



BBOP Conference
No Net Loss and Beyond
Session Nine
Management Agreements

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Management agreements for offsets

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



Contract design

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



Case study - Victoria

- 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