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Biodiversity offsetting

Guiding principles for biodiversity offsetting

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GUIDING PRINCIPLES FOR BIODIVERSITY OFFSETTING

1. Biodiversity offsets are conservation activities designed to deliver biodiversity benefits in compensation for losses, in a measurable way.

2. This paper sets out the principles which we have used to guide our proposed approach to biodiversity offsetting, and how they fit with the principles proposed by Professor Sir John Lawton in *Making Space for Nature*[1].

3. We asked for views on these principles in the discussion material that was published on Defra's website in December 2010. Respondents generally agreed with the principles proposed in the discussion material and supported the principles set out in *Making Space for Nature*. Many respondents emphasised the principles which they thought were the most important. Those that were mentioned most frequently were that any biodiversity offsetting approach should build on, rather than replace, existing protection for biodiversity, and that offsetting should aim to deliver real and additional conservation benefits.

4. We have reflected the comments we received in the principles outlined below. More information on discussion material and our responses to the comments made can be found in the *Summary of Responses Discussion Material Document*.

5. This paper is part of a wider package of papers about biodiversity offsetting that can be found at: http://www.defra.gov.uk/environment/natural/biodiversity/uk/offsetting/ .

Principles for biodiversity offsetting

6. The principles that have guided our proposed approach to biodiversity offsetting are that it should:

   - Not change existing levels of protection for biodiversity

   - Deliver real benefits for biodiversity by:
     - seeking to improve the effectiveness of managing compensation for biodiversity loss
     - expanding and restoring habitats, not merely protecting the extent and condition of what is already there
     - using offsets to contribute to enhancing England's ecological network by creating more, bigger, better and joined areas for biodiversity (as discussed in *Making Space for Nature*)

[1] http://archive.defra.gov.uk/environment/biodiversity/documents/201009space-for-nature.pdf

  - providing additionality; not being used to deliver something that would have happened anyway
  - creating habitat which lasts in perpetuity
  - being at the bottom of the mitigation hierarchy, and requiring avoidance and mitigation of impacts to take place first

- Be managed at the local level as far as possible:

  - within national priorities for managing England's biodiversity
  - within a standard framework, which provides a level of consistency for all involved
  - through partnerships at a level that makes sense spatially, such as county level, catchment or natural area
  - with the right level of national support and guidance to build capacity where it is needed
  - involving local communities

- Be as simple and straightforward as possible, for developers, local authorities and others

- Be transparent, giving clarity on how the offset calculations are derived and allowing people to see how offset resources are being used

- Be good value for money

Making Space for Nature principles

7. '*Making Space for Nature*' (the Lawton Review) set out a number of principles for biodiversity offsetting, and we have reflected these in our Guiding Principles. Further details on how we have taken account of these are set out below.

Making Space for Nature recommendation	**Comment**
(i)Biodiversity offsetting must not become a 'licence to destroy' or damage existing habitat of recognised value. In other words, offsets must only be used to compensate for genuinely unavoidable damage. Development should avoid adverse impacts first, mitigate impacts second and compensate for unavoidable impacts as a last resort.	We agree that biodiversity offsetting must not become a "licence to destroy". One of our principles is that biodiversity offsetting should not change existing levels of protection for biodiversity. As an example, if habitats or species are subject to statutory protections under national or EU legislation, decisions on development and any subsequent compensation will remain subject to the requirements of that legislation and current processes. We also agree that the mitigation hierarchy is fundamental, and that offsets should sit at the bottom. Development decisions will continue to be taken by planning authorities in line with planning guidance, which refers to the mitigation hierarchy.
(ii) Where developers propose to create replacement habitat there needs to be some certainty that the habitat type can be (re)created. Applying the precautionary principle, and recognising that some habitat creation schemes may be less successful than initially planned, each individual offset scheme should aim to achieve a net gain for biodiversity.	We agree that the recreatability of habitats and the risks inherent in any recreation or expansion of habitat are important considerations. For habitat types of high distinctiveness, offsets will be required to be within type. Further details, including how multipliers can be used to manage some of the delivery risks, are included in the Technical Paper on a proposed metric for the biodiversity offsetting pilot.
(iii) Benefits should be secured in the long term with supporting mechanisms in place to deliver long term management (often more than 25	We agree that benefits should be managed in the long term; offsets should be provided in

years).	perpetuity.
(iv) There must be recognition that some habitats cannot be re-created (e.g. ancient woodland) while others can take decades to develop their wildlife interest.	Planning policy recognises that some important natural habitats cannot be recreated easily, particularly ancient woodland, which PPS9 acknowledges that "once lost, it cannot be recreated". As above, we agree that the recreatability of habitats is an important consideration. For habitat types of very high distinctiveness (and low recreatability), bespoke compensation solutions will be required, to ensure their value is fully recognised. Further details are included in the *Technical Paper on a proposed metric for the biodiversity offsetting pilot*.
(v) 'Receptor areas' for creating habitat must not be places of existing high wildlife value.	One of our principles is biodiversity offsets should be used to expand and restore the existing ecological network, and not merely protect the extent and condition of what is already there.
(vi) Suitable multiplier ratios need to be applied to compensation in recognition that the new site may be of a different value to the network than the original one, and to take account of factors such as distance from the site of the damage, the time needed for habitat creation, the types of habitat being lost and accessibility for people. Usually, these multipliers will be greater than one, but they need not always be.	We agree that it is important that compensation accurately reflects the value of the biodiversity lost. In some cases, multipliers could be applied to ensure the right amount of biodiversity compensation is provided. The metrics paper provides more detail on the approach, and the multipliers used.
(vii) Wherever possible, the created habitat should be in place before the original site is lost.	We agree that the ideal scenario would be that habitat should be in place before development takes place. However, particularly in the early stages of introducing a new approach to offsetting and during the pilots, many offsets are likely to be developed concurrently with the impact taking place. Even where the offset has

	been started in advance, the time taken for habitats to mature means that there will almost inevitably be a time lag. The Technical Paper on a proposed metric for the biodiversity offsetting pilot sets out how a multiplier could be used to account for this time difference.
(viii) Offsets should be used to compensate both for the loss of current wildlife sites and for damage to other wildlife network components, for example areas identified as important for ecological restoration or connectivity but not yet managed as such.	We that offsets can have an important role to play in joining up the wider ecological network. For this reason, an important element of our proposed approach is a local strategy for using offsets, drawn up by local authorities with their partners. Biodiversity offsetting will be used to implement planning policy, when compensation for biodiversity loss is required. If habitats are recognised as important under planning policy, it will be possible to use the offsetting mechanism to compensate for any damage to them.
(ix) Opportunities should be taken to pool habitat compensation from different developments so that larger habitat blocks can be created. There should be community agreement on what is to be achieved (and what contributions are expected) through local plans, so developers are clear at the outset what scale of contribution is expected from them.	We agree that pooling compensation activity to create more effective and beneficial areas of habitat could be one of the benefits of biodiversity offsetting. We also agree that strategies for how offsetting should be applied in an area, and what is to be achieved, should be agreed between the local authority and their partners, including communities. We also agree that using a consistent approach to biodiversity offsetting should provide greater upfront clarity for developers about the level of compensation required, and how they can provide it. One of the guiding principles for our approach is that offsetting should be as simple and straightforward as possible, for developers, local authorities and others.

Making Space for Nature concluded that in the context of establishing and maintaining ecological networks:

a) There are risks that biodiversity offsetting could undermine ecological networks if they lead to any reduction in the levels of protection afforded to wildlife sites and habitats. It may be possible to mitigate these risks by ensuring that a system of biodiversity offsets is underpinned by a clear set of principles, as proposed above.	We agree that it is crucial to maintain existing protection for wildlife sites and habitats, and one of our guiding principles is that offsetting should not change existing levels of protection for biodiversity.
b) A well-managed scheme can bring benefits to the ecological network by effectively pooling a number of offsets required for separate small developments into a larger and more beneficial habitat block. This can be done without imposing additional burdens on developers.	We agree that biodiversity offsetting should offer opportunities to pool compensation activity to create more effective and beneficial areas of habitat. We also agree that this can be done without imposing new burdens on developers, and hope that a consistent approach to offsetting can make negotiations simpler and more straightforward for all involved.
c) The operation of a system of biodiversity offsets could deliver net gains for wildlife by providing an opportunity for developers (or other interested organisations) to buy additional conservation credits as part of their social responsibility commitments. The financial value of the credits could also reflect the value of other ecosystem services such as carbon storage	We agree that developers and other organisations should be able to provide additional biodiversity benefits through an offsetting scheme. It will be interesting to see when and how there is interest in doing this through the pilots and other tests.
d) A responsible authority needs to be identified to oversee the administration of biodiversity offset schemes and verify effective offset delivery.	We agree that if offsetting were to be used across England, it would be likely to be necessary to identify a responsible authority to oversee biodiversity offsetting. There are various aspects of offsetting that we want to test and better understand before taking any decision about whether, and how, offsetting should be

	used more widely across England.
e) We need to further develop the evidence base in a number of important areas including: • *refining creation and restoration techniques for certain habitats;* • *establishing the appropriate multipliers needed to ensure full compensation, and developing rules for offsetting 'out of kind' (where damage to one type of habitat is compensated for by providing another);* *verifying the market mechanisms through which biodiversity offsets can operate effectively in an English context.*	We agree that there are a number of areas in which we need further information, including those identified. The test phase, working with pilot areas, has been designed to expand our evidence base.
Recommendation 22: *We suggest that the evidence base is developed, and the overarching principles tested, through pilot schemes in willing local authority areas.*	We agree. We are asking for expressions of interest from local authorities, and others, in testing biodiversity offsetting with us.