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Total fund deposit – discount rate

Find out about the change to the discount rate and the impact of this change.

The Biodiversity Offsets Scheme was established under the *Biodiversity Conservation Act 2016*. Under the Scheme, applications for development or clearing approvals must set out how impacts on biodiversity will be avoided and minimised. The remaining residual impacts can be offset through the purchase and retirement of biodiversity credits or payment into the Biodiversity Conservation Fund.

Landholders can establish Biodiversity Stewardship Agreements to create offset sites on their land to generate biodiversity credits. These credits are then available to the market for purchase by developers, landholders or the Biodiversity Conservation Trust to offset the impacts of development or clearing. Sufficient funds are held to support the long-term management of the biodiversity stewardship sites (Site).

What is the discount rate?

A central component of the Biodiversity Offsets Scheme is the requirement to pay money into the Biodiversity Stewardship Payments Fund for the future management of that Site (known as the total fund deposit). The discount rate helps calculate the total fund deposit for a Site,

Changes to the discount rate

The Biodiversity Offset Scheme discount rate will be reduced from 3.5% to 2.6% on **20 November 2018**.

which is then invested and the proceeds used to pay landholders to manage the Site in perpetuity. Use of the discount rate seeks to ensure that the total fund deposit provides a comparable future return for all sites.

What is the impact of this change?

Reducing the discount rate will increase the amount of money invested for the future management of the Site (i.e. the total fund deposit). This will ensure that sufficient funds are available to make all future management payments.

The revised discount rate will only apply to Biodiversity Stewardship Agreement applications received **after 19 November 2018**. The change to the discount rate **will not** apply retrospectively, or to applications received on or before 19 November 2018, or to BioBanking agreement applications.

Why is it changing?

To ensure the long term financial and environmental sustainability of stewardship sites, the total fund deposit must be calculated using a discount rate that reflects prevailing market conditions. OEH has reviewed the discount rate and determined that an adjustment is needed to ensure sufficient funds are invested for the management of stewardship sites in perpetuity. OEH obtained actuarial advice as part of this review.