Biodiversity Net Gain: Good for Nature, Bad for Business?

DTRE

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If asked to conjure up a picture of the UK, many of us might sketch rolling hills, bounding sheep or Jeremy Clarkson trying to reverse a Lamborghini Trattori (a tractor) into a barn a foot too small.

It may come as some surprise then, that the UK is one of the least biodiverse and most nature-depleted countries in the world with just 53% of the country's original nature still intact, well below the global average of 79% (Natural History Museum Biodiversity Index).

It's in part for this reason that Biodiversity Net Gain (BNG) was introduced under the Environment Act 2021, becoming mandatory for major developments across England from February 2024 (small sites followed in April 2024), requiring new developments to deliver a minimum 10% improvement in natural habitats.

It's a one-of-a-kind requirement around the world, and certainly commendable in its goal. **But now, two years on, it's time to ask: Is BNG achieving its goals, or simply stymieing business?**

1. Developers' Can of Worms

The introduction of BNG set a new global high standard for biodiversity monitoring and measurement in development. For developers, critics claim it means a specifically English headache when it comes to investing and building.

To achieve a 10% biodiversity net gain, developers have three options, taken in order of preference.

01
ON-SITE-GAINS
Gains delivered within the boundary of the development site.

IF NOT ACHIEVABLE

02
OFF-SITE-GAINS
Gains delivered on land elsewhere. Either their own land, or via off-site biodiversity credits purchased on the private market.

LAST RESORT

03
STATUTORY CREDITS
Statutory biodiversity credits, purchased from the government as a last resort.

It's had little impact on standing assets. We are aware of multiple land sales in the last two years that have collapsed under the added costs of meeting BNG requirements. It's a policy that requires a specialist team which means extended timescales ahead of breaking ground, an added financial burden through assessment and ongoing monitoring and maintenance requirements.

Critics argue BNG makes the UK less competitive for global capital. *With build costs high and viability already fragile, they see it as a nice-to-have that's blocking development the UK needs to grow.*

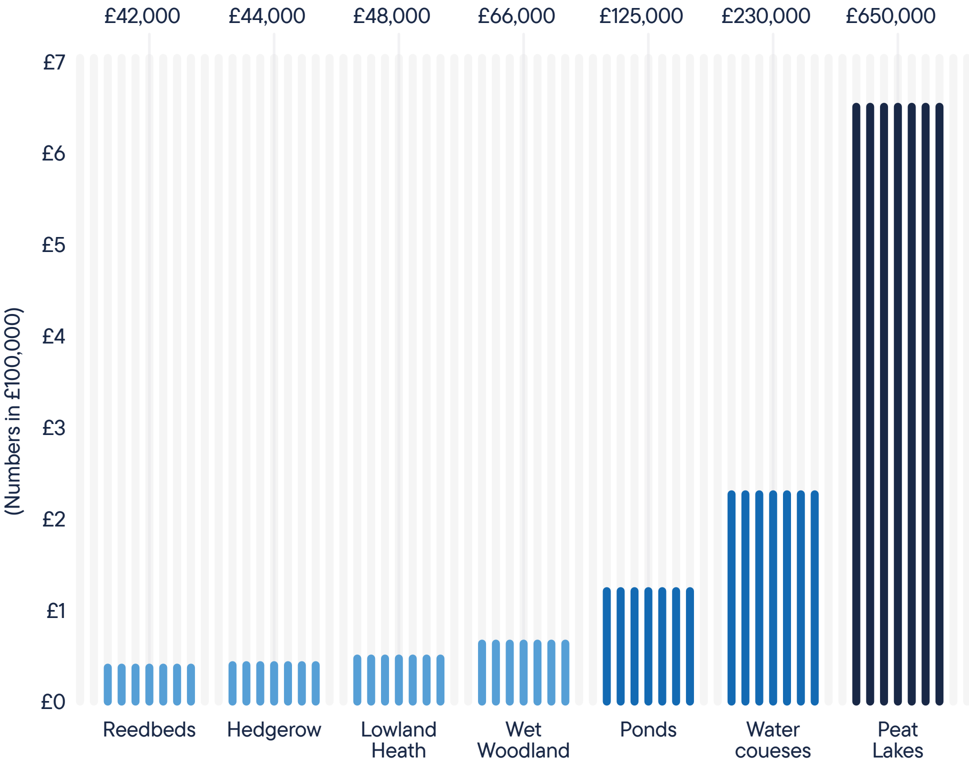
2. What are BNG's Biggest Flaws?

Statutory Biodiversity Credits: A Faulty Last Resort

The government's statutory credit scheme exists as a fallback when developers cannot deliver BNG on-site or through the private market. Credits are therefore deliberately expensive: the cost of a single unit starts at *£42,000*, rising to *£650,000* for the rarest habitat types. Natural England reviews these prices roughly every six months, so the figures will move again before long.

Statutory biodiversity credit prices (£), by selected habitat:

Source: Defra, Statutory biodiversity credit prices, GOV.UK guidance



While the principles behind this are sound in practice, where the private market is thin, costly credits may be the only option, effectively amounting to a developer tax that risks making building unviable.

From an environmental perspective, the more fundamental issue with statutory credits is where funds are funnelled. Revenue is supposed to fund habitat creation across England, but there is little transparency over which schemes are selected and why. *If the government is simply funding the cheapest available habitat creation rather than the most ecologically valuable, the credit system becomes a mechanism for offsetting biodiversity loss on paper rather than genuinely compensating for it.*

Natural England's third annual report on biodiversity net gain statutory credits, covering April 2025 to March 2026, shows a real improvement on year one. Income from credit sales more than doubled, administration costs fell sharply, and almost all of the money has now been committed.

GROWTH IN CREDIT INCOME

+100.1%

CREDIT INCOME TO DATE

£639,020

SPENT ON HABITAT CREATION

£530,000

But the £530,000 spent on habitat creation bought a single project, one habitat type, in one location - not yet evidence of a maturing, diversified credit market.

THE £530,000 IN DETAIL

One
Project funded, at a single site in Lincolnshire

44.6
BNG units of grassland and floodplain wetland mosaic

18%
Of income on administration - £76,306, against roughly 145% in year one

£31,714
Left unspent at year-end

Source: Defra, BNG Statutory Credits Report 2025–26, GOV.UK (June 2026).

It's a clear improvement, but should we expect more from a scheme that Natural England claims is "operating as expected"?

Habitat Banks: An Uncomfortable Commercial Reality

The private off-site credit market has its own commercial problems. The best candidates are degraded landscapes: we visited a former gallops, where decades of use compacted the ground and stripped back vegetation, leaving genuine scope for flora and fauna to return.

While the ecological opportunity is real, the economics are much harder to make work, not least because a 30-year commitment carries real climate exposure: flooding, drought and shifting habitat suitability can all undermine the ecological outcome long before the units are ever sold.

Before any return, habitat owners must factor in:

1. Land costs

2. 30 years of active habitat management

3. Ecological monitoring

4. Legal overheads

5. Void risk on unsold credits

6. Climate and physical risk to the habitat over a 30-year term

The resulting income is illiquid, long-dated, and exposed to unit price risk in a market still finding its feet. This is not a profile that suits commercial capital.

The unspoken expectation, is that the private habitat market will be underpinned by conservation-minded landowners for whom ecological outcomes matter more than financial return, or by struggling landed gentry, mostly grateful for any income on their costly estates. BNG relies implicitly on passion projects to do the work institutional money won't. Subsidies should be considered to grow the private credits market and spread the financial burden more fairly.

Redevelopments and Future Projects: Potentially Catastrophic Misincentivisation

Potentially the most damaging unintended consequence of BNG, though, is the incentive it creates to actively suppress biodiversity on land held for future development.

The BNG obligation is calculated against the site's pre-development ecological value. The lower the baseline, the cheaper the 10% uplift. Developers with strategic land holdings therefore have a direct financial incentive to suppress biodiversity.

There are some provisions in place to prevent this. But the data to support such action is incomplete and the enforcement capacity of already stretched councils highly limited. As an alternative, legislators should instead consider allowing biodiversity baselines to be set from the date of purchase (rather than pre-development) – thereby allowing strategic land holdings to contribute in the interim.

The brownfield problem compounds this. BNG makes no distinction between brownfield and greenfield sites. Contaminated land gets no exemption and must be remediated to its ecological baseline before any gain is even calculated. The result is a policy that punishes exactly the kind of land improvement it should be rewarding.

3. BNG's Hidden Upside

Pricing the Upside

Critics aside, there are many green-fingered BNG enthusiasts that tell a very different story. They point to both physical and financial benefits of BNG adherence, beyond the simple fact of compliance.

The annual value of nature, and what it is worth capitalised.

£41bn

TOTAL ANNUAL VALUE

The UK's natural resources contributions to the economy and society

£7.9bn

Recreational health benefits

£508bn

CAPITALISED ASSET VALUE

The same recreational health benefits, valued as a long-term asset rather than as a single year's £7.9bn flow - 64 times that annual figure.

VALUED LONG-TERM, NOT ONE YEAR

Source: Office for National Statistics 2025 (data for 2023), UK natural capital accounts 2025

Recreational health benefits make up roughly a fifth of the £41bn annual value the ONS attributes to UK natural capital. The gap between the £7.9bn annual flow and the £508bn capitalised value is the difference between one year's benefit and the asset that produces it. These are enormous figures, albeit fairly abstract and hard to define.

The Physical and Financial Case

Beyond the macro picture, proponents also point to more localised benefits for developers, including:

- Trees and deep-rooted plants mean better storm defence and flood prevention
- Bark mulch protects land against heat and drought
- Roof greening improves temperature regulation and mitigates the urban heat-island effect

All critical routes to future-proofing assets.
On the financial side, buildings with enhanced biodiversity and climate resilience often attract more favourable insurance terms. *Biodiversity is also an important step towards achieving best-in-class status, often commanding higher rents and returns as the flight to quality of recent years has demonstrated.*

While these benefits are far harder to substantiate than the straightforward deal-or-no-deal arguments put forward, our experience working with occupiers and investors tells us that sustainability and biodiversity are becoming increasingly important drivers of absorption rates and liquidity.

4. What's Changing in 2026

Much of the criticism above is starting to land. A significant reform package confirmed through 2026 addresses several of these issues.

Key Dates:

12 Feb 2024
- Mandatory BNG commenced for major development.

2 Apr 2024
- Mandatory BNG extended to small sites.

15 Apr 2026
- Defra publishes its response to the minor, medium and brownfield development consultation, and to the NSIP consultation. New brownfield exemption consultation opens.

10 Jun 2026
- Defra brownfield exemption consultation closed. Thresholds of up to 2.5ha were under consideration; no exemption yet made.

6 Aug 2026
- **First reform package in force**
  - 0.2ha area-based exemption takes effect, subject to a priority habitat carve-out
  - Self-build and custom-build exemption scrapped
  - New exemption for temporary permissions of five years or less
  - Gains hierarchy parity for minor development - offsite gains given equal preference to onsite

  Applies to applications submitted on or after 6 August 2026. Earlier applications remain under the full regime.

2 Nov 2026
- BNG becomes mandatory for Nationally Significant Infrastructure Projects. A 10% requirement applies to DCO applications submitted on or after this date, with no sector exemptions.

Later 2026
- Conservation-led and parks, playing fields and public gardens exemptions; digital metric tool and assessment refinements roll out.

Awaited No Date
- Government response on the brownfield residential exemption, expected Q3–Q4 2026. Spatial risk multiplier reform, moving from LPA to LNRS areas, has no commencement date.

5. Will BNG survive?

Yes, it's here to stay.

A country with just 53% of its original nature left intact doesn't get to treat biodiversity strategy as optional, no matter how bad it is for business. It's a national priority, and the market is starting to treat it as one.

Ramboll's European Biodiversity Metric is a direct descendant of BNG's own measurement approach, commissioned by Amazon and built with a cross-industry steering group. It explicitly adapts England's statutory biodiversity metric using the same scoring logic behind BNG for use across the continent; that's a vote of confidence in the mechanics BNG pioneered, and it's being copied because it's the only serious model out there.

Achieving its goals?

The flaws are real. There was no other country's version to copy, no precedent to borrow from, no one else's mistakes to learn from. The credit pricing, the strategic land loophole, a brownfield rule that can't tell contamination from neglect, all follow from that. That's the price of going first. But going first isn't an excuse to stop.

The 2026 reforms fixed the obvious, exemption thresholds, parity for minor development. Credit pricing, the strategic land loophole and the brownfield rule are all still live, and they matter more, not less, because the need for BNG isn't going away.

Bad for business?

Right now, BNG still isn't showing up in transaction pricing, and for most owners it looks like a development-stage cost, priced into a scheme and forgotten once planning is granted. In our conversations with lenders and insurers, that's starting to shift. Due diligence questions are creeping in, and cover terms are starting to reflect nature and climate risk alongside more established metrics.

None of that is being driven by legislation. It's the market deciding, on its own terms, that this matters, and markets tend to move faster than regulators once they start.

That should change how asset owners think about BNG, not just developers. If lenders and insurers start treating biodiversity the way they already treat flood risk and EPC ratings, it stops being a one-off build cost and becomes an ongoing asset-quality question that follows a building through its life, not just through construction.

You only need to watch a few minutes of Clarkson's Farm to see how fragile our ecosystems are. One bad season of weather or a disease outbreak and the knock-on effects ripple for years. That fragility is exactly why biodiversity matters and why BNG has longevity. Regulation built to manage it was never going to arrive fully formed.

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