



PLAN

The Biodiversity Net Gain market gets underway

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by Gill Broad · March 11, 2024

Since mandatory Biodiversity Net Gain (BNG) legislation was introduced on 12 February 2024, trading in BNG units began as developers were compelled to meet the new planning obligations.

And while the market appears to be starting slowly, demand is expected to pick up later in the year as more planning permissions are granted and developers need to provide the necessary number of BNG units to allow schemes to proceed.

We look at this embryonic market and ask industry professionals for their views.



Biodiversity net gain has been introduced to protect and boost wildlife habitats.

The background to biodiversity net gain

The BNG concept was introduced to protect natural habitat and halt the rapid decline of many UK species and important ecosystems by making it a requirement that developments improve the biodiversity value of a site rather than reduce it. Since the introduction of BNG, which relates to developments falling under [Schedule 7A of the Town and Country Planning Act 1990](#), most developments must demonstrate a minimum 10% uplift in habitat biodiversity to secure planning permission. The planning condition aims to leave a development site in a measurably better state. The legislation applied to larger sites from 12 February 2024 and applies to smaller sites from 2 April 2024. From late November 2025, it will apply to nationally significant infrastructure projects.

Biodiversity net gain in practice

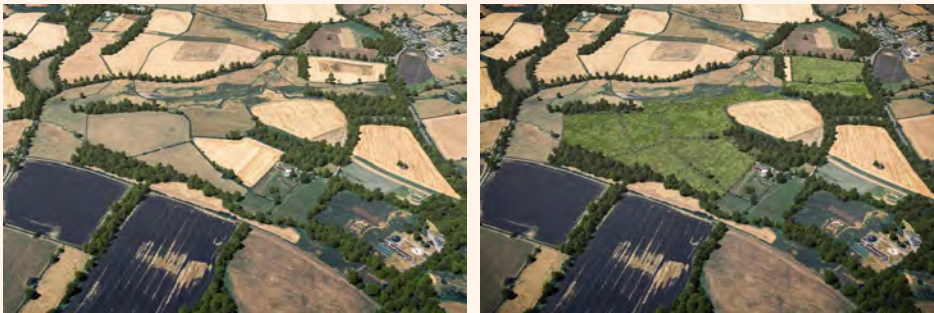
In granting planning permission, local planning authorities commit a developer to deliver a measurable improvement in biodiversity on the site of 10% or more, as assessed by the current [biodiversity metric](#). The BNG hierarchy states that BNG can be achieved on-site within the red line of a development site boundary. If a biodiversity net gain plan shows that it is impossible to apply a 10% uplift in net gain and make

the site viable, a developer can adopt the off-site compensation route and buy biodiversity credits to enable them to achieve BNG requirements. This involves a developer who is seeking credits linking up with a landowner who is offering off-site biodiversity units for sale.

Once credits, or units, are recognised by the local authority, they issue a Section 106 to enable the sale of the units by the landowner or their agents, and brokers can be used to connect sellers and buyers.

Landowners can secure a conservation covenant instead of a Section 106 with a responsible body, but as yet none exists. Conservation covenants must last for at least 30 years and bind the landowner and his or her successors to ensure the new biodiversity units created are successful.

If it proves impossible to identify on-site or off-site biodiversity units, statutory biodiversity credits can be purchased from the government as a last resort option.



Biodiversity net gain: before and after images of a habitat bank site managed by Environment Bank. Source: Environment Bank.

Industry views

We asked several industry professionals for their thoughts on the early stages of the emerging biodiversity net gain market.

Habitat bank creation company [Environment Bank](#) has over 6,000 acres of habitat creation underway nationwide. It aims to provide access to BNG units nationally to generate the off-site biodiversity units required by developers.

Environment Bank's Head of Sales, Dan Smith, said that it's been a busy start to the year in terms of sales enquiries, adding:

As BNG comes into effect for major developments, we expect to see this continue to increase. It won't always be

possible to deliver BNG entirely on-site and we are already seeing a growing demand for off-site biodiversity units nationwide as developers become increasingly aware of the benefits of off-site options and hybrid approaches to BNG.

Environment Bank has been preparing for this legislation since 2020, and we now offer England's broadest network of habitat banks – with biodiversity units available to purchase. In our experience, the market is moving at pace. We saw significant volumes of enquiries for our biodiversity units prior to legislation, and our enquiries have risen continuously since the legislation came into effect. The market is likely to grow as developers gain a deeper understanding of the difficulties associated with on-site BNG delivery for 30 years – such as ongoing monitoring and reporting responsibilities – as well as the numerous benefits of off-site solutions.

There will be other BNG providers out there, but many are unable to offer biodiversity units from habitat banks in progress, with funding already secured. From April, the legislation will also apply to small sites. These projects will require a smaller number of units, and it may be far more efficient to deliver these gains off-site in most cases – further increasing demand.

At our recent webinar on the BNG delivery options available for developers, we had more than 700 attendees. Of course, the market is still in its infancy – featuring a number of complexities with which developers are still getting to grips. More than anything, developers are looking for robust and reliable solutions that will enable them to effectively deliver BNG.



Environmental benefits: an established habitat bank. Source: Environment Bank.

Forecast for biodiversity net gain units

Hugh Townsend, founder of Townsend Chartered Surveyors said that while forecasts for BNG market values are important to both those considering investing in creating habitat banks on their own land and developers, it is hugely difficult to predict how this market will develop. He commented:

I have been involved with eight new government-created markets in my 38 years of trading and at this stage in the process it is always difficult if not impossible to predict an emerging market. Civil servants do not have a good track record of predicting how markets react or work and until tested by commercial interest, no scheme market created is properly understood in terms of how it will develop. There can be many surprises and I have seen many market forms created unintentionally.

However, there will always be a bottom to the BNG market price because of foregone incomes and the costs for the landowner of creating and maintaining habitats for 30 years. Should the price go near to this level I would expect the rate of supply to slow down as the BNG option became less attractive to landowners. This will then force prices to rise as a reaction to tightening supply and as with any market, we will then see prices rise again.

The biodiversity net gain approach is evolving

Mr Townsend said that he is not seeing the supply of units increasing greatly, judging by the number and acreage of BNG reports and Habitat Management and Monitoring Plans being commissioned, other than the usual seasonal increase as spring approaches. He said:

Creating habitats is not a quick process and it takes some time before supplying units to the market. It is difficult to predict whether supply will rise or fall in the next couple of years as this will depend on where the national market prices settle, which of course depends on demand. Because of the seasonality of carrying out grassland baseline surveys, supply cannot always respond immediately to higher demand.

Demand has a longer lead-in time, from when development projects are started, and planning is granted to when implementation is needed, making demand less flexible than the supply of BNG units. This is likely to lead to spikes in the price where developers will find it uncomfortable to wait too long for a cheaper price. This supports the idea of stockpiling units, and buying in bulk for future development projects. Troughs will have a bottom price, with the average landowners perhaps being comfortable to wait it out, with most land in the meantime bringing in an existing income.

There was considerable interest in Townsend's first national sale of BNG units on 2 February 2024. Mr Townsend commented that demand could outstrip supply judging by the response and prices could rise from the current range of £25,000 to £40,000 for common habitat types, with demand differing between areas. He added that development sites in larger conurbations will be forced to buy off-site biodiversity units, creating more demand in rural areas, and it is as yet unknown how different habitat types will be traded under the statutory biodiversity metric rules.



Habitat enhancement: a field margin bordering a wheat field.

Increasing enquiries from developers

Ben Askins, co-founder of environmental company [Gaia](#) which has established a marketplace for buying and selling formally registered biodiversity net gain units, said:

My view is that until the first real wave of planning permission starts to go through, we will not see a hugely active market. All our clients and customers seem to believe that mid to late summer is when the BNG market is likely to really get rolling. Because the industry is so new, supply and demand haven't had a chance to kick in yet, so a lot of pricing strategies are more from people copying what other similar units are being listed for.

As we go through the next few months, I am anticipating more of a divergence with the more in-demand habitats and locations going up in price and vice versa. At the moment, our marketplace average across 25,000 units is £28,700 per unit. We have seen over 350 'buyer' accounts set up on our platform since launch and so there is definitely a recognition that this is something that needs to be engaged with. Every week we are seeing an increase in enquiries as well for specific units, however, it is more in

the 'steady growth' column rather than an explosion overnight.

Final thoughts on the Biodiversity Net Gain initiative

In any emerging market, the initial months are difficult to predict as all the components need to slot into place and become workable. As the year moves on, the general view is that demand for BNG units will rise and the pricing structure for units will become clearer. While demand for off-site biodiversity units may well increase, habitat creation takes a long time which will affect supply and pricing: time will tell whether more landowners decide to dedicate land to BNG schemes.

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