

OFFSET PROJECT MANAGEMENT COMMITTEE CHALLENGES

Memo

To	Jamie Merrick, Director General, Department of Environment and Science jamie.merrick@des.qld.gov.au
From	Professor Hugh Possingham, Chair Offset Project Management Committee h.possingham@uq.edu.au
CC	Offset Project Management Committee Members Professor Martine Maron: personal information@uq.edu.au Nigel Onley: Sch4p4(6) personal information Dr Jan Green: Sch4p4(6) personal information Brad Lang: Brad.Lang@des.qld.gov.au Offset Fund Management and Delivery Unit: financialoffsets@des.qld.gov.au
Subject	For your noting & action – challenges with delivering environmental offset outcomes under the current Environmental Offsets Framework
Date	17 Nov 2022

PURPOSE

On 4 October 2022 and 17 November 2022, the Offset Project Management Committee (the Committee) held Meeting numbers 29 and 30. The Committee wishes to reiterate its concerns about the challenges associated with delivering environmental offset projects in accordance with the requirements of the Environmental Offsets Framework. We have two major concerns.

First, the biodiversity benefits secured through the Bricalow offset program could be lower than 10% of the biodiversity losses from development. There are a variety of reasons for this shortfall.

Second, only 3 new projects can be progressed, and they are unlikely to commence until the new calendar year due to resourcing constraints. However, funds have been received for 186 different environmental matters, many of which remain unallocated for project delivery. Consequently, the department retains a significant liability.

The Committee also wish to bring to your attention the key findings of the New South Wales Auditor General's Office report, *Effectiveness of the Biodiversity Offsets Scheme* (attached) which identifies similar challenges to the Queensland Offset Framework.

These challenges must be addressed, and we urge resources allocated for the program be reviewed and the Offsets Framework review process be expedited.

APPROVAL

Offset Project Management Committee Chair:

PROFESSOR HUGH POSSINGHAM - on behalf of Committee Members:

BRAD LANG, DR JAN GREEN, NIGEL ONLEY & PROFESSOR MARTINE MARON

Signature: Sch4p4(6) personal information

Date: 17 November 2022



Department of
Environment and Science

Our Ref: CTS 02047/23

27 February 2023

Professor Hugh Possingham
Chair
Offset Project Management Committee
h.possingham@uq.edu.au

Dear Professor Possingham

Thank you for your email of 21 November 2022 regarding the challenges associated with delivering offsets under the Queensland Environmental Offsets Framework (the Framework). I apologise for the delay in responding.

Firstly, I would like to acknowledge the work of the Offset Project Management Committee (the Committee) in providing valuable advice and overseeing the delivery of environmental offset projects.

As you are aware, the Queensland Government undertook a comprehensive review of the Framework in 2020 and released the *Review of Queensland's Environmental Offsets Framework - consultation and response report*. Many of the key issues outlined in this report address the challenges in offset delivery raised by the Committee.

The Department of Environment and Science (the department) is now preparing reforms that will improve environmental outcomes under the Framework. Key reports, including the New South Wales Auditor General's Office report, *Effectiveness of the Biodiversity Offsets Scheme* have been considered as part of the reform process. Further to this, a Regulatory Impact Statement detailing proposed reforms to Queensland's environmental offsets framework is anticipated to be released by the middle of this year.

I acknowledge fully the concerns raised by the Committee in achieving expected outcomes for the Brigalow Belt project. I also note comments in relation to resourcing constraints for progressing unallocated projects. The department remains committed to exploring all pathways to improving landholder engagement and retention in delivering all offset projects. I have asked Dr Karen Hussey, Deputy Director-General to review resourcing allocations and potential alternative business models to best facilitate those outcomes.

Thank you again for the advice and guidance provided by the Committee to date.

Should you require any further information, you may contact Mr Rob Hughes, Director – Environment and Conservation Policy and Legislation, Environment and Heritage Policy and Programs of the department on telephone CTPI 49-Sch4 or by email at robert.hughes@des.qld.gov.au.

Yours sincerely

Jamie Merrick
Director-General

OFFSET PROJECT MANAGEMENT COMMITTEE

Mr Jim Reeves
Director General
Department of Environment
& Heritage Protection
400 George St Brisbane 4000

Dear Mr Reeves,

I write to you today as Chair and behalf of, the Offset Project Management Committee (the Committee).

As you are aware, the primary role of the Committee is to ensure the funds paid to the Department of Environment and Heritage Protection (EHP) for financial settlement payments under the Queensland Environmental Offsets Framework, are applied in a way that delivers the most effective conservation outcome for prescribed environmental matters. I would like to take this opportunity to raise a risk that is affecting the Committee's ability to achieve an effective conservation outcomes for particular matters impacted.

A primary issue for the Committee concerning the Government's current offsets liability is that the Queensland Environmental Offsets Framework may not provide sufficient funds to adequately deliver a conservation outcome in some cases.

The apparent shortfall in funds is not likely to be the case in respect to all prescribed matters and the Department is currently in the process of negotiating contract terms for two significant procurement processes. The two offset projects concerned, amount to over \$1,000,000 of offset funds.

Nevertheless, as the EHP offsets account continues to increase significantly in terms of both frequency and size of payments received, the Committee believes it is prudent to bring the abovementioned issue to your attention at this time. As at 7 August 2017, EHP have invoiced 67 Financial Settlement Offsets totalling \$6,371,771.

I have attached a brief summary of the concerns that the Committee would like to bring to your attention. The Offsets fund management and delivery team is investigating the issue further in conjunction with a project with CSIRO and in collaboration with the QLD Herbarium as a precautionary measure.

I welcome the opportunity to discuss this further with you in person, and recommend that these concerns are provided to the Offsets policy group for their consideration.

Yours sincerely

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Dr Andrea Leverington
Chair
Offset Project Management Committee

Andrea Leverington
Chair
Offset Project
Management Committee

Sch4p4(6) Personal information

Summary of key issues

Standardised pricing

The Environmental Offsets Framework provides a standardised pricing regime that has been adopted for all Matters of State Environmental Significance. While this may be beneficial for proponents, it does not account for the large cost differences involved in offsetting different matters. In some cases, the amount collected is not likely to be adequate to cover the costs of a suitable offset.

Minimum Costing

The offsets calculator does not account for the minimum cost of providing an offset, so very small impacts yield very small financial payments that are unlikely to cover the full cost of providing the offset. In some cases pooling payments from multiple similar matters can achieve economies of scale and an acceptable conservation outcome, but this is not always possible.

Hectare Based Calculations

The use of hectares to estimate impact and to specify the corresponding financial payments required for offsets generates at least two key risks:

- 1) Hectares is not a useful measurement for impacts and offsets relating to matters such as the number of protected plants and impacts on fish passage, which instead are best described in terms of stem counts and fish numbers. This means the area basis for generating a financial payment amount is largely arbitrary, introducing the risk that the payment is inadequate to obtain a suitable offset for those matters.
- 2) The calculator in most cases (other than for protected areas and koalas), calculates the financial payment on the basis that the estimated cost of purchasing/protecting a maximum of four times the area impacted (a 4:1 ratio) will yield an offset benefit that counterbalances the impact. However, in reality, a much larger area may need to be managed or protected to generate such a conservation outcome, and in some cases a smaller area might be required (particularly in the case where area is not the appropriate unit of measurement for the impact as per the previous point).

While there is limited scope to try to address these issues after receipt of the financial contributions, this will often not be possible, and so it would be better if this was accounted for in the policy and/or offsets calculator in order to remove any doubt regarding the legitimacy of the final outcome.

Landholder Incentive

Part of the financial settlement offset amount is based on estimates of the amount a landholder would accept in order to maintain an offset on their land. A number of service providers and landholders have expressed concerns that the amount estimated may not be adequate to motivate landholders to commit to a covenant and offset being placed on their land.

Default bio-condition score

For impacts on regional ecosystems and species habitat, the Offsets Framework makes the assumption that all impacts are on habitat with a condition score of 7/10, irrespective of the actual condition of the site. Therefore, pristine (score 10) sites might be lost and exchanged for poorer-quality offsets, therefore failing to counterbalance the impact. The OPMC cannot be sure that the impact has been counterbalanced without knowing the actual condition of the habitat impacted.

All regional ecosystem and species habitat offset sites must achieve a conservation gain of 2 condition points over 20 years and reach a condition score of at least 8. However, experts suggest that this is not possible for all habitats, nor does it cost the same amount to achieve this among habitats and regions, which is what the financial calculation assumes.

Biocondition scores are not applicable to other matters such as fish passage and so the OPMC does not have a methodology for establishing what actions will counterbalance losses in these cases.

Mr Jamie Merrick
Director-General
Department of Environment and Science
400 George St Brisbane 4000

Dear Mr Merrick,

Re: Queensland Environmental Offsets Framework - insufficient funding in Central Brigalow Financial Offset Tender to deliver a conservation outcome for some prescribed environmental matters

As you are aware, the primary role of the Offset Project Management Committee (Committee) is to ensure the funds for financial settlement payments under the Queensland Environmental Offsets Framework, are applied in a way that delivers the most effective conservation outcome for prescribed environmental matters.

In September 2017, the Committee advised the then Department of Environment & Heritage Protection (**Attachment 1**), the Queensland Environmental Offsets Framework may not provide sufficient funds to adequately deliver a conservation outcome in some cases. A list of key issues to be considered by the department was provided and the risks were included on the Committee's Issues and Risk Register on 5 July 2017.

As part of implementing Offset Fund project OPM004 – Brigalow, on 27 November 2020, tenders closed for landholders interested in providing an offset as part of the Central Brigalow Financial Offset project.

On 14 December 2020, an expert panel workshop was held to review tender bids. While early indicators suggest positive outcomes will be achieved from Offset Fund project OPM004 – Brigalow, it has become apparent to the expert panel that several targets may not be met in this stage of the project.

The second phase of the project is due to commence in the northern Brigalow Belt in the coming months and it is hoped that with new strategies to increase landholder engagement, the remaining obligations for the offset will be addressed during this phase. The Committee, however, remain concerned some project targets will remain unable to be met due in particular to insufficient funds allocated to achieve effective conservation outcomes and the limited availability of targeted environmental matters. After 20 years of standard management, the modelled benefit predictions suggest an average increase of 7% in benefit for regulated vegetation, and a benefit of 13% for unregulated vegetation. This means that an offset area 8 to 14 times as large as the original impact could be required to achieve a no net loss to the impacted matters in the Brigalow Belt. Given the funds available, many of the larger recorded biodiversity impacts will not be fully offset and so the outcome of the offset exchange for some target biodiversity will be a net loss.

To address the shortfall, the Committee advise risks raised in 2017 be brought to the attention of the Offsets Policy team to be addressed in the review in 2021.

Yours sincerely

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Professor Hugh Possingham
Chair
Offset Project Management Committee

Proposed reforms to the environmental offsets framework to address issues raised by the Offsets Project Management Committee (OPMC)

OPMC concern (in full)	Potential reforms to the environmental offsets framework
<p>Standardised pricing in the calculator may result in inadequate funds for some matters</p> <p>The Environmental Offsets Framework provides a standardised pricing regime that has been adopted for all Matters of State Environmental Significance. While this may be beneficial for proponents, it does not always account for the complexities associated with individual matters and the price difference that can occur between offsetting one matter versus another.</p> <p>Minimum costing in the calculator does not reflect offset delivery cost</p> <p>The offsets calculator does not account for the minimum cost of providing an offset, so very small impacts yield very small financial payments that are unlikely to cover the full cost of providing the offset. In some cases pooling payments from multiple similar matters can achieve economies of scale and an acceptable conservation outcome, but this is not always possible.</p> <p>Hectare-based calculations should not be undertaken for species and fish passage.</p> <p>The use of hectares to estimate impact and to specify the corresponding financial payments required for offsets generates at least two key risks:</p> <p>1) Hectares is not a useful measurement for impacts and offsets relating to matters such as the number of protected plants and impacts on fish passage, which instead are best described in terms of stem counts and fish numbers. This means the area basis for generating a financial payment amount is largely arbitrary, introducing the risk that the payment is inadequate to obtain a suitable offset for those matters.</p> <p>2) The calculator in most cases (other than for protected areas and koalas), calculates the financial payment on the basis that the estimated cost of purchasing/protecting a maximum of four times the area impacted (a 4:1 ratio) will yield an offset benefit that counterbalances the impact. However, in reality, a much larger area may need to be</p>	<p>sch3(2)(1)(b) Cabinet matter - Would reveal consideration of Cabinet/prejudice confidentiality</p>

OPMC concern (in full)	Potential reforms to the environmental offsets framework
<p>managed or protected to generate such a conservation outcome, and in some cases a smaller area might be required (particularly in the case where area is not the appropriate unit of measurement for the impact as per the previous point).</p> <p>While there is limited scope to try to address these issues after receipt of the financial contributions, this will often not be possible, and so it would be better if this was accounted for in the policy and/or offsets calculator in order to remove any doubt regarding the legitimacy of the final outcome.</p>	
<p>Landholder Incentives may be inadequate</p> <p>Part of the financial settlement offset amount is based on estimates of the amount a landholder would accept in order to maintain an offset on their land. A number of service providers and landholders have expressed concerns that the amount estimated may not be adequate to motivate landholders to commit to a covenant and offset being placed on their land.</p>	
<p>The use of a default bio-condition score is inappropriate for some matters</p> <p>For impacts on regional ecosystems and species habitat, the Offsets Framework makes the assumption that all impacts are on habitat with a condition score of 7/10, irrespective of the actual condition of the site. Therefore, pristine (score 10) sites might be lost and exchanged for poorer-quality offsets, therefore failing to counterbalance the impact. The OPMC cannot be sure that the impact has been counterbalanced without knowing the actual condition of the habitat impacted.</p> <p>All regional ecosystem and species habitat offset sites must achieve a conservation gain of 2 condition points over 20 years and reach a condition score of at least 8. However, experts suggest that this is not possible for all habitats, nor does it cost the same amount to achieve this among habitats and regions, which is what the financial calculation assumes.</p> <p>Biocondition scores are not applicable to other matters such as fish passage and so the OPMC does not have a methodology for establishing what actions will counterbalance losses in these cases.</p>	<p>sch3(2)(1)(b) Cabinet matter - Would reveal consideration of Cabinet/prejudice confidentiality</p>

16 June 2021

Professor Hugh Possingham
Chair
Offset Project Management Committee
Hugh.Possingham@chiefscientist.qld.gov.au

Dear Professor Possingham

Thank you for your letter of 23 April 2021 regarding the delivery of offsets by the Department of Environment and Science (the department) in the Brigalow Belt under the Queensland Environmental Offsets Framework (the Framework).

I acknowledge your concern regarding achievability of offsets targets in the Brigalow Belt due to insufficiency of offset payments and the availability of suitable offset sites. To address these issues, the Offsets Fund Management Unit within the department is actively tailoring the way it selects offset projects to achieve the most cost-effective conservation outcome required under the current Framework. This includes:

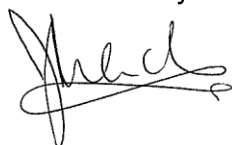
- partnering with Natural Resource Management groups
- tailoring procurement processes and contracts to ensure a conservation outcome is achieved
- pooling of funds for the same matters to get better economies of scale
- using the skills of content matter experts and specialised contractors to ensure the correct mitigating issues are addressed to achieve the conservation outcome
- seeking the advice and guidance of the Offset Project Management Committee (the Committee).

On 2 October 2020, the Queensland Government also released the *Review of Queensland's environmental offsets framework - consultation and response report* (the Report). Many of the key reform areas outlined in the Report will work towards addressing the issues raised in 2017 by the Committee. I have enclosed a more detailed summary of proposed reforms to address these issues.

In 2021, the department will work with a multisector reference group and other stakeholders to develop potential amendments to the Framework and prepare an associated regulatory impact statement for consultation. The learnings from the delivery of the department's offsets fund and the Committee will be considered as part of this process. We welcome the ongoing advice and guidance of you as Chief Scientist, and other members of the Offset Project Management Committee as we take forward reforms that will deliver improved environmental outcomes.

Should you require any further information, you may contact Mr Rob Hughes, Director - Conservation Policy and Planning, Environmental Policy and Programs of the department on telephone (07) 3330 5174 or by email at robert.hughes@des.qld.gov.au.

Yours sincerely



Jamie Merrick
Director-General

Encl. (1)

OFFSET PROJECT MANAGEMENT COMMITTEE CHALLENGES

Memo

To	Jamie Merrick, Director General, Department of Environment and Science jamie.merrick@des.qld.gov.au
From	Professor Hugh Possingham, Chair Offset Project Management Committee Sch4p4(6) @uq.edu.au
CC	Offset Project Management Committee Members Professor Martine Maron Sch4p4(6)@uq.edu.au Nigel Onley: Sch4p4(6) Dr Jan Gree Sch4p4(6) Brad Lang: Brad.Lang@des.qld.gov.au Offset Fund Management and Delivery Unit: financialoffsets@des.qld.gov.au
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APPROVAL

Offset Project Management Committee Chair:

PROFESSOR HUGH POSSINGHAM - on behalf of Committee Members:

BRAD LANG, DR JAN GREEN, NIGEL ONLEY & PROFESSOR MARTINE MARON

Signature

Sch4p4(6)

Date: 17 November 2022