



Submission to the Inquiry into Environmental Offsets

Department of the Environment

Introduction

1. Environmental offsets are measures that seek to achieve equivalent environmental outcomes to compensate for the residual adverse impact of an action on the environment. Under national environmental standards all reasonable steps should first be taken to avoid and then mitigate adverse impacts on the environment.
2. Offsets can provide an important and scientifically-robust means to deliver environmental outcomes while achieving social and economic benefits associated with Australia's development.
3. Use of environmental offsets has grown over the past decade. Internationally, Australia is among a number of countries that have adopted the use of environmental offsets as part of the environmental assessment and approval process. Within Australia, the Commonwealth and all states have legislation or policies in place on environmental offsets.
4. The Australian Government utilises offsets through its regulation of environmental impacts under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). The *EPBC Act environmental offsets policy (2012)*¹ governs the use of offsets under national environmental law. The policy is accompanied by the *offsets assessment guide*², which is a metric that is used to determine the suitability of offsets for listed threatened species and ecological communities. It measures an offset against a relevant impact to determine whether the offsets proposal is suitable.
5. The *EPBC Act environmental offsets policy* applies to all matters of national environmental significance protected under the EPBC Act with the exception of water resources in relation to coal seam gas and large coal mine developments, which was added as a new matter of national environmental significance after the release of the policy.
6. The offsets policy applies to offsetting requirements in terrestrial and aquatic (including marine) environments and for both project-by-project assessments and strategic assessments approved under Parts 9 and 10 of the EPBC Act. The policy has had effect for all referrals made since 2 October 2012, and to projects that were undergoing assessment and had not had a proposed approval decision made by 2 October 2012.

¹Department of Sustainability, Environment, Water, Population and Communities (2012) - *EPBC Act environmental offsets policy (2012)*: <http://www.environment.gov.au/resource/epbc-act-environmental-offsets-policy>

² Department of Sustainability, Environment, Water, Population and Communities (2012) – *How to use the offsets assessment guide*: <http://www.environment.gov.au/resource/epbc-act-environmental-offsets-policy>

7. This submission seeks to respond to the terms of reference for this inquiry and provides a factual summary of the key steps involved in the consideration of the use of offsets in the projects listed in the terms of reference at Attachment A.

History of environmental offsets under the EPBC Act

8. The *EPBC Act environmental offsets policy* and the *offsets assessment guide* were released in October 2012. The policy and guide were developed following detailed research and stakeholder consultation. This included the release of a consultation draft for public comment, targeted stakeholder engagement with peak industry and environmental bodies and close collaboration with researchers from the Australian National University and University of Queensland through the National Environmental Research Program. The policy was also developed in consideration of the Business and Biodiversity Offsets Program Standard on Biodiversity Offsets (2012)³.
9. The application of offsets has evolved with the administration of the EPBC Act. Prior to the development of the current policy the offsets were considered consistent with the draft policy framework titled the *Use of environmental offsets under the EPBC Act (2007)*⁴.
10. The development and finalisation of the *EPBC Act environmental offsets policy* was a key element of the Australian Government's response to the *Independent review of the EPBC Act*⁵ led by Dr Allan Hawke (the Hawke Review). On 31 October 2008 the then Minister for the Environment, Heritage and the Arts commissioned the Hawke Review. The final report of the Independent Review made recommendations in relation to the establishment of national standards for biodiversity offsets and a national banking system for offsets. The offsets policy articulates the role offsets play under the EPBC Act and how suitable offsets are determined. It is a contribution toward the establishment of national standards for environmental offsets.

Consideration of offsets under the EPBC Act

11. Environmental offsets are considered during the detailed environmental impact assessment process of an action undertaken through Part 8 of the EPBC Act, following the exploration of all potential avoidance and mitigation measures. It is important to note that the EPBC Act does not allow for any beneficial impacts, such as offsets, to be considered during the referral stage.
12. Where a project proceeds to assessment and potentially requires the provision of offsets, this information is published along with other relevant assessment documentation for public comment. Public comments are then addressed and summaries provided to decision makers to inform any approval decisions.

³Business and Biodiversity Offsets Program (2012) - *Standard on Biodiversity Offsets*: <http://bbop.forest-trends.org/pages/guidelines>

⁴ Department of the Environment and Water Resources (2007) - *Use of environmental offsets under the Environment Protection and Biodiversity Conservation Act 1999* : <http://www.environment.gov.au/archive/epbc/publications/draft-environmental-offsets-2007.html>

⁵ Department of Environment, Water, Heritage and the Arts (2009) - *The Australian Environment Act: Report of the Independent review of the Environment Protection and Biodiversity Conservation Act 1999*: <http://www.environment.gov.au/resource/australian-environment-act-report-independent-review-environment-protection-and>

13. In circumstances where an action is approved following assessment, any requirements for the delivery of offsets are attached as conditions of approval, consistent with section 134 of the EPBC Act. Certain types of conditions attached to approvals require the consent of the proponent prior to being attached, and these can include offset conditions. This requires the Department of the Environment to consult closely with project proponents on prospective offset requirements. Where a project is approved with conditions the Department takes a risk based approach to monitoring the project to ensure that there is compliance with the relevant conditions of approval, including those relating to offsets.
14. It is important to note that offsets are not required for all approvals under the EPBC Act. For example, offsets are not required where the residual impacts of a proposed action are not considered to be significant. Further, the policy explicitly states that the provision of offsets does not mean that proposals with unacceptable impacts will be approved; they are another tool that operates through the impact assessment process to deliver environmental outcomes and sustainable development. A flow chart outlining the process for determining offsets through the EPBC Act assessment process is outlined within Figure 1 of the policy⁶.
15. In addition to project-by-project assessments, offsets can also be a key feature of strategic assessments under Part 10 of the EPBC Act, which are defined as an assessment of a policy, plan or program. These assessments are able to consider a much broader set of potential developments in a region or landscape when compared to traditional project-by-project environmental impact assessments.
16. Strategic assessments provide the potential for the progressive establishment and management of large landscape-scale conservation outcomes for matters of national environmental significance. This can result in better long-term outcomes than project-by-project offset approaches and allow for consolidated offsets to be delivered.

Principles of the EPBC Act environmental offsets policy

17. The *EPBC Act environmental offsets policy* has five key aims:
 - ensure the efficient, effective, timely, transparent, proportionate, scientifically robust and reasonable use of offsets under the EPBC Act;
 - provide proponents, the community and other stakeholders with greater certainty and guidance on how offsets are determined and when they may be considered under the EPBC Act;
 - deliver improved environmental outcomes by consistently applying the policy;
 - outline the appropriate nature and scale of offsets and how they are determined; and
 - provide guidance on acceptable delivery mechanisms for offsets.

⁶ Department of Sustainability, Environment, Water, Population and Communities (2012) - *EPBC Act environmental offsets policy* (2012): <http://www.environment.gov.au/resource/epbc-act-environmental-offsets-policy>

18. Both the policy and guide provide a framework that aim to systemise the judgments associated with determining offsets for a given impact in order to provide greater certainty around an offset requirement for stakeholders.
19. The *EPBC Act environmental offsets policy* includes 10 overarching principles that are applied in determining the suitability of offsets. These are outlined in Box 1 below and discussed in detail within the offsets policy itself. Further discussion of some of the key aspects of the EPBC Act offsets policy is below.

Box 1 - Offset Principles

Suitable offsets must:

1. deliver an overall conservation outcome that improves or maintains the viability of the aspect of the environment that is protected by national environment law and affected by the proposed action
2. be built around direct offsets but may include other compensatory measures
3. be in proportion to the level of statutory protection that applies to the protected matter
4. be of a size and scale proportionate to the residual impacts on the protected matter
5. effectively account for and manage the risks of the offset not succeeding
6. be additional to what is already required, determined by law or planning regulations or agreed to under other schemes or programs (this does not preclude the recognition of state or territory offsets that may be suitable as offsets under the EPBC Act for the same action, see section 7.6)
7. be efficient, effective, timely, transparent, scientifically robust and reasonable
8. have transparent governance arrangements including being able to be readily measured, monitored, audited and enforced.

In assessing the suitability of an offset, government decision-making will be:

9. informed by scientifically robust information and incorporate the precautionary principle in the absence of scientific certainty
10. conducted in a consistent and transparent manner.

Improve or maintain the viability of the protected matter being impacted

20. The overarching test of both the policy and the guide is that suitable offsets must deliver an overall conservation outcome that improves or maintains the viability of the aspect of the environment that is protected by the EPBC Act and affected by the proposed action. Any proposed benefit that an offset delivers is measured against a business as usual scenario describing what is likely to have occurred in the absence of both the offset being implemented and the development action occurring.
21. The policy has an explicit requirement that offsets must target the specific matter being impacted. Given the nature of matters of national environmental significance, there is no

scope for trading across protected matters. This principle applies for all protected matters that are covered by the policy.

22. In addition, there is also a requirement for offsets to address the relevant attribute of the protected matter that is being impacted. An example would be the requirement for an offset to target the same type of habitat as that being impacted, such as foraging or breeding habitat. In some circumstances it may be possible to demonstrate that a better conservation outcome can be achieved for the protected matter by deviating from this rule where an offset targets a more limiting factor for a species or ecosystems survival. For threatened and migratory species and threatened ecological communities, it is a requirement that offsets must meet or be managed over time to meet the quality of habitat impacted by the action.
23. The policy explicitly targets offsets towards priority conservation activities for protected matters as outlined in approved recovery plans and management plans. This ensures that offsets operate strategically to build on existing knowledge and investments in species and ecosystem recovery and/or heritage protection. It also specifies that 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.
24. Offsets may not be appropriate in all circumstances and the Department acknowledges that there are limits to their use. Given the breadth of heritage values that may occur within a listed place the Department considers whether offsetting is possible and appropriate on a case-by-case basis. Where offsets are considered appropriate for listed heritage values, the offsetting activities should improve the integrity and resilience of the same values for that heritage place.

Direct offsets and other compensatory measures

25. In the past, direct offsets have been defined as areas of land that are gazetted or covenanted as protected areas as to avert a future loss and ensure continued environmental management. While this type of offset plays an important role in securing remaining habitat in an ecosystem, such approaches do not always target the key conservation priorities of a particular species, ecosystem or place. The 2012 offsets policy expanded the concept of direct offsets to include any activity that provided a measurable or tangible conservation gain for a protected matter. This was defined as an offset's capacity to increase or maintain the viability of a protected matter and/or reduce any threats of damage, destruction or extinction.
26. For example, in addition to protecting land, direct offsets may also include, but are not limited to:
 - the improvement and creation of new habitat through regeneration and rehabilitation activities across a landscape;
 - implementing feral animal control programs that reduce predation of a particular threatened species;
 - improving the population of a species through captive breeding and release programs; or

- undertaking activities that improve the values of a heritage place or wetland of international importance, such as upstream management activities to improve estuarine water quality.
27. There is a general requirement that direct offsets form a minimum of 90 percent of the total offsets package, with other compensatory measures are able to provide up to 10 percent. Other compensatory measures are defined as those actions that do not directly offset the impacts on the protected matter, but are anticipated to lead to benefits for the impacted protected matter. Primarily other compensatory measures have included funding for research or educational programs.
28. The offsets policy explicitly requires that offsets be in place for the duration of the impact. For permanent impacts, this would require an offset to deliver an enduring conservation gain. In many cases for offsets that aim to avert a future loss, this requires the permanent protection of areas of habitat.
29. The capacity of an offset to deliver a conservation gain through averting a future loss is contingent on the strengths of any legal protective mechanisms that are applied to an offset. Generally, legal protective mechanisms, such as conservation covenants, are administered through state and territory government land, planning and/or environmental legislation. The interaction between land use legislation is complex. For example certain types of protective covenants or voluntary conservation agreements in a number of jurisdictions may be overridden by certain rights, such as resource exploration and extraction. The offsets policy requires that part of the value of an offset is assessed based on its capacity to avert a future foreseeable loss. This includes assessing the strengths of any protective covenants. Where a protective mechanism is insufficient in treating a risk to an area, this reduces the potential suitability of the offset. The policy specifies the tenure requirements for averted loss offsets, which are consistent with overarching standards for inclusion in the National Reserve System⁷.
30. Given the complex nature of land protection mechanisms and different legislative provisions governing allowable land use, there are circumstances where an offset may be subject to developmental impacts. Section 7.2.2 of the policy specifically outlines the requirements that apply where a development may potentially impact on an established EPBC Act offset.

Advanced offsets

31. The policy encourages the supply of offsets before an impact occurs. Advanced offsets build market supply and decrease the risk of ecological deficits resulting from delayed offset implementation. For example, an advanced offset may involve protecting a parcel of land with good quality threatened species habitat, and implementing management actions to improve that habitat quality, all prior to the impact occurring. In this way, the policy enables offsets to begin providing a conservation gain for a protected matter before that matter is impacted by an action, which increases the effectiveness of the offset. It is critical that advanced offsets meet policy requirements, including those in relation to 'additionality' (see paragraph 38 for further explanation), for them to provide a measurable conservation benefit.

⁷ The Natural Resource Management Ministerial Council (2009) - *Strategy for Australia's National Reserve System 2009-2030*: <http://www.environment.gov.au/node/21198>

Determining the size and scale of an offset

32. Under the EPBC Act, threatened species and ecological communities may be listed under different categories based on their potential risk of extinction, such as vulnerable, endangered, and critically endangered.
33. Under this principle the more threatened a species or community is the larger the offset requirement. The offsets assessment guide integrates this consideration by using the data on the annual probability of extinction for different threatened species categories.
34. The offsets policy and guide were developed to systemise the judgments that go into determining suitable offsets. The size and scale of an offset under the EPBC Act are determined by a number of different variables, including:
 - the overall size of the residual impact on the matter of national environmental significance;
 - the specific attributes of the protected matter, or its habitat, being impacted, including its listing status;
 - the quality or importance of the habitat or area attributes being impacted with regard to ongoing viability of the relevant matter of national environmental significance;
 - the duration of any impacts, i.e. permanent or temporary;
 - the level of threat that a proposed offset site may be under;
 - the time it may take for any management, rehabilitation or restoration activities to deliver a benefit; and
 - the risk of any conservation gain not being delivered, including scientific certainty in relation to the proposed activities.
35. For threatened species and ecological communities, the size of a suitable offset is determined by the offsets assessment guide, which accounts for the above variables in its calculations.
36. The policy acknowledged that the use of offsets as a regulatory measure to compensate for environmental impacts involves a number of levels of risk. The highest level of risk relates to whether offsetting is appropriate and feasible for a matter of national environmental significance. It is important to note that the policy is explicit that the provision of offsets does not mean that projects with unacceptable impacts will be approved.
37. Another risk that is given consideration through both the policy and guide is the likelihood that an offset will not effectively compensate for any associated residual impacts. Key issues affecting likelihood of success of the offset are the reliability of scientific information relating to the delivery of the offset and the impacted matter, the security of the offset site in relation to any future development, and delays between an impact occurring and an offset achieving its goals. The guide integrates these risks into its calculations. Generally, as risk of failure increases, so does the size of an offset required to try and mitigate against this risk.

Offsets being additional to other requirements

38. The principle of 'additionality' ensures that a particular offset cannot be used for more than one action, and that activities already required by law cannot be used to meet offset obligations under the EPBC Act. For example, a site that is already unable to be developed, due to zoning laws or an existing covenant, could not be used as an offset for a proposed action. Similarly, feral animal control activities required under a state law could not be considered as part of an offset package. Environmental offsets must also be additional to what has been paid for under other schemes or programs on a pro rata basis, for example, an environmental grant program funded by the Australian Government.
39. It is important to note the policy requirements around 'additionality' do not preclude the recognition of state or territory offsets that may be suitable as offsets under the EPBC Act for the same action. The EPBC Act policy establishes that a state or territory offset will count towards an offset under the EPBC Act to the extent that it compensates for the residual impact to the protected matter identified under the EPBC Act.

Socio-economic co-benefits

40. While the primary consideration in determining suitable offsets is the delivery of a conservation gain for the impacted protected matter, the delivery of offsets that establish positive social or economic co-benefits is encouraged. Examples of potential co-benefits include engaging and employing local Indigenous ranger groups or communities to undertake management actions on an offset or funding for the delivery of offsets on Indigenous owned land. There are also opportunities for offsets to enable the provision of funds to rural landowners for the protection and management of biodiversity on their property, enabling diversification of their income streams.

Use of the offsets assessment guide in determining suitable offsets

41. The offsets assessment guide is a decision support tool that is used by regulators within the Department of the Environment to determine the suitability of an offsets package. As outlined earlier in this submission, it is applied during the assessment process to determine the appropriateness of an offsets package. While developed for use by the Department, it is also publically available to enable proponents and stakeholders to estimate future offset requirements. The offsets assessment guide only applies to assessing offsets for threatened species and ecological communities, which form the majority of offset requirements under the EPBC Act. The guide was developed through a strong collaboration with researchers through the National Environmental Research Program.
42. The guide utilises a balance sheet approach to give effect to the policy principles. It assesses the value of a proposed offset against a potential future impact to determine the suitability of the offset approach. The guide explicitly accounts for changes in quality, the time until a conservation gain may be achieved, risk of loss to an offset and the confidence in the offset achieving a conservation gain in its calculations.
43. The guide consists of four key components that interact to assess the overall suitability of an offset. These include the matters of national environmental significance box, which accounts for the threatened listing status of a species or ecological community; an

impact calculator; an offset calculator; and a summary box. The impact and offset calculators provide for the evaluation of an offset based on one of seven relevant attributes for a threatened species or ecological community (outlined in Table 1).

Table 1 – Attributes used in Offsets assessment guide

Matter of national environmental significance	Protected matter attributes
<i>Ecological communities</i>	Area of community
<i>Threatened species habitat</i>	Area of habitat
	Number of features, e.g. nest hollows, habitat trees
	Condition of habitat (change in habitat condition, but no change in extent)
<i>Threatened species</i>	Birth rate e.g. change in nesting success
	Mortality rate e.g. change in number of road deaths per year
	Number of individuals

44. The relevant attribute(s) for assessing the specific offset proposal are chosen based on the availability and quality of data. The chosen attribute is assessed at both the impact site and the offset site, enabling an assessment of loss and gain. This may be, for example, the area and/or quality of the habitat for that protected matter, or the number of individuals that will be impacted.
45. The calculations within the guide are designed to account for the policy principles. For each attribute the guide measures:
 - the proposed impact;
 - the effective changes in quality over a stated baseline;
 - the time over which a conservation gain is proposed to be achieved;
 - for area of habitat, the gain arising from a future averted loss that an offset may deliver; and
 - the confidence in the offset achieving a conservation gain.
46. An important feature of the assessment guide is that it accounts for delays in the delivery of any conservation benefit. This is calculated specifically as a function of the listing status of a threatened species or ecological community and the time over which a conservation gain is proposed to be delivered. All the calculations that sit within the offsets assessment guide are outlined in the instructional material on the Department's website.
47. The guide uses the relevant data to calculate a final percentage of the impact that is offset, which must be at least 90 percent met by direct offsets. In cases where financial contributions for other compensatory measures are considered to be appropriate, the guide can also calculate the value for these financial contributions based on the costs of direct offsets

48. The guide and accompanying instructional material are publicly available to assist proponents with planning for future development proposals and estimating potential offset requirements. Since its release the guide has been highlighted as one of the only offset metrics globally that explicitly accounts for 'additionality', uncertainty, and time lags in calculating an offset requirement⁸.
49. Following release of the policy and guide in 2012, the Department provided a series of training seminars on the policy and guide to stakeholders from government, industry and environmental groups. The seminars were implemented in collaboration with the Environment Institute of Australia and New Zealand and the Western Australian Environmental Consultants Association. The Department collected constructive qualitative feedback through the training program. Participants were complimentary of the Department's efforts to engage and build capacity within the professional community.
50. The Department has acknowledged that further policy development clarifying inputs into the offsets assessment guide would improve its operation. This information is being progressively built into relevant policy documents, such as the recently released draft EPBC Act Koala guidelines⁹.
51. For protected matters not covered by the guide, the offset proposals are assessed on a case-by-case basis consistent with the principles outlined within the policy and in consultation with project proponents.

Monitoring of EPBC Act offsets

52. The offsets policy outlines that offsets must be delivered within a suitable governance framework with regular reporting on the performance and success of offsets. The Department's monitoring and audit program aims to measure and improve an approval holder's compliance with the relevant instrument of decision, and ensure projects and required offsets are implemented as planned.
53. Risk-based monitoring for compliance involves liaison between the Department, the approval holder, and other stakeholders to assess compliance with the approval conditions or particular manner requirements. Monitoring for compliance with each management plan, report, strategy or agreement is also required for the length of most EPBC approvals. Compliance monitoring is carried out in a number of ways: through periodic desktop reviews; as a result of receipt of an allegation of non-compliance; or prompted by submission of a plan for approval or an annual compliance report or certificate, which are common conditional requirements.
54. A compliance audit usually takes the form of a desktop document review followed by a site inspection, if necessary. In some cases, the document review provides the department with enough information to verify that a project is compliant with conditions or requirements. Projects are audited against the conditions or requirements set when the project was approved or the permit granted.

⁸ Maron, M., Rhodes, J. R. and Gibbons, P. (2013) - *Calculating the benefit of conservation actions*. Conservation Letters, 6: 359–367. doi: 10.1111/conl.12007

⁹ Department of the Environment (2013) - *Draft Koala referral guidelines* <http://www.environment.gov.au/resource/draft-koala-referral-guidelines>

55. When contraventions occur, a range of compliance and enforcement measures are used. These include education and communication, investigation of alleged contraventions, and enforcement measures. The legislation provides enforcement options that include criminal and civil penalties, and administrative sanctions. The Department's approach to compliance and enforcement is set out in the Compliance and Enforcement Policy¹⁰ and the EPBC specific Compliance and Enforcement Policy¹¹, which are both available on the Department's website.

Environmental outcomes from offsets

56. Offset deliverables predominantly occur at a point in time after the final decision of a project is made. In many cases it is challenging to assess the performance of an offset over a short or medium time horizon, as management actions, such as habitat protection, enhancement or complete revegetation may take many years to realise an environmental gain.
57. Environmental outcomes arising from the delivery of an offset should be assessed based on the value it provides for the relevant impacted protected matter. Under the EPBC Act this normally translates to a species or ecosystem. Below are two examples of offsets outcomes delivered through project-by-project and strategic assessments under the EPBC Act.
58. Recent offsets from project-by-project assessments for the endangered Carnaby's Black Cockatoo have primarily been in the form of acquisition and management of properties to be included in the National Reserve System. Since 2005 approximately 16,200 hectares of Carnaby's Black Cockatoo habitat has been required to be protected, managed or rehabilitated as offsets under an EPBC Act approval decision. The majority of these offsets have been included in nature reserves to be managed by the Western Australian Department of Parks and Wildlife. These offsets have been delivered to compensate for approximately 2,800 hectares of habitat loss that has resulted from projects approved under the EPBC Act.
59. There is a large geographic spread of black cockatoo offset properties across the south west of Western Australia. These include a number of offsets that occur within important areas of habitat in close proximity to development pressures and where ongoing protection has secured these areas from likely future impacts. Other offsets have been delivered in areas that face lower background levels of loss through clearing, but when combined provide an important consolidation of existing high quality habitat within a migration corridor for the species.
60. Offsets for matters of national environmental significance have also been delivered through strategic assessments. The strategic assessment of Melbourne's urban growth boundary commenced in 2008. The program of development will deliver over 350,000 new households supporting one million people, 15 major town centres, 85 local town centres and 350,000 new jobs. Approval for urban development in 28 precincts was

¹⁰ Department of Sustainability, Environment, Water, Population and Communities (2009) - *Compliance and Enforcement Policy*: <http://www.environment.gov.au/node/13333>

¹¹ Department of the Environment (2013) - Compliance and Enforcement Policy: Environment Protection and Biodiversity Conservation Act 1999: <http://www.environment.gov.au/resource/compliance-and-enforcement-policy-environment-protection-and-biodiversity-conservation-act>

granted in 2010 and in three of the four new growth corridors in 2013. Further approval for the fourth growth corridor is being considered in 2014.

61. Through the assessment process it was determined that the proposed expansion would result in the loss of native vegetation and habitat for listed threatened species and ecological communities, with the loss of up to 4,665 hectares of natural temperate grasslands listed as critically endangered under the EPBC Act.
62. Key conservation outcomes arising from the strategic assessment include:
 - a new Western Grassland Reserve to the west of Melbourne of 15,000 hectares;
 - a new Grassy Woodland Reserve to the north of Melbourne of 1,200 hectares;
 - a system of 36 conservation areas within the growth corridors totalling 5,735 hectares; and
 - up to 1,603 hectares of reserves outside the growth corridors to meet additional protection targets for the Golden Sun Moth, Spiny Rice-flower and Matted flax-lily (note that targets for these species may be met concurrently).
63. When established the Western Grassland Reserve will protect the largest concentration of remaining natural temperate grassland in the Victorian Volcanic Plain Bioregion. In addition to grasslands, the reserves also cover a broad range of other habitat types including ephemeral wetlands, waterways, rocky knolls and open grassy woodlands and have been designed in their establishment and management to provide sufficient habitat to support a number of nationally listed threatened species.
64. Conservation outcomes, including reserve acquisition and ongoing management, have been costed by the Victorian Government at about \$1 billion. These commitments will be funded through cost recovery as development occurs using a mixture of prescribed flat fees and calculated offsets. The consolidated approach to the grassland reserves provides a means to achieve economies of scale in reserve management and establishment.
65. The approval conditions for urban development in the new growth areas require the conservation areas to remain unaltered (unless agreed by the Commonwealth). The conditions also reinforce compliance with the offset mechanisms given their importance in providing the funding stream to achieve the conservation outcomes.
66. The above two examples demonstrate how offsets can operate to provide conservation outcomes to secure, manage and improve important habitat for threatened species and ecological communities into the future.

Future directions for offsets under the EPBC Act

One stop shop policy for environmental approvals

67. The Australian Government is working toward the delivery of a 'one stop shop' for environmental approvals, which will accredit state and territory planning processes to meet environmental standards required by the Commonwealth. The Government's commitment to the 'one stop shop' policy is to be achieved through a three stage process with each willing state/territory, comprising of:
1. Memorandum of Understanding on the key principles for a 'one stop shop' – which have been signed with all states and territories
 2. agreeing or updating an assessment bilateral agreement, with those states and territories; and
 3. negotiating an approval bilateral agreement, which would enable state and territories to be the sole approver of projects.
68. Through this process States and territories will be required to meet the published Standards for Accreditation of Environmental Approvals under the EPBC Act¹². The standards are based on requirements of Commonwealth law and will facilitate the maintenance of environmental outcomes through the one stop shop.
69. The Standards set out:
1. Environmental and systems outcomes—to be achieved through bilateral agreements with states and territories
 2. Standards for accreditation—which reflect the specific accreditation requirements of the EPBC Act, and requirements of Commonwealth law that will be important for the Commonwealth to be satisfied that high environmental standards will be maintained
 3. Commonwealth considerations—which provide additional guidance on areas that the Commonwealth Environment Minister may take into account in considering whether to enter approval bilateral agreements.
70. The standards also specify that any offsets delivered through an accredited process must achieve long-term environmental outcomes for matters protected under the EPBC Act and be consistent with either the EPBC Act Environmental Offsets Policy, or another policy accredited by the Minister as achieving the objects of the EPBC Act to an equivalent or better level.
71. The Government is developing an assurance framework which will put in place arrangements to provide ongoing confidence to the Government and the public of the long term durability and effectiveness of the regulatory arrangements under the one stop shop policy. This will provide a series of checks and balances designed to provide

¹² Department of the Environment (2014) - *Standards for Accreditation of Environmental Approvals under the Environment Protection and Biodiversity Conservation Act 1999*: <http://www.environment.gov.au/resource/standards-accreditation-environmental-approvals-under-environment-protection-and>

ongoing confidence about environmental outcomes and the effectiveness of the regulatory system.

Improvements and review

72. There are challenges in the implementation of offsets. Recent audit reports of offsets required as conditions of approval under the EPBC Act¹³ have identified issues in relation to ensuring protective mechanisms are attached to the title of a property in a timely fashion. There are a number of causes of these delays, including the complexities and sensitivities of negotiating with land owners for the protection and management of areas as offsets as well as the legal complexities of registering a restrictive covenant on title. There is an opportunity for the Commonwealth to work with states and territories to streamline covenanting arrangements to achieve better outcomes for approval holders and the environment.
73. The policy and offsets assessment guide were scheduled to undergo a technical review one year from release and a complete review of effectiveness against the aims of the policy every five years thereafter. The performance of the offsets policy against the stated objectives will be evaluated as part of these review processes. The one year technical review has been temporarily delayed to allow consideration of state and territory processes that may need to be accredited through the 'one stop shop' policy.
74. The EPBC Act offsets policy also commits to the development of a register for offsets, and that once completed that information on offsets be made publicly available where it is possible to do so. This work is currently being considered in the context of improved management and display of environmental information that will support the government's 'one stop shop' policy. The Department also acknowledges that further policy guidance on elements of the offsets policy and operation of the offsets assessment guide would provide greater consistency and certainty for stakeholders. Ensuring that sufficient information management systems and policy guidance are in place in relation to environmental offsets will be an important component of the Department's future assurance and policy role in national environmental regulation.
75. The Department has been working constructively with the Minister's Indigenous Advisory Committee to improve the ways in which Indigenous peoples are consulted through the environmental impact assessment process. This includes work to improve consultation with Indigenous communities about the delivery and appropriate use of offsets, particularly in relation to heritage matters. This can facilitate better socio-economic outcomes and the use of traditional knowledge in environmental management.

¹³ Department of Sustainability, Environment, Water, Population and Communities (2012) - *Compliance audits completed during 2012 - Summary of findings*: <http://www.environment.gov.au/resource/compliance-audits-completed-during-2012-summary-findings>; and

Department of Sustainability, Environment, Water, Population and Communities (2013) - *Compliance audits completed during 2013 - Summary of findings* <http://www.environment.gov.au/resource/compliance-audits-completed-during-2013-summary-findings>