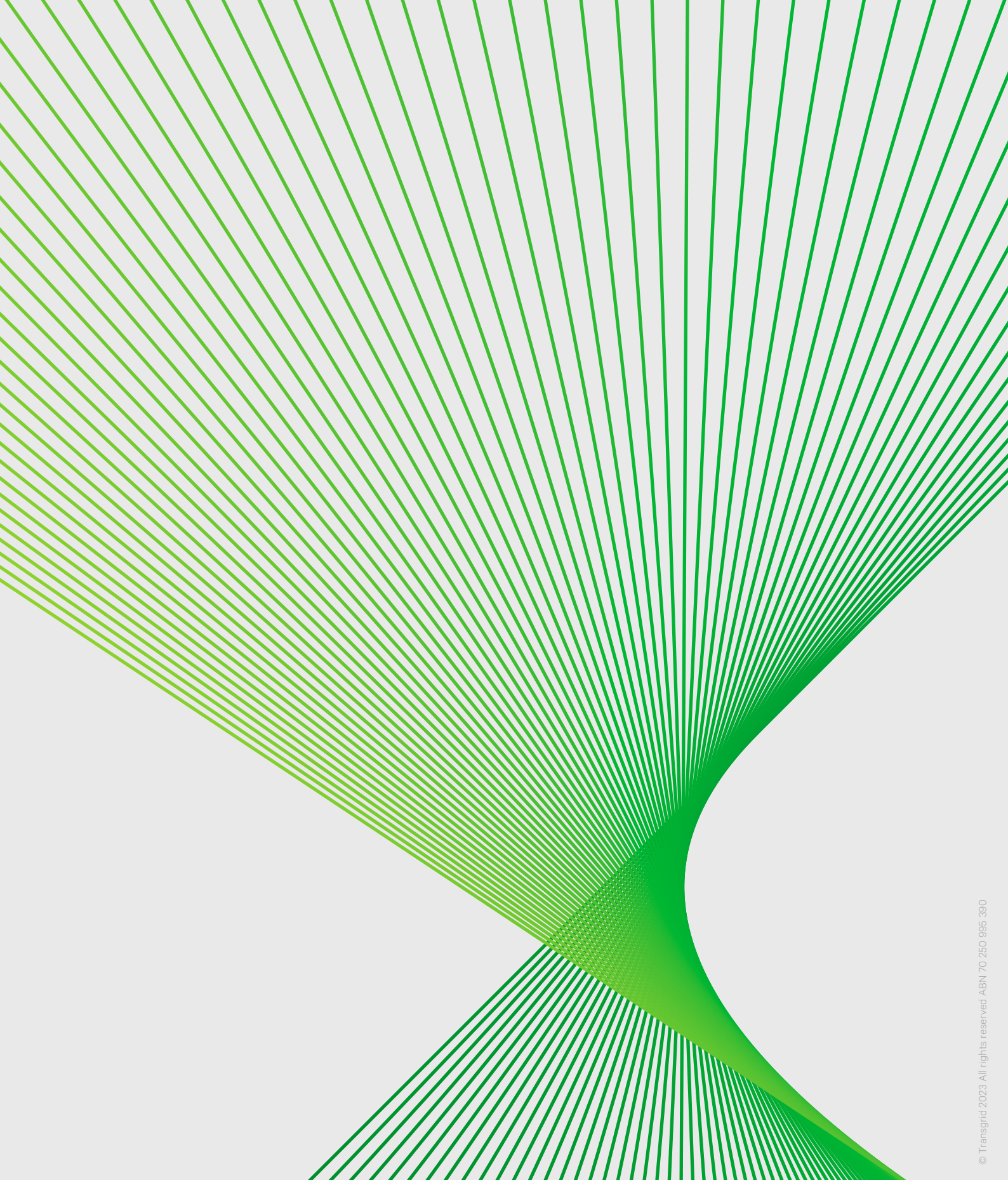
**community@Transgrid.com.au**

**transgrid.com.au**



*Santalum murrayanum recorded within the site*





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**Contact the Transgrid team:**  
1800 222 537 (free call)  
[community@Transgrid.com.au](mailto:community@Transgrid.com.au)  
[transgrid.com.au](http://transgrid.com.au)  
PO BOX A1000, Sydney South NSW 1235