

Calculating and collecting the tariff

Tariff rate

If mandatory net gain is introduced, we propose that, where a development was unable to mitigate biodiversity loss on site or purchase the required biodiversity units locally, the developer would be required to pay a cash tariff on their shortfall against net gain obligations. The price for a tariff on biodiversity units would need to reflect the costs of creating and managing compensation habitat in a suitable location, strongly incentivise the protection of existing habitats and encourage suitable local compensatory habitat creation when necessary.

We propose that the biodiversity net gain tariff price should cover the costs of:

- replacing and maintaining lost habitats, taking account of variation in land prices across the country; and
- delivery and monitoring costs of the compensation scheme.

The tariff price should also provide an incentive to:

- retain habitat on site and to limit local habitat losses; and
- seek net gain through use of local habitat creation schemes (whilst also encouraging cost-efficiency in local habitat creation or enhancement schemes).

Setting a high tariff rate could strengthen the incentive for local habitat compensation and generate the greatest community support for development, enabling local habitat markets to establish and be competitive while avoiding the risk of a tariff being a too easy route to permission to degrade the site of a development. The tariff rate could also be used to cap the price of the most inefficient habitat creation schemes.

We estimate that a tariff on biodiversity units, which meets the principles listed above, might be set between £9,000 and £15,000 per biodiversity unit. This range is based on the application of the existing Defra biodiversity metric, and would be adjusted in line with planned metric updates to avoid unjustified increases or decreases in costs. The tariff range is based upon existing costings for habitat creation and estimates for administrative costs. We will review this range in light of evidence from consultation responses and further engagement with stakeholders. Any final tariff rate would be a fixed price, set according to the development's location.

Tariff example: An illustrative development

A developer is building on a one hectare arable site. Around 0.1 hectare of the site will be landscaped grass and shrub planting, meeting local greenspace requirements. The rest will be developed with buildings, roads and hard landscaping. It is agreed that the remaining habitat loss cannot be avoided, minimised or remediated. There are no suitable habitat compensation sites available in the local area at the time of the planning application. The residual net gain requirements are therefore subject to tariff payment.

Biodiversity units before development = 2

Biodiversity units after development = 0.42

Biodiversity unit target to achieve net gain = 2.2*

Biodiversity units to be compensated via the tariff = 1.78

Tariff payment (at an illustrative £12,000 per unit rate) = £21,360

*Note: the risk adjustment factors in the Defra metric would likely require a developer to plan to achieve much more than 2.2 units, which is then adjusted to 2.2 units after accounting for time lags and difficulty of achieving the target state

28. Does this proposed range for tariff costs fit with the principles set out in this section?

29. Would this proposed range for tariff costs provide opportunities for cost-effective habitat banks and compensation providers to compete?

30. Do you agree with the proposed principles for setting the tariff rate, as set out in this section? Please suggest any other factors that should be taken in to account.

How a tariff could be collected and spent

We want to understand what mechanisms for collecting and spending the residual cash tariff would be straightforward for developers, deliver the best outcomes for the environment and local communities, and would not place additional burdens on LPAs.

Currently biodiversity is considered as part of a dialogue between LPAs and developers. At the end of this process there are existing mechanisms within the planning system²⁷ that can be used to levy developer contributions towards environmental enhancement where required. This would provide a mechanism to enforce and collect the tariff, with the advantage that it uses existing familiar LPA powers. We are considering how any model

²⁷ Planning obligations are secured by legal agreement under Section 106 of the Town and Country Planning Act 1990 (as amended) to fund infrastructure and affordable housing, these either take the form of negotiated agreements with obligations on both the developer and the local authority or unilateral undertakings, which can follow standard templates with minimal drafting required.

might affect the relationship between net gain and wider environmental and social demands on developer contributions and whether alternative models for collection might be preferable.

If a tariff is collected, decisions will have to be made about how it would then be invested. Habitat creation and enhancement would need to be carried out and monitored to ensure net gain was achieved, and it is preferable for these actions to be planned or completed prior to the loss of habitats that was is compensating for. Local decision-making about where and how the tariff could be spent might ensure investment is closely tied to local nature recovery and could deliver benefits for local people most affected by a development. On the other hand, there could be an important advantage to spending the tariff nationally in that it could create a fund to effectively deliver our national biodiversity enhancement priorities at the best value and with the greatest synergy with other 25 Year Environment Plan policies.

We are also considering the possibility of a model which blends a local and national approach – for example through a percentage split of tariff spend towards local and national priorities or clear national guidance on how local delivery can best contribute to national environmental outcomes. Such a blended model might aim to spend tariff revenue according to national nature strategies, but with a secondary objective of matching revenue investment to revenue sources where possible, thereby ensuring that the communities experiencing the greatest development rates would benefit the most from the resulting investment in nature.

31. How should the tariff revenue be collected?

- a. Locally (e.g. through a local authority)
- b. Nationally (e.g. through Natural England or another national body)
- c. Other, please specify

32. How should the tariff revenue be spent?

- a. Locally (e.g. through a local authority)
- b. Nationally (e.g. through Natural England or another national body)
- c. Through a blended model, allowing spending at both levels
- d. Other, please specify

33. If tariff revenue was collected and spent nationally, should spending prioritise areas which have contributed the most through biodiversity net gain tariff payments?