BBOP Conference
No Net Loss and Beyond
Session Nine
Management Agreements

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Management agreements

• A *contract* between a ‘principal’ and an offset provider

• Implement principles of biodiversity offsetting:
  - *security* of the offset
  - *duration* of the offset
  - *no net loss* provisions for the gain side
  - *like-for-like* features of the offset:
    # location
    # type
You need to think about:

- **Distribution of risk**
  - asymmetrical information (adverse selection, moral hazard)

- **Mitigation of risk**
  - due diligence
  - progress payments, credit release

- **Performance measures:**
  - inputs
  - outcomes (gain)

- **Transaction costs**
Management agreement contents

- Parties (legal entities)
- Commitments of the parties
- Management plan
- Specification of offset
- Schedule for progress payments or credit release
- Reporting and monitoring
- Enforcement
Statutory agreements between government and landowner
- Placed on land title – permanent
- Performance measured on inputs
- Progress payments
- Safety factors on required gain

Strengths and weaknesses
- High level of compliance (progress payments)
- Cost of establishing and maintaining agreements (cost recovery)
- Outcomes uncertain and difficult to measure