

Biodiversity units market may be a volatile one

Suzie Horne 06 February 2024



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The supply of and demand for units to meet biodiversity net gain (BNG) obligations is likely to be erratic, driven both by the seasonality of ecological survey constraints and the grant of planning permissions.

Broker Hugh Townsend expects this to create swings in prices. A good response to the first sale by tender of biodiversity units on Friday (2 February) saw more than 100 tender packs requested from his firm, Townsend Chartered Surveyors.

The sale offered 74 lots across a wide geographical and habitat range, in advance of the 12 February legal requirement for developers to improve the biodiversity associated with their sites by at least 10%, either on- or off-site.

The BNG obligation will be a condition to developers' planning approval.

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“It is still too early to predict what supply and demand will be going forward but, if the type of response on Friday continues, the demand could now be outstripping the current supply,” said Mr Townsend.

“Prices could well rise from the current range of £25,000-£40,000 for common types of habitats such as lowland meadow and grasslands.”

Wide range of values

The firm’s latest market report values BNG units at anywhere between £25,000 and £200,000 a unit before VAT and fees, and depending on habitat type.

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However, he would not be drawn on the number of tenders submitted or the volume of units covered by the tenders. Landowners have until 28 February to accept or reject developers’ offers.

Mr Townsend pointed out that there would be differences in values regionally and due to the effect of spatial weighting, which requires a higher number of units to be offered to meet a BNG obligation that is fulfilled off-site outside the local planning authority (LPA) in which the planning permission is granted.

“Development sites in the middle of the larger conurbations only have the option of buying further afield and this will therefore create extra demand in the more rural areas,” he said.

Mr Townsend expects that some developers will buy up units in bulk before their planning is granted, simply to secure units, while others will take options on potential BNG offerings.

The play between different types of habitat as to how they can be traded under the Defra metric rules is another unknown consequence,” he said.

Double opportunity

A combined sale of both nutrient neutrality credits for phosphates or nitrates along with BNG units on the same land can maximise the income from one parcel.

This can be a very attractive package, popular for LPAs requiring both for a development, and can make the sale process for both easier and quicker, said Mr Townsend.

It was surprising and concerning, he said, that even at a high level among national developers, there were still misunderstandings about how the BNG market works.