

# working with biodiversity offsets

**Environment Bank Chief Executive Tom Tew sets out the advantages of biodiversity offsetting, and considers how it might operate in practice**



**Left**

The Natural Environment White Paper sets out an ambition to move from 'net biodiversity loss to net gain'

England's biodiversity continues to decline, despite ever-increasing levels of environmental regulation, designation and legislation over the last 30 years – not to mention increasing funding to quangos, a vast biodiversity 'industry', and a vibrant NGO sector. 'Business as usual' is not working; hence the call – from Professor Sir John Lawton's Review last year among others<sup>1</sup> – for a 'step-change' in conservation thinking and delivery. The Government's response was the recent Natural Environment White Paper, which set out an 'ecosystems approach', with three main themes – protecting the natural environment, growing a green economy, and reconnecting people and nature.

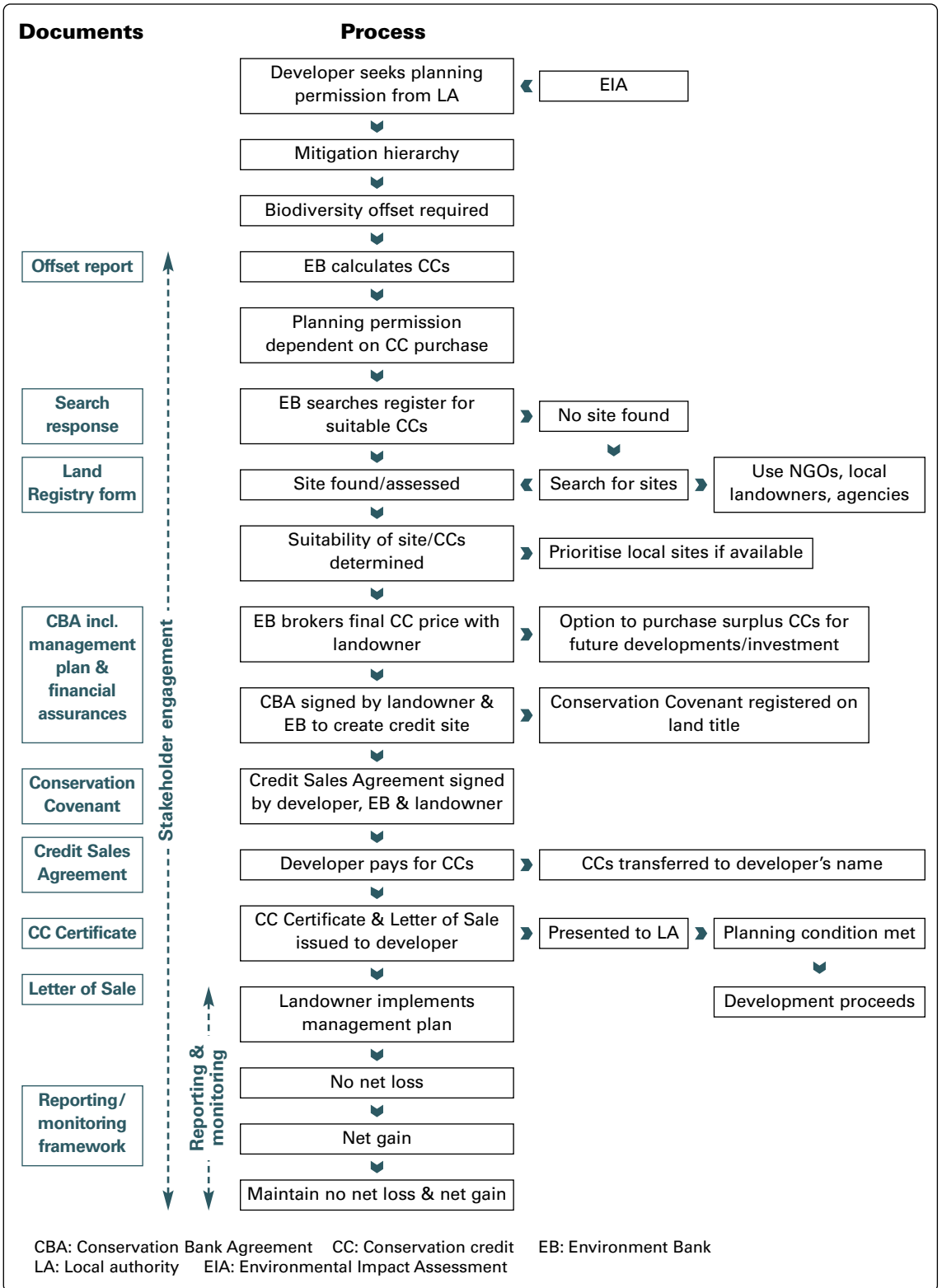
Under the natural environment theme, Defra (the Department for Environment, Food and Rural Affairs) wants 'an ambitious, integrated approach', moving 'from net biodiversity loss to net gain'.<sup>2</sup> Such ambition is mirrored in the requirement on the planning system to provide 'net gains in biodiversity', set out in the draft National Planning Policy Framework.<sup>3</sup> In the White Paper there are four main policy proposals – for Local Nature Partnerships,

Nature Improvement Areas, reforms of the planning system, and the trialling of 'biodiversity offsetting'.

Biodiversity offsets are conservation activities designed to deliver biodiversity benefits, in compensation for losses, in a measurable way. The key feature is that activities in one place can be offset by actions in another – whereas previously mitigation for loss would generally be demanded on-site, under the offsetting approach a system of 'conservation credits' allows the environmental loss to be calculated and compensated for elsewhere. The new system needs 'receptor' sites to be available to provide credits that may be bought by developers as a way of permanently discharging their environmental obligations (and thus securing planning permission).

What are the advantages of this approach? International experience suggests that there are significant benefits for all the players, certainly not least to the environment.

For developers, good offset systems save time and money. They provide a fair, streamlined and secure process, with greater clarity in the planning system



Above

Fig. 1 Habitat banking process, using the Environment Bank

and predictable costs and outcomes that aid future project planning. Importantly, all liability for mitigation delivery is discharged in one fell swoop, freeing the developer from long-term management costs and liabilities (which are taken on by, for instance, a local Wildlife Trust). Critically, there is increased net developable area because the damage is decoupled in space and time from the compensation – in other words, arable land available for sustainable housing is not forced to produce a nature reserve, but funds for conservation are released to be spent on land with great wildlife potential.

This approach also offers complete transparency, explicitly demonstrating long-term biodiversity gain, and allows operators to be crystal-clear about the contribution that they are making to environmental protection.

For local planning authorities (LPAs), offsetting provides a simpler system than long-term Section 106 agreements – with a reduced burden on staff time and resources through discharged management of offset compliance and delivery. There is open and transparent accountability for planning decisions, as the local community can see that land lost to development is being compensated for at specific receptor sites.

Separately, owning (and registering) wildlife sites suddenly becomes economically viable, because such sites can be used to offer credits – this provides landowners with an economic incentive to enhance and create natural areas. Income is paid over 25 years, reliant on delivery, but, importantly, the land remains within their ownership and control – in the US such systems have led to ‘land-banking’, with large areas of privately owned wetlands being created for the long-term benefit of both the environment and their owners.

How might this work in practice? Defra will be running national pilots to test a variety of models. We at the Environment Bank (a private company set up to enable offsetting to work in the UK, with support from the Shell Foundation) believe – and international experience strongly suggests – that an independent brokering system is essential (see Fig. 1).

Suppose an LPA decides to try biodiversity offsetting in its area. A developer, after working through the normal mitigation hierarchy with the LPA, finds it is faced with residual damage and chooses to buy an offset to compensate for this environmental impact. It contacts the Environment Bank, which calculates the offset needed in terms of conservation credits (this cannot easily be done by the LPA if it is to avoid perceptions of a conflict of interest). Meanwhile, landowners (anyone from farmers to Wildlife Trusts) have their receptor sites assessed for suitability and valued for the conservation credits they provide (this calculation in turn cannot be done by the landowners or conservation NGOs themselves, again because of possible conflicts of interest). The Environment Bank

negotiates a management plan, and legal and fiscal instruments are created for the site to ensure in-perpetuity management, and the conservation credit price is set for that site.

The marriage between the operator and a suitable receptor site is then brokered, as the operator and LPA choose a receptor site which matches both the operator’s credit requirement (for example, for habitat type and price) and the LPA’s wishes (for example, for local delivery). Ultimately, a Letter of Sale and a Conservation Credit Certificate is provided to the operator, allowing them to satisfy (or

## ‘Offsetting potentially provides the ‘step-change’ in environmental protection that is so crucially needed’

exceed) the conditions of their planning permission. The Environment Bank believes that once the principle of offsetting is established within the NPPF, no additional primary legislation will be required for the mechanism to work – conditions on the granting of planning permission will suffice.

In the US and Australia the development of offset systems was driven not by conservationists but by operator demand for sustainable development. Yet there certainly are very significant environmental benefits – in the US biodiversity offsetting generates over \$1 billion of funding for long-term management of the environment per annum. At its heart, offsetting provides a mechanism to mainstream the ‘value of nature’ in societal decisions – it puts a price on environmental damage and allows society to recompense it. It also allows the pooling of contributions from many different developments into larger-scale, higher-quality conservation site delivery – and it potentially provides the ‘step-change’ in environmental protection that is so crucially needed.

● **Dr Tom Tew** is Chief Executive of The Environment Bank. The views expressed are personal.

### Notes

- 1 *Making Space for Nature: A Review of England’s Wildlife Sites and Ecological Network*. Lawton Review. Department for Environment, Food and Rural Affairs, Sept. 2010. <http://archive.defra.gov.uk/environment/biodiversity/documents/201009space-for-nature.pdf>
- 2 *The Natural Choice: Securing the Value of Nature*. Natural Environment White Paper. Cm 8082. HM Government, Jun. 2011. Executive Summary, para. 5. [www.official-documents.gov.uk/document/cm80/8082/8082.asp](http://www.official-documents.gov.uk/document/cm80/8082/8082.asp)
- 3 *Draft National Planning Policy Framework*. Department for Communities and Local Government, Jul. 2011. [www.communities.gov.uk/publications/planningandbuilding/draftframework](http://www.communities.gov.uk/publications/planningandbuilding/draftframework)