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# The NSW government is choosing to undermine native vegetation and biodiversity

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Policy changes will lead to more land clearance TTaylor , CC BY-SA

While everyone's eyes were turned to the Federal budget last Tuesday, the NSW government released a very controversial piece of draft legislation that will remove restrictions on land clearance and, despite their claims, threaten biodiversity.

The new reforms implement the recommendations made in the NSW Biodiversity Legislation Review but the economic assumptions underlying both documents are not accurate or acceptable.

The reforms aim to "conserve biodiversity" and "facilitate ecologically sustainable development". However, they will only do so in a perfect world where farmers have complete

knowledge about the value of native vegetation, where there are no spillover effects from land clearance, and where landowners care about the long-run condition of the land as much as they care about current income. Outside of this world, the Baird government's reforms will lead to large increases in land clearance, increased carbon emissions and more threats to endangered species.

While some aspects of the new legislation are informed by ecological science, the main approach derives from economic theory. Essentially, the government will repeal the Native Vegetation Act, 2003 (NVA), which restricted land clearance on farms, and replace it with a market-based approach that provides flexibility for farmers to clear land.

While the NVA had certain exemptions where land clearance was allowed, the new Biodiversity Conservation Act has many more and applies a risk-based approach. The risk is loosely framed around threats to endangered species or communities. For example, low-risk vegetation includes land that has been cleared at some point in the last 25 years, and grasslands assessed as being of low conservation value.

Based on a farmer's self-assessment of risk, land clearance is allowed at the lower risk levels while it requires approval at higher risk levels from Local Land Services – administrative bodies that can include other farmers as members (itself a possible conflict of interest). A biodiversity market can be used to offset land clearance impacts at these high-risk levels. That is, landowners who clear land can either buy credits in the Biobanking scheme or pay money into a biodiversity trust fund.

In contrast, under the NVA, any approved land clearance had to be offset by improving the environmental condition of other areas on the property. This ensured protection for biodiversity at the local level.

Thus, the new approach will “broaden and deepen” the use of biodiversity markets and it will apply offsetting at the regional and State level rather than the local level, which means that local biodiversity will be lost.

The government's argument for taking this approach is that the current system “doesn't deliver”. This is simply not true. Since the NVA was implemented in 2004/5, land clearance for agriculture has reduced from an average of 21,500 hectares to 16,000 hectares per year. A 2009 review of the NVA stated that from 2006-2008 the legislation led directly to the conservation or rehabilitation of 250,000 hectares.

Thus, if the aim is to conserve biodiversity and deliver ecologically sustainable development, the NVA certainly has delivered. Of course, the NVA may not be delivering maximum short-term economic gains for some farmers and large agribusiness firms, but that is another matter.

## **The underlying economic assumptions don't stack up to reality**

The government claims that the new legislation will both facilitate economic development and protect the environment. By giving farmers more freedom, they say, native vegetation will be preserved and protected. The old legislation creates perverse outcomes, they argue, and limits the actions of responsible farmers. If we put trust in the farmers, they state, the environment will be conserved.

However, for these environmental benefits to be realised under the looser, market-based approach, the following three conditions need to apply. First, farmers would need to have perfect knowledge about the impact of native vegetation on their current and future incomes.

For example, farmers would need to understand the value of native vegetation in halting erosion and salinity, providing wind breaks, harbouring bird diversity, restricting pest invasions and supporting current and future agricultural productivity. Only then can farmers accurately value the conservation of native vegetation.

The second condition that the draft legislation assumes to be true is that land clearance creates no spillover effects. However, native vegetation does not simply provide benefits on a farmer's own property. It provides spillover benefits such as pest resistance, flood control, wind protection and pollination services to other properties in the local area. Native vegetation also provides regional benefits, such as climate and water regulatory functions, and it houses threatened and endangered species and biodiversity valued by other citizens.

Unless farmers are forced to consider these spillover effects, as they were forced to do under the NVA, they will make decisions on the basis of private benefits and costs only. Thus, they will clear too much relative to the desires and needs of society and other local land users. The legislation does require offsetting of high-risk land clearance which in some way internalises the spillover cost, but the market-based offset price is not equal to the social impact and spillover costs occur when low and medium-risk vegetation is cleared as well.

The third unrealistic assumption of the draft legislation is that the 'discount rate' of landowners is identical to society's. That is, it is assumed that the rate at which farmers discount future income compared to current income is the same as society's rate of discount. In contrast, if landowner's rate of discount is greater than society's, too much land will be cleared relative to the needs and desires of society and future generations.

The impact of high discount rates can be seen in the extreme in the clear cutting of tropical forests where farmers are poor and desperate. NSW farmers may not be as poor and desperate as landowners bordering the Amazon, but as they frequently tell us, they are highly indebted and being squeezed from all sides between multinational input suppliers and highly-concentrated domestic food wholesalers and retailers. Thus, according to their own evaluation, farmers have high discount rates and as such a focus on short-term economic interests rather than environmental sustainability will drive decisions under the proposed legislation.

## **The Baird government is undermining the long-run condition of the land**

The theory underlying the government's reforms assumes that farmers know best. That is, farmers know how to best manage their land (perfect knowledge), they will incorporate their neighbour's needs and the broader public interest (zero or internalised spillover effects), and they will act in the long-run interest of the land (discount rate equal to society's). Because these assumptions are untrue in reality, the new legislation will lead to a vast increase in land clearance and loss of biodiversity. This exact result occurred in Queensland when similar changes were made to land clearance laws.

Aware of the devastating effects of the Queensland legislation on land clearance, the government has claimed that NSW is "not Queensland" and that more checks and balances are in place. But these checks and balances are still designed for a world with perfect knowledge, no spillover effects and perfectly forward-thinking landowners. Thus, the checks and balances will not "deliver".

Ultimately, the major impact of the reforms is to free up land clearance, to make it easier to clear and to reduce regulation. As all environmental problems stem from unrestrained economic activity, the removal of regulation can only be seen as a decision to accept a lower

land condition – a land with more erosion and salinity, less species and biodiversity, and eventually less economic productivity as well.


The Baird government seems to believe that we exist within an unrealistic, textbook version of a free-market economy and is setting policy on the basis of free-market ideology and in response to the demands of large agribusiness firms and food retailers who want still lower farm-gate prices. In setting policy this way, the Baird government is promoting a less sustainable land condition and undermining the prosperity of future generations. This is no way to manage the commons.

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