



Draft Policy Statement: Advanced environmental offsets under the EPBC Act

Introduction

This policy statement provides guidance on the Australian Government's approach to the use of advanced offsets and should be read in conjunction with the *Environment Protection and Biodiversity Conservation Act* (EPBC Act) *environmental offsets policy* (October 2012; the policy) and the *How to use the offsets assessment guide* (the guide) available at: www.environment.gov.au/epbc/publications/environmental-offsets-policy.html

A review of this policy statement will be undertaken in late 2015. Subsequent reviews will be undertaken in alignment with reviews of the environmental offsets policy.

Definition

Advanced environmental offsets are a supply of offsets for future use, transfer or sale by proponents or offset providers. Unlike conventional offsets, which are generally put in place to compensate for the residual adverse impacts of an action **following** approval, advanced offsets are implemented **prior** to any impact occurring. This policy encourages the supply of advanced offsets where it is practical to do so.

Advanced offsets will need to be rigorously planned and monitored to demonstrate the conservation benefit that will be delivered for the relevant protected matters. Like conventional offsets, the conservation benefit derived from an advanced offset is based on the key principles outlined in the policy. This includes management measures to achieve a conservation benefit by improving the quality of habitat

for a protected matter and/or averting the loss of a protected matter or its habitat from a future threat of degradation, destruction or extinction.

When can advanced offsets be considered?

The Department will consider advanced offsets that deliver a conservation benefit which were implemented after the commencement of the EPBC Act, on 16 July 2000, where:

- it can be demonstrated that a site or action was established for the purposes of advanced offsetting
- there is sufficient baseline information to enable a clear assessment of the conservation benefit
- such offsets are demonstrably additional to existing obligations under other planning regimes, legislation, schemes or duty of care.

As specified in the environmental offsets policy, proponents or offset providers looking to implement advanced offsets should discuss their plans with the Department at the earliest possible opportunity. A proposal could be prepared by a proponent when:

- a future action is likely to have a significant residual impact on a protected matter, is likely to, or may, require an offset, and the offset has not yet been implemented, or
- an offset has already been implemented, or is proposed to be implemented and a proponent wishes to demonstrate that this may meet the offsetting requirements for a future action.

More detail concerning what is required in an advanced offsets proposal is set out below. Section 7.6 of the environmental offsets policy contains further information on whether an offset is considered additional or not.

Potential benefits

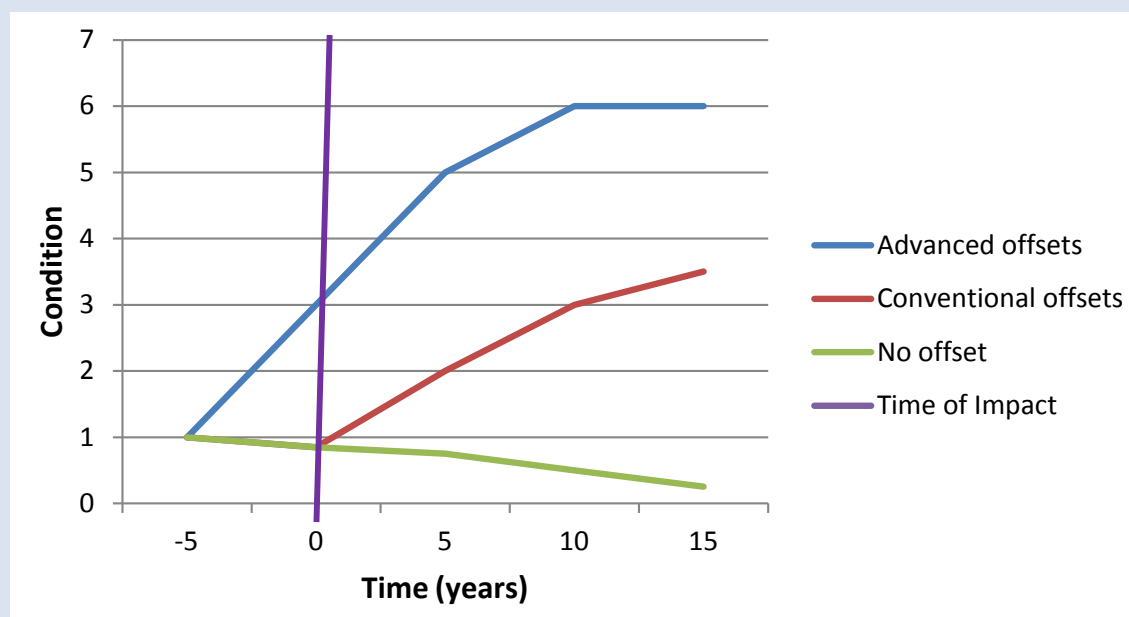
Advanced offsets can significantly improve the conservation benefit arising from an offset at the time of the impact. Prior information and confidence about the proposed offset will also streamline the post-approval process under national environment law for projects that require offsets. Developing advanced offsets has three potential key benefits.

- ***Improved environmental outcomes***—Advanced offsets can enable conservation management actions to be implemented early and provide greater confidence around achieving a conservation benefit (see Box 1). As they can be implemented well in advance of the action and there is time to plan, advanced offsets can be delivered more strategically, such as being placed close to wildlife corridors, key wildlife hotspots or other important areas for protected matters, including marine areas.
- ***Efficient resource allocation and streamlining***
 - When used in conjunction with the guide, advanced offsets may reduce the overall magnitude of the offset required compared to conventional offsets. This is because an advanced offset that is already in place is less subject to time discounting (the time taken until the benefit is realised) and is likely to have increased confidence regarding the delivery of a conservation benefit (expressed as *time until ecological benefit* and *confidence in result* respectively in the guide). This may represent cost savings for proponents who can reasonably estimate future offset requirements (see Box 2).
 - Advanced offsets can also streamline the EPBC process for project implementation. An approved advanced offsets package can reduce post-approval delays through time saved in locating and procuring suitable offsets, and potentially avoiding delays to other project activities that are dependent on an approved offset.
- ***Third party participation***
 - Third parties, such as landholders, conservation groups, Indigenous Rangers or traditional owners, with an advanced offset proposal that has been acknowledged by the Department will be able to offer a higher value offset to proponents or offset brokers and attract a higher price for their product (see Box 3). If a third party is managing or establishing an offset area or program, the proponent must make contractual arrangements with the third party to deliver the offset in accordance with their approval conditions. Regardless of the delivery mechanism, project proponents remain responsible for ensuring that their conditions of approval are met.
 - If a third party has entered into an agreement to deliver an advanced offset and then the EPBC Act approval is subsequently withdrawn because the development will not go ahead, the proponent does not have to comply with the approval conditions, including those related to the delivery of offsets and advanced offsets. In these situations, subject to any contractual obligations, the proponent or the third party may then be able to advertise their advanced offset site to find an alternative proponent.
 - There can be opportunities for Indigenous peoples (such as Indigenous Rangers) to work collaboratively with project developers to manage an environmental offset and/or manage their country as environmental offsets. This could involve protecting or managing an area of land or sea to benefit a protected matter, such as a particular threatened species or heritage place, using offset funding provided by a proponent.

Box 1—In support of advanced offsets

In scientific research which looked at the implementation of native grassland offsets in Melbourne's urban growth boundary, Gordon *et al.* examined the changes that can occur across offset properties during different scenarios. The results indicated that areas established as advanced offsets would result in better condition grasslands than those established and managed as conventional offsets. This was primarily due to the earlier management intervention that provided for a greater improvement in the quality of the native grassland offset sites.

Figure 1 – Representation of conservation benefits from different approaches to offsets.



Gordon, A., et al., *Assessing the impacts of biodiversity offset policies*, *Environmental Modelling & Software* (2011), [doi:10.1016/j.envsoft.2011.07.021](https://doi.org/10.1016/j.envsoft.2011.07.021)

Alignment with other Australian Government policies and strategies

Although the primary consideration should be to determine whether the advanced offset addresses the impact, proponents or offset providers may also wish to consider how a proposed advanced offset could potentially align with other Australian Government policies and strategies, including:

- *Australia's Biodiversity Conservation Strategy 2010–2030*
- *Australia's Native Vegetation Framework*
- *Australia's Strategy for the National Reserve System 2009–2030*
- *Indigenous Advancement Strategy*
- *The Reef 2050 Plan*
- *Reef Trust*
- *endorsed and/or approved EPBC strategic assessments.*

For example, an advanced offset could potentially be located adjacent to a protected area under the National Reserve System, an existing offset, close to a wildlife corridor, or contribute towards the goals of *Australia's Native Vegetation Framework* through the protection and sustainable management of native vegetation. Improving the conservation benefits of an advanced offset through such alignment is likely to enhance the value of the offset.

Social and economic or environmental co-benefits may be delivered where an offset aligns with broader strategic environmental objectives such as those outlined in the Indigenous health strategy, Closing the gap and the Indigenous Advancement Strategy. In some circumstances, there may be opportunities for proponents to help build or support the capacity of Indigenous groups in delivering advanced offsets.

The Reef Trust

The Reef Trust, one of the key mechanisms for the delivery of the Reef 2050 Long-Term Sustainability Plan, is able to accept financial contributions from proponents to deliver on-ground offset projects within the Great Barrier Reef and its catchments. In line with the key principles of advanced offsets, proponents providing offset specific funds to the Reef Trust are encouraged to begin discussions about their contributions as soon as possible to allow the maximum environmental benefit to be achieved prior to the impact occurring.

The delivery of an advanced offset which utilises the Reef Trust's overarching approach of strategic investment through the pooling of offset contributions is likely to enhance the value and environmental benefit of the offset, while increasing confidence in the result and reducing the time until ecological benefit.

Box 2—Advanced offset example

A mining company plans out its future resource projects and anticipates that it is likely that one or more of these projects will have a significant impact on a matter of national environmental significance over the next ten years. The company assesses avoidance and mitigation measures for these projects and concludes that there will still be some residual impacts. It therefore initiates work to implement environmental offsets for the relevant protected matters, based on estimates from the guide.

The company does this by commencing conservation management activities on parcels of land that it owns and looking to protect these sites with conservation covenants. By initiating this work prior to referring the projects under the EPBC Act, it has developed offsets and delivered a conservation benefit much earlier than if it waited until the projects were being assessed. These offsets can also be planned to complement other conservation activities, such as improving connectivity in the landscape between important habitat sites.

A single site may meet offset requirements for different projects, provided for compliance purposes the offset area for each project is clearly delineated within the overall site (Figure 2).

Figure 2—Advanced offset: consolidated effort

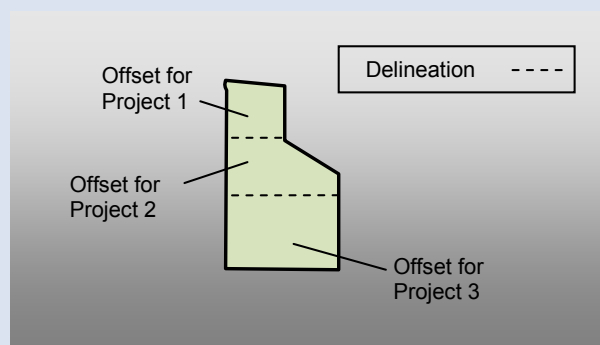
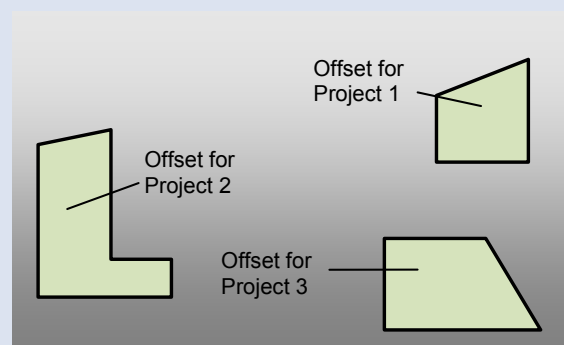


Figure 3—Conventional offset: dispersed effort



If the company had used conventional offsetting, which involves implementing offsets individually as each project is approved, it is possible that the offset requirement would be larger, costing the company considerably more, and more dispersed, as suitable offsets may become less available over time (Figure 3).

What information is required for an advanced offsets proposal?

When preparing and delivering an advanced offset proposal, it is important to ensure sufficient baseline data has been collected and recorded to enable a thorough assessment of the offsets proposal, including by using the guide. Offsets must be based on both scientifically robust and transparent information that sufficiently analyses and documents the benefit to a protected matter's ecological function or values. This includes undertaking desktop modelling of offset benefits and conducting relevant field work as appropriate.

There should also be provision for ongoing monitoring, data collection and documentation to provide evidence of the conservation benefit. This data must focus on the relevant values for the protected matters that are benefitting from the offset, such as a particular threatened species or ecological community.

The baseline should be designed to ensure that any changes that occur as a result of management actions can be systematically measured to assess the conservation benefit that an advanced offset delivers.

Offset proposals will need to include clearly articulated measures of success that are linked to the purpose of the offsets and provide clear benchmarks about their success or failure. An advanced offset proposal should outline key information, including:

- the proposed activities to maintain and/or improve the offset such as plantings, management, etc and the associated timeframes for implementation including the duration of proposed management activities
- the data collected, methods used, and the data and metadata standards applied. Monitoring and data collection methods may include such things as aerial photos, LIDAR and other remote sensing, photo points and field surveys
- spatial information relating to the location of the offset, including where the offset is located in relation to the future action, where known, and relevant ISO 19115 compliant Geographic Information—Metadata
- relevant baseline data on the condition and ecological function of the offset and the protected matter impacted by the development, at the time the offset is/ was implemented

- information about the future risk of loss of the site if it is not protected as an offset, and the level of protection to be afforded by the proposed offset
- the modelled state of the offset as a result of the proposed management activities, supported by clear evidence, as well as the modelled state of the offset in a business-as-usual (or “without offset”) scenario. This should include a description of the modelling method being used or reference to a standard procedure, and the variables and values applied to the method
- the intended conservation gain for each specific protected matter that the offset is targeting
- the proposed action or actions, and, if known, the likely significant impacts of the action(s), for which the site may be an offset.

It is the proponent's or offset provider's role to manage and collate relevant information about the advanced offset, including spatial data and to ensure it is available, as per the principles outlined in the policy.

This information should be provided to the Department at the time that the formal offset proposal is submitted, which may be before details of impacts are known for the particular action(s) for which the offset is being provided.

Advanced offsets, the policy and the guide

As with conventional offsets, advanced offsets proposals should meet the principles in the policy and be tested against the guide.

Confidence in result

Conventional offsets often take years to implement and may carry considerable uncertainty about their ability to fully deliver a conservation benefit. For example, an offset involving revegetation of a degraded site may have uncertainty associated with the survival rates of tree and shrub plantings. The guide captures this uncertainty in the *confidence in result* score, which has bearing on the overall magnitude of an offset requirement. Advanced offsets will often increase the *confidence in result* score by increasing confidence that the required conservation gain will be delivered, thereby lessening the magnitude of the offset required.

Time until ecological benefit

Advanced offsets will also reduce the time between the impacts of the project and when the offset delivers a conservation benefit. The guide defines the *time until ecological benefit* as the period it takes to fully realise the conservation benefits resulting from an offset. That is, from the time the offset impacts on the protected matter, i.e. the time it takes for tree plantings to become suitable foraging habitat for a threatened bird species, after the foraging habitat was cleared. Advanced offsets should deliver a conservation benefit before an impact occurs. This means that the magnitude of the offset required is less.

Additionality

A key requirement for all offsets including advanced offsets (see 7.6 in the policy for more detail) is that they be additional to what is already required by an existing duty of care (such as a management plan), or under any legal or planning instruments at any level of government, such as EPBC Act requirements, or in exchange for payment under other schemes or programs. That is, advanced offsets must deliver a conservation benefit for the impacted protected matter that would not have occurred in a business-as-usual scenario. Working with partners already involved in conservation, to undertake activities that are additional to those already being undertaken, would meet the requirements of additionality.

What should proponents consider?

Like other investments there is an element of risk attached to implementing an advanced offset. Proponents, offset providers and offset brokers should consider a range of issues when implementing advanced offsets.

- An advanced offset proposal must include as much information as possible, as outlined above, as insufficient information could mean the offset proposal is not able to be acknowledged by the Department.
- The Department will consider advanced offset proposals in the context of the policy and the guide. Proponents and offset providers may wish to assess their proposal against the guide to judge the potential suitability of an offset.

- Proponents interested in utilising the Reef Trust as an offset deliver option should contact the Department as soon as possible. Early engagement will allow the Reef Trust to work with you to assess what kind of advanced offset could be undertaken within the Great Barrier Reef and surrounding catchments.
- Proponents should actively consider opportunities for engaging and working collaboratively with Indigenous stakeholders to develop and deliver environmental offsets.
- An advanced offset may meet the requirements for multiple projects but must be able to sufficiently offset the residual impacts of each of the actions. If proposing to secure and manage land as an offset, each offset area on the advanced offset site must be clearly delineated to clarify which offset area relates to which protected matter, and for compliance purposes must be able to be clearly linked to a project (see Box 2).
- An advanced offset may not sufficiently compensate for all the residual impacts on a protected matter associated with a particular action. This may be because the intended conservation benefit did not eventuate, or the impacts to the protected matter, once assessed, were greater than or different in nature to the impacts that were addressed by the advanced offset.
- Where an action is determined to have an unacceptable impact on a protected matter and is refused under the EPBC Act, an advanced offset will not be required, as the action will not take place.
- It is important to note that while the Department can advise on how an advanced offsets proposal may meet the principles in the policy, the Department is unable to provide certainty as to the suitability of an advanced offset proposal in compensating for future or unknown impacts. To consider the advanced offset, the project will have to be referred and proceed to the assessment stage. Under the EPBC Act, offsets cannot be considered at the referral stage.

Advanced offset proposals should be discussed with the Department as early as possible. This will assist with assessing the suitability of an advanced offset and what information may be required in a formal advanced offsets proposal.

It should also be noted that at this stage there is no formal scheme or market (such as a biodiversity banking scheme) for offsets at a national level, although advanced offsets proposals may complement state-based schemes. Any sale, purchase or trade of offsets is a private matter between the proponent and the seller, and, if relevant, the offsets broker.

Box 3—Advanced offsets and third parties

It is possible for a third party, such as a rural landholder, Indigenous corporation or a conservation organisation, to establish an area of land suitable for an advanced offset and sell the conservation benefit to a proponent. This enables proponents to focus on their core business and contract other organisations to deliver offset options on their behalf.

For example, a landholder has an area on her property that is habitat for a listed threatened species. She considers that the quality of the habitat for that species could be improved, through plantings, weed management and fencing. She identifies a developer in the region, who is interested in expanding an already established residential development. Negotiations between the parties result in an agreement for the developer to fund ongoing conservation work and management, as well as place a conservation covenant on the site. The landholder may also choose to sell the site to the developer once the conservation covenant is in place.

After several years of conservation work, surveys indicate that numbers of the listed threatened species using the habitat have increased, documenting the conservation benefit that is being gained.

In this example, the developer has effectively ‘purchased’ the conservation benefit that has been put in place by the landholder on this site for the particular threatened species. The developer can now look at using this site as an advanced offset for his proposed residential development expansion. He can prepare an advanced offset proposal that includes monitoring data from the years of conservation work undertaken on the site. This will demonstrate the conservation benefit that has been achieved for a threatened species that is likely to be significantly impacted by the proposed development.

If additional offset requirements are likely to be needed, the developer may also contract a third party to undertake additional management measures in an already protected site, to improve habitat quality in that location for the threatened species.

Contacting the Department

Proponents and offset providers should contact the Department at the earliest opportunity when considering or developing an advanced offset proposal. Where a formal advanced offset proposal is submitted to the Department, a letter of acknowledgement will be sent noting the submission and advising whether the proposal meets the principal of the policy and if it will be considered as part of a future assessment. This acknowledged advanced offset proposal will provide surety to proponents that an advanced offsets package will be considered in the future.

Further information

For further information concerning offsets under the *Environment Protection and Biodiversity Conservation Act 1999*, see the *EPBC Act environmental offsets policy* and associated documents.

**[www.environment.gov.au/epbc/publications/
environmental-offsets-policy.html](http://www.environment.gov.au/epbc/publications/environmental-offsets-policy.html)**

For further information concerning what is a significant impact and determining what protected matters an action may impact, see the significant impact guidelines on matters of national environmental significance.

**[www.environment.gov.au/epbc/publications/
nes-guidelines.html](http://www.environment.gov.au/epbc/publications/nes-guidelines.html)**

For further information concerning proposed offsets, contact the Department on 1800 803 772 or email us at epbc.referrals@environment.gov.au.

© Commonwealth of Australia, August 2015.



This fact sheet is licensed by Commonwealth of Australia under a Creative Commons Attribution 4.0 Australia licence.

The views and opinions expressed in this publication are those of the authors and do not necessarily reflect those of the Australian Government or the Minister for the Environment.