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Senate Inquiry into Environmental Offsets

Submission from the Australian Koala Foundation (AKF) 25 March 2014

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On behalf of the Australian Koala Foundation (AKF), I am grateful for the opportunity to air our concerns about environmental offsets. Given that the Koala was only listed as a threatened species under the EPBC Act in May 2012 (in our opinion the listing of the Koala was delayed to relieve proponents of their obligations to consider impacts on Koalas), our direct experience of offsets pertaining to koalas under Federal legislation is somewhat limited; hence, while we will discuss a couple of projects of Federal relevance, we will also note a number of case studies of failures of environmental offsets permitted under State and Local Government approvals which provide important insights.

Let me be clear from the outset; the AKF is totally opposed to the concept of environmental offsets. They sanitise the destruction of our natural capital. Given the current state of Koala populations throughout Australia, there can be no role for offsets in Koala protection.

Environmental Offsets have been described by others as Faustian bargains¹ and we agree with the sentiment. In theory it all sounds so promising. If a proponent is going to take an action that will have an unavoidable negative impact on the environment, the proponent can 'offset' that negative impact by undertaking some other activity that provides an equivalent gain. Under current Federal Government policy, that offset can be improvements to existing habitat, creation of new habitat, reducing threats, or averting the loss of habitat that is under threat. Some other compensatory measures, such as education or research funding, can also be used to offset actions.

It's like an economist's dream; a nifty bit of policy that will solve all of our problems. But I believe that hindsight will show offsets will be the environmental version of Credit Default Swaps and all the other toxic financial derivatives products that lay at the heart of the Global Financial Crisis (GFC).

Let me expand on that thought... At the heart of the GFC were mortgage-backed securities, financial products that were dressed up to look attractive to investors, but which in truth were highly dependent on sub-prime mortgages; when those sub-prime mortgagees started to default on their payments, the entire system toppled over. In much the same way, environmental offsets can be viewed as the heart of *'offset-backed environmental*

¹ Maron, M., Hobbs, R., Moilanen, A., Matthews, JW., Christie, K., Gardner, T. A., Keith, D. A., Lindenmayer, D. B., McAlpine, C. A. (2012). Are restoration offsets Faustian bargains? Restoration realities in the context of biodiversity offset policies. *Biological Conservation* 155:141-148



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destruction.' The Nation's environmental capital is continually worn down, through urban development, road development, mining, forestry, while our biodiversity is insured against loss by offsets, with returns uncertain, and potentially non-existent. Like the GFC, if/when it emerges that these offsets have not provided for the promised biodiversity gains, our Nation will find itself crippled.

I fear that, much as those 'innovative' financial products emerged as nothing more than junk dressed up as gold, so too will many of the offsets supposed to guarantee the future of our country's environmental capital prove to offer far less of a return than promised. The Financial Crisis Inquiry Commission found that the GFC was caused by "a combination of excessive borrowing, risky investments, and lack of transparency" and "the failures of credit rating agencies" [to correctly price risk]. With foresight, one can draw real parallels with the creation and administration of environmental offsets, and see real dangers for our country. The development proponents are exaggerating the value of what they are proposing, and Government isn't putting the right price on the risks of what they are being sold.

Environmental offsets provide a means to allow for the destruction of important habitats, while the promised (and often exaggerated) equivalent gains to be realised at some unknown point in the future. Once developers have got their approvals, the enthusiasm for any required offsets is greatly diminished, and, as more time passes, many of the promised actions are neglected. We could point to a number of urban development projects in South East Queensland for example, where developers promised certain activities (replanting, prohibition on dogs etc.) to offset the negative environmental impacts of their developments, and yet, years later most of those promises have been forgotten.

Environmental offsets sanitise the continuing destruction of our environmental capital. To put it starkly, how is a Koala who finds its habitat destroyed going to benefit from offsets? What is a Koala, who has just seen their home bulldozed, supposed to do for the next 20 years while they wait for an offset tree to grow big enough to support them? How are they supposed to find their way to the offset site? Or are we as a nation simply prepared to let them die? In South East Queensland certain people certainly are. A recent development was conditional on the translocation of some 180 animals out of a population of about 300 animals. What was to happen to the rest? The Government didn't really seem to care. It must also be added that once the development was off the ground, the proponents started to complain and the project is in the process of being wrapped up before even those 180 animals have all been moved.

We would like to focus on five main themes to further develop this argument, but let me start with some general comments.

Offsets as a last resort solution

A core principle of environmental offsets at all levels of Government is that offsets should only be considered once all reasonable attempts to first avoid, then minimise, impacts have been exhausted. Yet it constantly appears that offsets have been accepted before all other avenues have been exhausted; 'reasonable' is taken to mean whatever the development proponent decides is reasonable. Road construction offers frequent examples, where road



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layouts do not appear to make any attempt to avoid or minimize the impact on Koalas or their habitat.

For example, the West Petrie Bypass in the Moreton Bay Local Government Area is a road infrastructure project currently being developed in Queensland; Council is currently supporting a plan that will build a four lane road through an area of significant koala habitat (Option G), instead of an alternative, cheaper route that will preserve the bulk of the existing Koala Habitat. Now let me make a prediction; despite the presence of a more environmentally sound solution to the alignment of this road, if council continues to support Option G, new trees will be promised to offset the loss of this habitat, rather than the simple solution... scrap Option G and look at some of the other, less environmentally damaging options.

Offsets in perpetuity

Another key principle is that offsets should be secured in perpetuity. And yet the recent decision to allow mining in the Bimblebox Nature Reserve demonstrates that, unless offsets are accepted into the National Park system (a proposal that the current Prime Minister would not appear to support, given his recent comments that “we have quite enough National Parks”), no form of security will really offer permanent protection.

Expectations

Prior to the 2013 Federal Election, the AKF called on all Federal members to voice their support for a Koala Protection Act. A comment included in one of the replies is worth quoting:

*“In my own electorate of Petrie, where construction has begun on the new Moreton Bay Rail Link, we have developed a Koala Action Plan to specifically manage the impacts of the project on the local koala population. Translocation has not been identified as a strategy for koala conservation on the project, with the main focus being on clearing vegetation sequentially. Priority will be given to the safety of any koalas in the area and **offset planting of koala habitat trees has already begun, so that by the time the project is complete in 2016 the trees will have reached non-juvenile status and be capable of supporting koalas.**”*

Now this offset was created under Queensland State policy. However it illustrates an important lesson is critical to the offsets discussion.

In the lead-up to the 2009 COP 15 Climate Change talks in Copenhagen, the Australian Koala Foundation (AKF) established a trial program to assess the growth rates and carbon storage potential of Eucalyptus trees. One aspect of this work involved planting tube stock *Eucalyptus* trees to monitor survival and growth. Five years later, only 2/3rds of the initial stock survived, and not one of the remaining trees has grown to a size sufficient to support koalas (average annual diameter at breast height growth rate has been ~0.9cm).



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It should therefore strike you as absurd to hear the assertion that trees planted no earlier than May 2012 would be 'capable of supporting koalas' less than 5 years later.

Development proponents continually underestimate the 'time factor' – how long it takes trees to grow, ecosystems to regenerate. Koala habitat trees will take 30, 50, sometimes more than 100 years before Koalas will fully utilise them. Offset formulas have been unable to properly price this 'time factor.' Ten or even twenty years is not enough time to reestablish a mature Eucalypt, let alone an entire ecosystem. I could draw a parallel to the agri-business investment schemes; unrealistic projections for timber yields and expectations regarding the growth of trees were a key component of the collapse of an entire industry.

Further, the amount of carbon held in a single tree, about the size of a telegraph pole, is already quite considerable. To immediately offset the loss of that carbon with newly planted saplings would require 2,000 saplings. Who is going to plant all these trees? Where are they all going to go?

Equivalence

It is clear to the AKF that in a number of recent approvals (of particular interest to this enquiry are approvals for projects in the Galilee Basin in QLD and at Maules Creek in NSW), that any environmental offsets have a strong likelihood of falling drastically short of providing an equivalent gain in biodiversity. The offsets required have undervalued the biodiversity to be destroyed.

Approvals for the Galilee Basin Coal Mine have allowed for the ruination of the Bimblebox Nature Reserve. The Bimblebox Reserve had been managed to protect its environmental values since 2000, and was recognised for its biodiversity values by both the Howard Federal Government, and the Beattie State Government, who declared the area a Nature Reserve in 2003.

While the offsets required to compensate for the loss of the Bimblebox Reserve have been specified, the actual offset areas have not, to our knowledge, been identified or secured; rather the Galilee Basin Offset Strategy has only defined in broad strokes where those offsets should be located. Further, the strategy document openly states that, owing to the significant numbers of resource tenures or tenure applications, that these identified areas may not be able to be protected into the future. The upshot is that offsets that have not been identified or secured, and may never regenerate to an equivalent state as is currently present in the Bimblebox, are being used to justify the destruction of a recognized Nature Reserve. Oh, and the Government recognises that, if someone wants to mine those offset sites, then mining will probably be allowed. And yet the Government is confident that these offsets will provide an equivalent gain in biodiversity.

Equally, the Maules Creek mining development will allow for the removal of endangered White Box grassy woodland, with this activity offset by the protection of existing White Box woodland elsewhere. Yet a number of highly respected experts have reported that these identified offset areas do not appear to contain anywhere near as much White Box Woodland as promised. It appears the Department of the Environment has accepted the



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proponent's offsets *prima facie*, without any diligence on their part. Again, how can the Minister feel satisfied that there will be no loss of biodiversity?

The simple fact is that offsets promise so much, but deliver so little. A key part of this is the failure to adequately acknowledge the *time factor*. Another key issue is the failure to consider the complexity of ecological systems – what Nature has taken millennia to create cannot be remade by man in a decade. Simply buying up land and replanting will not produce biodiversity anytime soon. To our knowledge, Logan City Council has one of the most comprehensively developed tools for calculating the ecological value of sites for the purposes of offsets. Yet even this would allow for the destruction of the last Koala habitat tree in Australia, if the proponent secured enough clapped out farmland as an offset. It is all just so wrong.

Additionality

Offsets must ensure no net loss of biodiversity. As such, offset activities must be additional to any activities already taking place. Yet there have been disturbing reports, particularly from Canberra², of offsets being accepted for actions in already secured Nature Reserves. In general it would appear that many of the sites secured as offsets are not under any present risk of development. The Mary's Mt. Blue Metal Gravel Quarry is a case in point. The proponent plans to secure a site at Black Jack Mountain, which is not, to the best of our knowledge, under any proposed threat. Planting some trees in an area that already has trees, already has a Koala population, will not increase biodiversity in the area. Where is the additionality in that?

At a local level, many Local Governments have been either complicit in or fooled by proponents promoting the protection of waterways as an offset for urban development when many of those sites are undevelopable due to flood/water issues, or targeting the removal of weeds, which are already controlled by local council bylaws.

The truth is that, if a site was under any real threat, the cost of securing that site would likely be too prohibitive for a development proponent. Unless a right to develop is recognized under a Planning Scheme or Legislative Instrument, and a development approval is granted, it could be argued that a site is not at risk; only when a development approval is granted would a site truly be at risk, yet at this point the cost of securing the land as an offset would sky-rocket. If environmental offsets were working as a policy, shouldn't we expect to see it in the market? Shouldn't we expect that land prices for sites of environmental value would be on the rise? But this doesn't appear to be happening. Instead we are still getting multiple reports that local council officers are telling local residents to, for example, get rid of their Eucalypts, because Eucalypts attract Koalas and Koalas on a site will reduce its value to developers.

² Gibbons and Zeil. It's becoming harder to see the trees for the revenue. *Canberra Times* 29 January 2014.



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Concluding Remarks

The AKF is firmly against environmental offsets. Senators - think about it from the point of view of a Koala. Your tree has been chopped down. What are offsets going to do for you? You have a pretty good chance of getting hit by a car or mauled by a dog as you are pushed out of your home. If you can manage to survive the initial eviction, you still have to figure out where you are supposed to go to find this new Promised Land. And then, once you have managed to get to the reservation, it's still going to be years before the new trees are of any use to you, and even longer before the ecosystem is completely restored, if ever. I mean, who thought this up anyway? It is ridiculous.

Offsets sanitise the destruction of our natural capital. It is simply green-washing the long-term damage urban development, mining etc. are doing to our Nation in the pursuit of short-term gain.