



Offset rules and ecosystem credits

Guidance on credit retirement options for ecosystem credits under the offset rules

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Published by:

Environment and Heritage
Department of Planning and Environment
Locked Bag 5022, Parramatta NSW 2124
Phone: +61 2 9995 5000 (switchboard)
Phone: 1300 361 967 (Environment and Heritage enquiries)
TTY users: phone 133 677, then ask for 1300 361 967
Speak and listen users: phone 1300 555 727, then ask for 1300 361 967
Email: info@environment.nsw.gov.au
Website: www.environment.nsw.gov.au

Report pollution and environmental incidents
Environment Line: 131 555 (NSW only) or info@environment.nsw.gov.au
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1. Background

1.1 Scope

This practice note provides guidance to accredited assessors, proponents and consent authorities on how the Biodiversity Assessment Method (BAM) identifies the credit retirement options for impacts to native vegetation in accordance with the offset rules set out in the Biodiversity Conservation Regulation 2017 (BC Regulation).

1.2 Biodiversity Offsets Scheme

The NSW Biodiversity Offsets Scheme (the Scheme) was established under the *Biodiversity Conservation Act 2016* (BC Act). The Scheme requires all proponents to first avoid and minimise impacts to biodiversity values before offsetting unavoidable impacts.

The BAM is used to calculate biodiversity credits from unavoidable development or clearing impacts, or improvements to biodiversity from establishing a biodiversity stewardship agreement (BSA).

1.3 Offset rules

The BAM defines 2 types of biodiversity credits:

- **ecosystem credits** – in general these measure the value of threatened ecological communities (TECs) and non-threatened vegetation communities that provide habitat for threatened species that can be reliably predicted to occur based on the presence of plant community types (PCTs) and landscape features
- **species credits** – in general these measure the biodiversity values of suitable habitat for threatened species that cannot be reliably predicted to occur based on the presence of PCTs and landscape features.

Section 10.2 of the BAM defines the attributes of an ecosystem credit, and BAM Tables 4 and 5 outline the threat status of the offset trading groups (OTGs) for TECs and non-threatened vegetation (i.e. PCTs) respectively. These attributes determine how the offset rules apply to ecosystem credits.

1.3.1 Like-for-like rules for ecosystem credits

Clauses 6.3(2) and (3) of the BC Regulation set out the rules for like-for-like credit retirement:

- impacts on native vegetation must be offset with vegetation that is in the same local area as the impact (based on same or adjacent IBRA subregions¹), and
 - if a TEC was impacted, the offset must be for the same TEC, or
 - if other native vegetation (i.e. vegetation that is not a TEC) was impacted, the offset must be vegetation that is the same vegetation class and in the same or higher offset trading group²

¹ IBRA subregions are identified under the Interim Biogeographic Regionalisation for Australia (IBRA) system, which divides Australia into bioregions and subregions on the basis of their dominant landscape-scale attributes. It can be the same or an adjoining IBRA subregion as the impacted site, or any subregion that is within 100 km of the outer edge of the impacted site.

² OTGs for non-threatened vegetation are based on the vegetation class to which the PCT belongs and how extensively the PCT has been cleared since European settlement. The BAM and the offset rules refer to the percentage cleared value as a surrogate for threat status for vegetation not listed as a TEC.

- the offset site must contain hollow bearing trees if the impacted vegetation contained hollow bearing trees.

1.3.2 Variation rules for ecosystem credits

Clause 6.4 of the BC Regulation sets out the variation rules for credit retirement. These provide increased flexibility to acquit offset obligations by allowing offsetting using a broader suite of biodiversity values and locations.

Before applying the variation rules, proponents must seek approval from the decision-maker and demonstrate that they have been unable to find like-for-like credits after following the reasonable steps, set out in the *Ancillary rules: Reasonable steps to seek like-for-like biodiversity credits* (see 'Resources' section below).

The variation rules require that impacts on a TEC must be offset with a TEC:

- in the same vegetation formation and in the same or a higher OTG
- located in
 - the same IBRA bioregion as the impacted site, or
 - a subregion that is within 100 km of the outer edge of the impacted site.

In addition, if the impacted vegetation contained hollow bearing trees, the offset site must also contain hollow bearing trees or artificial hollows.

The variation rules require that impacts on non-threatened vegetation must be offset with native vegetation (including a TEC):

- in the same vegetation formation that is in the same or a higher OTG
- located in
 - the same IBRA bioregion as the impacted site, or
 - a subregion that is within 100 km of the outer edge of the impacted site.

In addition, if the impacted vegetation contained hollow bearing trees, the offset site must also contain hollow bearing trees or artificial hollows.

The variation rules cannot be applied for impacts on:

- some threatened entities listed in the *Ancillary rules: Impacts on threatened entities excluded from application of variation rules* – all critically endangered entities are included on this list
- threatened species or ecological communities also listed under the *Environment Protection and Biodiversity Conservation Act 1999* (Cth).

1.4 Offset Trading Groups

PCTs are one of the base units used by the BAM to assess biodiversity values. OTGs are groups of PCTs with the same vegetation class and threat status or groups of PCTs that are associated with the same TEC.

The Plant Community Type to Offset Trading Group lookup tool shows how the like-for-like offset rules apply to ecosystem credits and their respective OTG.

Like-for-like credit retirement options for impacts to non-threatened vegetation may include one or more OTGs that are the same or higher threat status.

2. Like-for-like credit retirement options for ecosystems credits

An offset obligation for impacts to a TEC must be satisfied with credits for the same TEC regardless of the PCT.

An offset obligation for impacts to non-threatened vegetation may be satisfied with non-threatened PCT credits or TEC credits. TEC credits are suitable when the attributes of the TEC credit satisfy the like-for-like offset rules, as explained in this practice note.

2.1 Applying the like-for-like offset rules to impacts to non-threatened vegetation

Like-for-like credit retirement options for impacts to non-threatened vegetation may include TEC credits when the TEC credit is:

- associated with a PCT in the same vegetation class and,
- in the same or a higher threat status group.

This is illustrated in Table 1, which shows how BAM Tables 4 and 5 apply the like-for-like credit retirement options for impacts to non-threatened vegetation.

The arrow indicates that options include the same or a higher threat status group; for example, Tier 2 can trade within Tier 2 or Tier 1.

Table 1 Like-for-like credit retirement options for impacts to non-threatened vegetation in accordance with BAM Section 10.2

Threat status	BAM Table 4 Threat status	BAM Table 5 Threat status group	Like-for-like options
Very high (percentage cleared value $\geq 90\%$ or CEEC)	Critically endangered ecological community (CEEC)	Very high (percentage cleared value $\geq 90\%$)	Tier 1: PCTs in the same vegetation class with a 'Very high' threat status, including a CEEC
High (percentage cleared value $\geq 70\%$ to $< 90\%$ or EEC)	Endangered ecological community (EEC)	High (percentage cleared value $\geq 70\%$ to $< 90\%$)	Tier 2: PCTs in the same vegetation class with a 'High or Very high' threat status, including an EEC or CEEC
Moderate (percentage cleared value $\geq 50\%$ to $< 70\%$ or VEC)	Vulnerable ecological community (VEC)	Moderate (percentage cleared value $\geq 50\%$ to $< 70\%$)	Tier 3: PCTs in the same vegetation class with a 'Moderate, High or Very high' threat status, including a VEC, EEC or CEEC
Low (percentage cleared value $< 50\%$)	-	Low (percentage cleared value $< 50\%$)	Tier 4: PCTs in the same vegetation class with a 'Low, Moderate, High or Very high' threat status, including a VEC, EEC or CEEC

2.1.1 How to demonstrate eligibility of a TEC credit as a suitable like-for-like credit retirement option for impacts to a non-threatened PCT

To generate a TEC credit, a PCT must be assigned as a TEC during a BAM assessment.

The BAM-Calculator (BAM-C) generates a credit report for credits generated at a BSA that includes the details of the PCT that was assigned as a TEC.

If a TEC credit is used to satisfy an offset obligation for non-threatened vegetation, the proponent must demonstrate to the consent authority that the PCT assigned as a TEC is in the same vegetation class and the threat status of the TEC is the same or higher.

The same approach may be used by credit holders who wish to sell TEC credits to proponents or the Biodiversity Conservation Trust (BCT) in response to tender invitations that seek credits for non-threatened vegetation. In these cases, it may also be appropriate to consult with the Biodiversity Credits Supply Taskforce or the BCT.

In summary, to satisfy an ecosystem credit obligation for a non-threatened PCT with a TEC credit, proponents must demonstrate that:

- the BAM-C credit report shows that the vegetation class for the PCT assigned as the TEC credit is the same as the vegetation class of the impacted non-threatened PCT
and
- the threat status of the TEC is the same or a higher threat status group as the impacted non-threatened PCT
and
- the source of credits is either within the same or adjoining IBRA subregion as the impact site **or** an IBRA subregion within 100 km of the outer edge of the impact site
and
- if the impacted vegetation contains hollows, hollows are present.

To demonstrate eligibility, the proponent is encouraged to clearly document this for the consent authority in the same or a similar format as is presented in Example 1 (Table 3).

2.2 Applying the like-for-like offset rules to impacts to a TEC

Like-for-like credit retirement options for impacts to a TEC are limited to credits for the same TEC, as illustrated in Table 2.

Table 2 Like-for-like credit retirement options for impacts to TECs




Threat status of impacted TEC vegetation	Table 4 BAM 2020 Threat status		Like-for-like options
Very high	Critically endangered ecological community (CEEC)		Credits with the same name as the CEEC
High	Endangered ecological community (EEC)		Credits with the same name as the EEC
Moderate	Vulnerable ecological community (VEC)		Credits with the same name as the VEC

Table 3 Example 1 – information to demonstrate eligibility for a TEC credit to satisfy a credit obligation for non-threatened vegetation under the like-for-like rules

Details	Offset obligation	Proposed offset	Condition met for proposed offset?
PCT number	1064	1230	–
PCT name	Paperbark swamp forest of the coastal lowlands of the NSW North Coast Bioregion and Sydney Basin Bioregion	Swamp Mahogany swamp forest on coastal lowlands of the NSW North Coast Bioregion and northern Sydney Basin Bioregion	–
Vegetation class	Coastal Swamp Forests	Coastal Swamp Forests	–
Percentage cleared	75% ($\geq 70\%$ and $< 90\%$)	Not applicable	–
Threat status	High: percentage cleared value $\geq 70\%$ and $< 90\%$	High: EEC – Swamp Sclerophyll Forest on Coastal Floodplains of the New South Wales North Coast, Sydney Basin and South East Bioregions	–
IBRA subregion	Yuraygir	Coffs Coast and Escarpment	
(i) they represent the same vegetation class	–	Yes	Yes
(ii) they are in the same or a higher offset trading group	–	Yes	Yes
(iii) they represent a location that is in the same or adjoining IBRA subregion as the impact site OR an IBRA subregion within 100 km of the outer edge of the impact site	–	Yes (adjacent subregion)	Yes
(iv) hollows are present	Yes	Yes	Yes
Outcome: Credits are suitable under the like-for-like rules			

3. Applying the variation rules

To guide the application of the variation rules, the BAM-C credit report generates variation options for credit obligations based on vegetation formation and threat status. The variation rules apply differently to impacts on TECs and non-threatened vegetation.

3.1 Options under the variation rules for impacts to non-threatened vegetation

Table 4 outlines the credit retirement options for impacts to non-threatened vegetation when the variation rules apply. It shows how BAM Tables 4 and 5 apply the like-for-like credit retirement options for impacts to non-threatened vegetation by allowing the trading up from tiers as indicated by the arrow; for example, Tier 3 can trade between Tier 3 and up to Tier 2 and Tier 1.

Table 4 Variation rule credit retirement options for impacts to non-threatened vegetation

Threat status	BAM Table 4 Threat status	BAM Table 5 Threat status group	Variation rule options
Very high (percentage cleared value ≥90% or CEEC)	Critically endangered ecological community (CEEC)	Very high (percentage cleared value ≥90%)	Tier 1: PCTs in the same vegetation formation with a 'Very high' threat status, including a CEEC
High (percentage cleared value ≥70% to <90% or EEC)	Endangered ecological community (EEC)	High (percentage cleared value ≥70% to <90%)	Tier 2: PCTs in the same vegetation formation with a 'High or Very high' threat status, including an EEC or CEEC
Moderate (percentage cleared value ≥50 to <70% or VEC)	Vulnerable ecological community (VEC)	Moderate (percentage cleared value ≥50 to <70%)	Tier 3: PCTs in the same vegetation formation with a 'Moderate, High or Very high' threat status, including a VEC, EEC or CEEC
Low (percentage cleared value <50%)	-	Low (percentage cleared value <50%)	Tier 4: PCTs in the same vegetation formation with a 'Low, Moderate, High or Very high' threat status, including a VEC, EEC or CEEC

3.1.1 How to demonstrate the suitability of a proposed offset credit for impacts to non-threatened vegetation under the variation rules

To satisfy a credit obligation for impacts to non-threatened vegetation under the variation rules, proponents must demonstrate that:

- the BAM-C credit report shows that the vegetation formation for the non-threatened PCT, or the PCT assigned as a TEC, is the same as the vegetation formation of the non-threatened PCT impacted
and
- the threat status of the PCT or TEC is the same or a higher threat status
and
- the source of credits is either within the same IBRA bioregion as the impact site **or** an IBRA subregion within 100 km of the outer edge of the impact site
and
- if the impacted vegetation contains hollows, hollows are present or artificial hollows are provided.

To demonstrate eligibility, the proponent is encouraged to clearly document this for the consent authority in the same or a similar format as is presented in Example 2 (Table 6).

3.2 Options under the variation rules for impacts to a TEC

Under the variation rules, impacts to TECs must be offset with credits from a TEC with the same or a higher threat status in the same vegetation formation based on the PCT associated with the TEC.

Table 5 shows how BAM Table 4 applies to the variation credit retirement options for impacts to TECs. The arrow indicates that credit retirement options extend to TECs in the same or a higher threat status group; for example, Tier 2 can trade between Tier 2 and trade up to Tier 1.

Table 5 Variation rule credit retirement options for impacts to TECs

Threat status of impacted TEC vegetation	BAM Table 4 Threat status	Variation rule options
Very high	Critically endangered ecological community (CEEC)	Tier 1: TECs in the same vegetation formation with a 'Very high' threat status, equivalent to a CEEC
High	Endangered ecological community (EEC)	Tier 2: TECs in the same vegetation formation with a 'High or Very high' threat status, equivalent to an EEC or CEEC
Moderate	Vulnerable ecological community (VEC)	Tier 3: TECs in the same vegetation formation with a 'Moderate, High or Very high' threat status, equivalent to a VEC, EEC or CEEC

3.2.2 How to demonstrate the suitability of a proposed offset for impacts to a TEC under the variation rules

To satisfy a credit obligation for a TEC under the variation rules, proponents must demonstrate that:

- the BAM-C credit report shows that the vegetation formation of the PCT assigned as a TEC credit is the same as the TEC impacted
and
- the threat status of the TEC credit is the same or a higher threat status
and
- the source of credits is either within the same IBRA bioregion as the impact site or an IBRA subregion within 100 km of the impact site
and
- if the impacted vegetation contains hollows, hollows are present or artificial hollows are provided.

To demonstrate eligibility, the proponent is encouraged to clearly document this for the consent authority in the same or a similar format as is presented in Example 2 (Table 6).

Table 6 Example 2 – an impact to non-threatened vegetation is satisfied by purchasing and retiring TEC credits under the variation rules

Details	Offset obligation	Proposed offset	Condition met for proposed offset?
PCT number	1095	381	–
PCT name	Red Stringybark woodland of the dry slopes of the NSW South Western Slopes Bioregion	Rough-barked Apple – Yellow Box grass/shrub footslope open forest, Brigalow Belt South Bioregion	–
Vegetation formation	Dry Sclerophyll Forests (shrub/grass sub-formation)	Dry Sclerophyll Forests (shrub/grass sub-formation)	–
Percentage cleared	85% ($\geq 70\%$ and $< 90\%$)	Not applicable	–
Threat status	High: percentage cleared value $\geq 70\%$ and $< 90\%$	High: CEEC – White Box Yellow Box Blakely’s Red Gum Woodland	–
IBRA bioregion	Brigalow Belt South	Brigalow Belt South	
(i) they represent the same vegetation formation	–	Yes	Yes
(ii) they are in the same or a higher offset trading group	–	Yes	Yes
(iii) they represent a location that is in – the same IBRA bioregion as the impact site OR an IBRA subregion within 100 km of the outer edge of the impact site	–	Yes	Yes
(iv) hollows are present	Yes	Yes	Yes
Outcome: Credits are suitable under the variation rules			

4. Questions and answers

4.1 How do I know which PCT was assigned as a TEC credit?

The PCT is listed in the biodiversity credit report generated by the BAM-Calculator. This was allocated by the accredited assessor during the assessment.

This information can also be found on the Scheme's credit supply register.

4.2 How can I determine the vegetation class or vegetation formation of the PCT associated with the TEC credit?

Download the BioNet Qualitative Plant Community Type Taxon data Power Query to view the list of PCTs and their attributes, including vegetation class and formation.

The BAM-C credit report in the Biodiversity Assessment Report will list the vegetation class and vegetation formation of the PCT associated with the ecosystem credit.

This information can also be found on the Scheme's credit supply register.

4.3 If I am eligible to apply the variation rules to my offset obligation, can I offset impacts to threatened ecological communities with non-threatened ecosystem credits?

No, under the variation rules, the offset obligation for a TEC does not need to be satisfied with the same TEC, but it must be a TEC.

This information is in the Biodiversity Assessment Report (BCAR, BDAR or BSSAR) and the BAM-C credit report.

4.4 How can I determine how the like-for-like credit retirement options work for certain PCTs?

The Plant Community Type to Offset Trading Group lookup tool shows like-for-like credit retirement options (proponents) and trading options (credit holders) for ecosystem credits.

PCTs associated with an OTG for TECs are also listed.

4.5 If I have further questions, who can I contact?

The BOS Help Desk is designed to assist with enquiries on the Scheme and the BAM and can be contacted via email at BOS.helpdesk@environment.nsw.gov.au or by telephone on 1800 931 717, Tuesday to Thursday from 9:30 am to 4 pm.

5. Resources

- [Ancillary rules: Biodiversity conservation actions](#)
- [Ancillary rules: Impacts on threatened species and ecological communities excluded from application of variation rules](#)
- [Ancillary rules: Reasonable steps to seek like-for-like biodiversity credits for the purpose of applying the variation rules](#)
- [Assessor resources](#)
- [Australia's bioregions \(IBRA\)](#)
- [BAM Operational Manual – Stage 2](#)
- [BCT BAM Accredited Assessor Resources](#)
- [Biodiversity Assessment Method](#)
- [Biodiversity Conservation Trust](#)
- [Biodiversity Credits Supply Fund and Taskforce](#)
- [Biodiversity Offsets Scheme Help Desk and support](#)
- [Biodiversity Offsets Scheme public registers](#)
- [BioNet Qualitative Plant Community Type Taxon data \(Power Query\)](#)
- [Plant Community Type to Offset Trading Group lookup tool](#)