

Beyond Carbon: Australia's Playbook for Nature Credits

1 BACKGROUND

"Nature credits" is shorthand to describe market mechanisms designed to achieve biodiversity benefits rather than solely storing carbon dioxide. The policy debate around nature credits in Australia is at a relatively early stage compared to carbon markets, though significant legislative developments have occurred since 2023. The Australian government has recognized that ecosystem services remain difficult to monetize and are not adequately reflected in market price signals, contributing to underinvestment in nature restoration and protection. The Australian [Nature Repair Market](#) was established to create a voluntary, project-based biodiversity crediting scheme that could generate income for landholders undertaking conservation work while providing investors with credible ways to support biodiversity outcomes. This approach mirrors the structure of Australia's existing [Australian Carbon Credit Unit \(ACCU\) scheme](#), leveraging similar administrative frameworks while addressing the more complex measurement challenges inherent to biodiversity outcomes compared to carbon units.

2 REGULATORY FRAMEWORK IN AUSTRALIA

Australia's national Nature Repair Market is established under the [Nature Repair Act 2023](#), with detailed operational requirements contained in the [Nature Repair Rules 2024](#). The [Nature Repair Instrument 2025](#) outlines requirements for methods to support the consistency in how biodiversity information is collected and measured and the ability to compare biodiversity improvements. The [Methods](#) are additional legislative instruments that set out how Nature Repair Market projects must be carried out. Thus far, only the method for [Replanting native forest and woodland ecosystems](#) has been published. These legislative acts collectively form the foundation for biodiversity certification and trading in Australia.

The administrative framework is modelled closely on the existing ACCU scheme for carbon credits, with the [Clean Energy Regulator \(CER\)](#) serving as the primary regulatory authority. This alignment allows for potential integration of biodiversity and carbon certificates within the same unit and certificate registry, streamlining administration for projects that pursue both objectives.

A key difference between the biodiversity and carbon market in Australia is that the [Carbon Credits \(Carbon Farming Initiative\) Act 2011](#) facilitates ACCUs being used as offsets for voluntary or compliance purposes, whereas the Nature Repair Act 2023 currently states that a biodiversity certificate must not be used for environmental offsetting (Subsection 76a). This differentiates the federal nature repair market from preexisting biodiversity offset schemes at state level (i.e. the [New South Wales Biodiversity Offsets Scheme](#)). The nature repair market is intended to complement the regulation of offsets and encourage investment in activities that repair and protect nature.

In substance, the new scheme is connected to domestic nature protection law (e.g. *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act)) and existing obligations, for example in determining additionality. Australia's nature protection law is currently undergoing a

major reform ([Environment Protection Reform Bill 2025](#)). For new projects and environmental impacts, Australia is now implementing a mitigation hierarchy (avoid, mitigate, repair, offset)¹ as well as a “net gain” requirement. Whereas Subsection 76a of the Nature Repair Act 2023 currently prohibits the use of biodiversity certificates for environmental offsetting purposes, the Environment Protection Reform Bill 2025 is set to change this to allow biodiversity certificates to be used for offsetting purposes if certain requirements are met.²

2.1 Eligibility Requirements

To participate in Australia's biodiversity credit scheme, projects must satisfy several eligibility criteria:

1. **Geographic Requirement:** The project must be carried out in Australia
2. **Additionality:** The activity cannot be required by law, meaning it must exceed existing regulatory obligations.
3. **Method Compliance:** The project must follow an approved "method" that specifies eligible activities, operational rules, and measurement protocols for biodiversity outcomes

The first available method under the scheme is the [Replanting Native Forest and Woodland Ecosystem Method](#). This method applies where native forest or woodland is planted on land that was previously cleared of native forest or woodland but currently does not support native forest cover.

2.2 Project Registration Process

Project proponents must demonstrate appropriate legal standing to participate. Eligible persons include individuals, companies, local, state or territory government bodies, and trusts (Subsection 7 Nature Repair Act 2023). The project proponent must possess the legal right to carry out the project and obtain consent from all eligible interest-holders, including landowners, mortgagees, and native title rights holders. A fit and proper person assessment is also required.

The application process requires submission of:

- A geospatial map of the project area
- A starting site assessment undertaken by a suitably qualified person
- A project plan guiding implementation toward nominated outcomes

The site assessment report must establish three critical benchmarks:

1. **Baseline:** The starting ecosystem condition state of each activity area

¹ This is comparable to the mitigation hierarchy under German nature protection law (§13 of the Federal Nature Protection Act = *Bundesnaturschutzgesetz*).

² Per Subsection 625 of the Environment Protection Reform Bill 2025 Subsection 76a of the Nature Repair Act 2023 is to be repealed and substituted by the following text: “(1) A biodiversity certificate issued in respect of a registered biodiversity project must not be used for an environmental offsetting purpose unless: (a) under the methodology determination (the applicable methodology determination) that covers the registered biodiversity project, the biodiversity certificate may be used for an environmental offsetting purpose; and (b) if the applicable methodology determination sets out requirements for the purposes of subparagraph 45(1)(ea)(ii)—those requirements are met; and (c) if the rules specify requirements for the purposes of this paragraph—those requirements are met.”

2. **Reference Ecosystem:** The highest level of ecological integrity, stability, and resilience that the land could attain, serving as a restoration benchmark
3. **Restoration Target Level:** The specific outcome to be achieved

Once the Clean Energy Regulator determines that a project meets all requirements, it is registered with the [Biodiversity Market Register](#). Future implementation will transition these records to the Unit and Certificate Registry alongside ACCUs.

2.3 Monitoring and Reporting Obligations

Following registration, project proponents undertake ongoing monitoring and reporting responsibilities:

- **Project Execution:** Ensure the project is carried out in accordance with the approved project plan,
- **Ecosystem Tracking:** Continuously monitor ecosystem condition by comparing relevant indicators against the reference ecosystem and established benchmark values,
- **Reporting Frequency:** Submit biodiversity project reports demonstrating progress toward targets at intervals ranging from every six months to five years.

When ecosystem condition indicators reach predetermined threshold values suggesting the biodiversity outcome will likely be achieved, the project proponent may apply for a biodiversity certificate. This certificate represents the biodiversity outcome that the respective project is designed to deliver.

2.4 Certificate Characteristics

The Australian biodiversity credit system issues **one certificate per project**, irrespective of land area covered. Key features include:

- **Permanence Periods:** Project proponents must select a registered permanence period representing the minimum duration the biodiversity outcome must be maintained. Options include either 25 years or 100 years. If the biodiversity outcome is reversed within this timeframe, the proponent must surrender the corresponding biodiversity certificate.
- **Stacking with Carbon Projects:** Australia's framework permits stacking biodiversity projects with carbon projects, allowing project proponents to receive both a biodiversity certificate and ACCUs for activities on the same land area. This dual-certificate approach recognizes that many land management activities simultaneously generate carbon sequestration and biodiversity benefits.
- **Trading and Use:** Certificates serve multiple purposes:
 - they can be held to credibly and publicly claim the biodiversity outcomes delivered by the project,
 - they can be sold on a voluntary market to generate income,
 - demand comes from individuals and entities wishing to invest in biodiversity projects.

2.5 Market Demand and Government Role

Unlike compliance-driven carbon schemes but much like most schemes involving natural carbon removals, Australia's biodiversity market operates on **voluntary demand**. However, the government could play a significant role in stimulating demand through several mechanisms:

1. **Public Tender Programs:** State governments, particularly New South Wales through its Biodiversity Conservation Trust, open [Conservation Tenders](#) to protect high-quality native habitat. Landowners submit bids naming annual payments they would accept for implementing conservation management plans, with successful bidders ranked by value for money entering conservation agreements.
2. **Direct Government Purchases:** The government may purchase biodiversity certificates, creating direct public sector demand for biodiversity outcomes (Part 6 of the Nature Repair Act 2023). However, there is currently a lack of public funding for this mechanism.³
3. **Supporting Funding Programs:** Various federal programs provide complementary support for biodiversity conservation, including the [Natural Heritage Trust](#) and the [Saving Native Species Program](#).

2.6 Integration with Existing Schemes

The Australian approach demonstrates flexibility in connecting biodiversity and carbon crediting. The legislative architecture allows biodiversity projects to run concurrently with ACCU schemes without mutual exclusivity. This stacking capability reduces transaction costs by enabling joint monitoring and registry mechanisms for projects pursuing multiple environmental objectives.

The Clean Energy Regulator manages both carbon and emerging biodiversity registries, potentially consolidating oversight within a single administrative body. This integration leverages existing regulatory expertise while accommodating the distinct measurement challenges of biodiversity outcomes.

3 CONCLUSIONS

Since the Australian Nature Repair Market scheme is quite new and clearly not yet fully developed, it is difficult to judge its potential and environmental effectiveness at this point. However, both strengths and flaws of the scheme are already observable. Its success or failure will depend on the government's willingness and ability to further develop the regulatory framework and to fix design flaws.

3.1 Strengths of the Australian Nature Repair Market scheme

Australia's nature credit regulatory framework represents a sophisticated, project-based approach to biodiversity market creation that deliberately builds upon established carbon crediting infrastructure.

The framework provides high environmental integrity through rigorous additionality requirements and clearly defined permanence obligations. The tiered permanence options (25 or 100 years) theoretically allow project proponents to match commitments with realistic management capabilities while ensuring meaningful long-term conservation outcomes. The ability to stack biodiversity and carbon certificates recognizes the multi-functional nature of landscape management and maximizes value generation for landholders.

³ Capell, P. (2025). From Potential to Practice: Scaling Australia's Nature Repair Market. Global Voices. <https://www.globalvoices.org.au/post/from-potential-to-practice-scaling-australia-s-nature-repair-market>.

Government involvement potentially extends beyond regulation to active market participation through public tenders and conservation agreements.

3.2 Weaknesses of the Australian Nature Repair Market scheme

Despite its structural sophistication, the Australian scheme faces significant practical constraints. While the Nature Repair Market officially opened in March 2025, as of July 2026, only two projects have been registered in the [Biodiversity Market Register](#). The main reason cited for this lack of participation is poor market design.⁴ At present, it is unclear who will buy the biodiversity certificates and how they will be valued. This, naturally, is a problem faced equally by other voluntary schemes. Currently, the eligibility of nature repair market projects is also restricted to certain types of ecosystems (forests and woodlands) because there is presently only one method available. Expanding available methods is necessary to broaden participation beyond afforestation-focused projects, though method development and approval processes may create delays. Consultations on the proposed [Enhancing native vegetation method](#) are currently underway and one more method (Protect and conserve) is expected to be released in early 2027.⁵

Participation remains entirely **voluntary**, lacking the compliance-driven demand that characterizes mature (energy related) carbon markets. Without mandatory offsetting or other requirements for mitigating biodiversity damage, the market depends on corporate social responsibility commitments and investor preferences rather than regulatory obligation.

Australia's Nature Repair Market scheme has also been criticized as an excuse for the government to shirk its financial responsibilities when it comes to protecting and conserving threatened native species and their habitats⁶. It is obvious that the market, especially at an early stage of development, can at best complement but not replace public conservation funding.

3.3 Implications for Market Development

Australia's nature repair market establishes an important precedent for establishing a nature credit scheme within a developed regulatory environment. Its integration with carbon crediting infrastructure demonstrates practical pathways for managing multiple environmental outcomes through unified administrative systems. However, the voluntary nature of current arrangements limits market scale and efficiency.

The framework's success will ultimately depend on whether sustained demand emerges from private investors (possibly compliance led) and whether additional methodologies expand eligible activities beyond the current plantation-focused approach. Government support through public tenders and conservation agreements could provide crucial early-stage demand, but long-

⁴ Capell, P. (2025). From Potential to Practice: Scaling Australia's Nature Repair Market. Global Voices. <https://www.globalvoices.org.au/post/from-potential-to-practice-scaling-australia-s-nature-repair-market>.

⁵ Commonwealth of Australia. (2026). Methods for the Nature Repair Market. <https://www.dcceew.gov.au/environment/environmental-markets/nature-repair-market/methods-for-the-nature-repair-market>

⁶ Ritchie, E., Chee Y. E. (2026). Australia's 'green Wall Street' is failing to launch. Threatened species deserve better than the nature repair market. The Guardian, <https://www.theguardian.com/commentisfree/2026/may/18/australias-green-wall-street-is-failing-to-launch-threatened-species-deserve-better-than-the-nature-repair-market>.

term market viability requires broader private sector engagement and potentially more ambitious policy interventions that create compliance-driven demand for biodiversity outcomes.

The Australian model offers valuable lessons for other jurisdictions considering nature credit systems, particularly regarding regulatory design that maintains environmental integrity while enabling practical market operations. Its evolution should inform ongoing EU policy developments, including the Commission's Roadmap⁷ towards Nature Credits and the Committee of the Regions' recommendations⁸ for harmonized EU-wide frameworks.

⁷ European Commission. (2025). Roadmap towards Nature Credits, COM(2025) 374 final. https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=comnat%3ACOM_2025_0374_FIN.

⁸ European Committee of the Regions. (2025). Designing nature credits: A framework to promote biodiversity and ecosystem services. <https://www.cor.europa.eu/en/our-work/opinions/cdr-0140-2025>.

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