A Well-functioning BNG Market

Final report

The Wildlife Trusts

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Disclaimer

Document evolution

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Executive summary

Biodiversity Net Gain requirements

In February 2024, Biodiversity Net Gain (BNG) was launched to compensate losses and restore biodiversity in England. The policy requires land use developments under the Town and Country Planning Act to have a net (at least 10%) positive effect on biodiversity in England by enhancing biodiversity on or off site. The aim of the scheme is to ensure development results in more or better-quality natural habitat than before development. Where off-site biodiversity enhancement is required, this creates a market for developers to buy biodiversity units (BUs) from suppliers.

Market analysis

Recent research by eftec for The Lifescape Project (henceforth "Lifescape") (eftec, 2025) on the first year (2024-25) of the BNG market has shown evidence of poor implementation, including possible misuse of the de-minimis exemption, which is restricting demand for biodiversity creation and enhancement. This project builds on that analysis, and other recent research, to quantify the potential scale of a well-functioning BNG market in England. The project also investigates wider economic benefits that a more developed market could deliver.

The assumptions and data inputs on BNG market demand used in this report are the same as for the eftec (2025) work for the Business as Usual (BAU) and a 'well-functioning BNG market' (Scenario 2a; eftec, 2025). The baseline (Year 1) BAU scenario describes the current use of exemptions for the first full 12 months since the introduction of BNG. Scenario 2a allows for exemption from BNG for all applications of up to 0.1ha in size and is used in this report to characterise likely demand in a 'well-functioning BNG market'. It does not represent the policy position of The Wildlife Trusts, which advocates for all development to deliver BNG.

This demand data is combined with evidence of BU supply from the Wildlife Trusts and other organisations involved in habitat banking and other supply actions. These were compared for the current and short term (approx. 2-5 years) markets to estimate the potential surplus and scarcity of BUs in the market, and to estimate the economic benefits of habitat creation to meet market demand.

Key findings

Despite uncertainties in projecting future supply and demand, which are described in the method for this analysis, the analysis shows with reasonable confidence that:

- A well-functioning BNG market could trade over 13,000 BUs annually compared to the current BAU scenario where around 7,000 units would be traded in the market every year.
- At the national level, the estimated demand and supply for BUs under both BAU and well-functioning market scenarios suggest there is enough supply to meet national demand in every year from 2025 to 2028. The overall surplus of BUs is lower in the well-functioning BNG market scenario, but still positive, suggesting that the market would be able to absorb the extra demand.

- In a well-functioning market available evidence suggests that supply will be adequate to meet projected demand beyond 2027. Data is not available on all potential supply for this timescale, but as demand reaches the market and confidence in the scheme improves, it is likely that supply will increase. Furthermore, greater confidence in demand in a well-functioning BNG market will encourage more supply (ether through new suppliers or existing supply reaching the market faster) – creating a virtuous circle. If the demand for BUs were to increase and lead to scarcity, then the price of BUs would likely rise and encourage more supply of BUs.
- Habitat creation and restoration to meet the BAU demand from development leads to over £135 million in economic output and gives full time employment to over 1,300 people annually. This could be significantly enhanced with a well-functioning BNG market, which would support a total of £250 million in economic activity and over 2,450 full time jobs each year.
- The main limitation restricting operation of a well-functioning BNG market appears to be the public sector, through national policy uncertainty, and in local regulators, where poor implementation and/or insufficient capacity in the planning system are understood to be limiting both BU supply and demand.
- As supply responds to demand and there is minimal supply of priority habitat sites, this would suggest that the mitigation hierarchy is working by discouraging developers from destroying these habitats. However, further evidence is required to understand this market incentive.
- A well-functioning market can be achieved through the land use planning system by:
    - Implementing BNG fairly and as intended across all development;
    - Restricting the use of exemptions, particularly the de minimis exemption, to stimulate demand. Improved guidelines for planning applicants and better monitoring by local authorities will reduce the accidental or deliberate misuse of this exemption, leading to a better implemented policy; and
    - Removing restrictions on BU supply, such as slow Section 106 approvals.
- A well-functioning BNG market would complement many existing policies in England. It will help the UK meet its commitments to protect 30% of nature by 2030 and implement the Kunming-Montreal Global Biodiversity Framework. Its disincentive for land use development to damage biodiversity supports the biodiversity objectives of the Environment Act. It can complement Local Nature Restoration Strategies (LNRSs), which can help identify suitable habitats and locations for restoration and expansion, and further facilitate a pipeline of projects for developers seeking a supply of BUs. Financing of the supply side could come from the mobilisation over £500 million annually of private finance dedicated to nature recovery in England, under the Environmental Improvement Plan.

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1. Introduction

This report uses demand and supply side data for Biodiversity Units (BUs) to analyse the current and future Biodiversity Net Gain (BNG) market. The purpose is to understand: the scale of a well-functioning BNG market and the associated outcomes for nature; its relationship to the scale of land use development required for policies to increase housing provision; and the economic benefits it can deliver.

In February 2024, BNG was launched to mitigate the effects of land use developments on biodiversity in England. The policy requires developers to replace any habitat they destroy through creation or restoration actions. Following the mitigation hierarchy[1] if developers cannot avoid or minimise destruction of habitat, they must compensate for this loss and deliver net gain of at least 10%, by restoring habitat on-site or off-site, including purchasing BUs from habitat banks, or as a last resort, by purchasing statutory biodiversity credits from Defra. The purpose of BNG is to ensure any habitat lost or degraded by development is replaced in greater quantity and/or quality.

Research by The Green Finance Institute (Green Finance Institute, 2024) and Knight Frank (Harley, 2024) shows that offsite BU demand in England has been lower than expected, in part, due to possible misuse of regulatory exemptions such as the de minimis threshold or a higher than expected reliance on on-site mitigation. These factors may limit the potential demand and market growth for off-site BUs, and the wider economic benefits that such growth could support.

Recent research for Lifescape (eftec, 2025) on the implementation of BNG has confirmed this misuse of the de-minimis exemption. The eftec (2025) study explored five scenarios which showed how changes in the size thresholds or exemptions could affect the potential size of the market and biodiversity. One of the scenarios (2a in eftec, 2025) was based on the proposed introduction of an exemption for sites up to 0.1 ha together with stricter monitoring and implementation of exemptions for sites larger than 0.1 ha. This would prevent the widespread use of de minimis exemptions, with larger sites only able to use exemptions for BU supply sites (habitat banks), or Nationally Significant Infrastructure Projects (NSIPs)[2].

This scenario (2a) is used in this report to characterise likely demand in a 'well-functioning BNG market'. It does not represent the policy position of The Wildlife Trusts, which advocates for all development to deliver BNG. Scenario 2a results in an almost 150% increase in the number of planning applications subject to BNG, an 80% increase in the spatial footprint of the development sites subject to BNG and an 82% increase in BU market demand. This scenario would allow small site (<0.1 ha) housing developments to proceed with less restriction and time delay, and better protection of nature, so is considered a reasonable estimation of a "well-functioning" market to use in this analysis.

Section 2 of this report presents market analysis of demand and supply, followed by economic benefit analysis in Section 3, and discussion of policy alignment and conclusions in Section 4.

[1] The mitigation hierarchy requires developers to Avoid – Minimise – Restore – Offset/Compensate https://www.gov.uk/guidance/biodiversity-net-gain

[2] Ending the NSIP exemption is part of Government's recent policy consultation: Biodiversity net gain for nationally significant infrastructure projects - GOV.UK

2. BNG market analysis

This market analysis compares supply and demand for BUs in England. There is a lack of transparent data for the whole BNG market. The current format of the BNG register does not make clear the number of available BUs and the volume of supply by habitat type, as highlighted in Duffus *et al.* (2025). This not only makes it harder to track environmental outcomes, but also weakens the market, as the volume and type of demand and supply are unclear to sellers and buyers, respectively, reducing efficiency.

To analyse demand, this analysis uses the results from the "BNG in Small Developments" project that eftec undertook for Lifescape (eftec, 2025) in June 2025. That project used data kindly provided by the Planning Portal on the number of land use planning applications, between October 2023 and February 2025, that were subject to BNG, the number and type of exemptions, and the Pre-Development Biodiversity Units (PDBUs) in each Local Planning Authority (LPA) and in each size of site category. The data was cleaned and analysed for the period March 2024 to February 2025, to represent an annual scenario of BNG market demand from development.

The main analysis determined the spatial footprint of applications for development using an average area for each size of site category. Average approval rates (79%) were applied across the collated data to estimate the number of approved applications, those subject to BNG or exempt, the number of PDBUs on development subject to BNG and estimated BU demand. Five scenarios were also tested in the work, including "Scenario 2a", which assumes exemptions are better implemented, and all sites up to 0.1 ha are exempt, and hence characterises likely demand in a 'well-functioning BNG market'. This Scenario does not represent the policy position of The Wildlife Trusts, which advocates for all development to deliver BNG.

2.1 Demand

The methodology for estimating the national BU demand in the two scenarios is described in Sections 2 and 3, and Appendix 1 of the Lifescape report (eftec, 2025). The assumptions and data inputs used in this report are the same as for that analysis. This report builds on the eftec (2025) work by comparing the demand in the BAU and 'well-functioning BNG market' scenarios (eftec, 2025), with evidence of BU supply from The Wildlife Trusts and other third sector and private market suppliers. The definitions for the two demand scenarios are shown in Table 2.1.

Table 2.1: Definitions of the two scenarios used in this analysis

Scenario	Definition of demand
BAU	The current (Year 1) demand scenario which reflects actual use of exemptions and BU demand, over a 12-month period from March 2024 up to the end of February 2025.
Well-functioning BNG market	A scenario where there is full exemption for any site up to and including 0.1 ha in size. Over this size, only BNG site and NSIP exemptions apply.

The well-functioning BNG market scenario removes de-minimis exemptions for over 13,000 applications, increasing demand by over 6,000 BUs per year. Other outputs and comparisons of demand from eftec (2025) are shown in Table 2.2.

Table 2.2: Comparison of BAU and well-functioning BNG market over a year

Scenarios and descriptions	BAU (using data from March 2024 – February 2025)	Well-functioning BNG market (prediction using BAU data)
Planning applications submitted		
Number of applications	101,728	100,347*
Spatial footprint of all development (ha)	57,891	57,105
Number of applications with BNG exemptions	87,981	66,342
Number of applications subject to BNG	13,747	34,006
Number pre-development biodiversity units (PDBUs) in applications subject to BNG	94,376	171,869
Planning applications approved		
Number of applications approved	80,381	79,291
Number of approved applications with BNG exemptions	69,519	52,421
Number of applications subject to BNG after approval	10,862	26,870
Spatial footprint of approved development subject to BNG (ha)	23,160	41,454
Number of PDBUs subject to BNG	74,572	135,804
BU Market Demand		
Estimated off-site demand for BUs, current year	7,339	13,365

Source: eftec analysis of Planning Portal data
* Note that planning applications dating from pre-BNG legislation have been removed from the baseline sample to generate this number.

Additional analysis was conducted to estimate the demand at a regional level, for both the BAU and well-functioning BNG market. For the well-functioning scenario, this required the additional assumption that the distribution of additional demand per region follows the same distribution as the regional demand in the BAU case. From the regional demand presented in Table 2.3, we can see that in both scenarios, the largest demand is from the South East, while the lowest demand is from London. This makes sense given that the South East has the largest population in England, while urban London is likely to have smaller size developments that are more likely to avail of the de minimis exemptions. These urban developments are often on small brownfield sites which may have low baseline biodiversity value in the biodiversity metric and the biodiversity gain objective is more easily met on-site. It should be noted that brownfield sites can have significant biodiversity value.

Table 2.3: Annual estimated offsite BU demand by region

	Total BU Demand (modelled from BAU data)	
Region	**BAU**	**Well-functioning BNG market**
East Midlands	982	1,789
East of England	1,014	1,846
London	177	322
North East	538	979
North West	527	960
South East	1,698	3,093
South West	862	1,569
West Midlands	788	1,435
Yorkshire and The Humber	753	1,372
Total	**7,339**	**13,365**

Source: eftec analysis of Planning Portal data

As for the distribution of demand over time, it is assumed that once applications are approved, there will be a delay to the actual market demand of BUs as this usually doesn't occur until commencement of the development. Until the development has commenced or, at the latest, is nearing completion, the actual BUs required may not be fully known and developers may be reluctant to purchase them. Some developers however may want to buy units early in the application process, reducing their risks relating to BU supply. It is estimated that overall, the full market demand for BUs will not be realised until four years post introduction of BNG, due to this lag after the approval of planning applications. The assumptions for each year of the timing analysis and respective estimated BU demand for that year are shown in Table 2.4 (see Appendix 1 for further details).

Table 2.4: Timing of BU demand coming online post application

Time period	Proportion of applications that require compensation in time period	Estimated BU demand in time period		Cumulative proportion of applications that require compensation in time period	Cumulative estimated BU demand in time period	
		BAU	Well-functioning BNG market		BAU	Well-functioning BNG market
Within 1 year of approval	25%	1,835	3,341	25%	1,835	3,341
1-2 years after approval	35%	2,569	4,678	60%	4,403	8,019
2-3 years after approval	30%	2,202	4,009	90%	6,605	12,028
3-4 years after approval	10%	734	1,336	100%	7,339	13,365

Source: eftec analysis of Planning Portal data

2.2 Supply

The supply-side data was provided by The Wildlife Trusts and other organisations who have developed habitat banks that deliver BUs to the market. Data was in a variety of formats that were collated and filtered to estimate BUs and a range of other information.

Due to commercial data sensitivities regarding these sites, especially those not yet active in the market, data was provided at a range of aggregation levels. At the highest level, data was provided on the number of available BUs or the area of land being used to generate BUs, the region of sites or BUs to be provided, habitat types featured, and the year they are planned to become active. Most sites/units were planned to reach market within the next two years (i.e. 2025 or 2026).

Some organisations provided more detail at the site level including the specific habitats for which BUs are available, the planned month or quarter when the sites will be available, and in some cases, the size of habitat area or the number of BUs per habitat type.

The date at which data was generated varied across organisations between December 2024 and July 2025. The volume of market supply may have changed considerably since the end of December 2024, so the supply data provided in this report represents an estimate. For many sites the actual timing of when their BUs will become registered is uncertain due to delays in planning or suppliers adjusting the timelines of their pipelines in response to market demand and future policy uncertainty.

The data provided reflects a proportion of the overall supply of offsite BNG units. There are further habitat banks who have not contributed to this research, so the supply-side of the market described here will be an underestimation of the total, especially for 2026 onward where suppliers' pipelines are unknown.

Data on active gain sites were taken from the BNG register (via The Wildlife Trusts, pers. comm, July 2025). Data exists on the areas and condition of habitats at the baseline and after planned habitats improvements, not on the number of available BU. The number of BUs is estimated in the aggregate using an assumption on the average BU/ha for uplifted land across all habitat types, based on an assumption in a recent report comparing on and off site net gain (Hill *et al.* 2025) (see Appendix 1 for more details). Data is provided for BUs that have already been sold, although due to the lags between demand and supply, and the ability to reserve units ahead of purchase, this does not present an up-to-date view of the market.

The data was cleaned and manipulated using various assumptions in order to be able to compare the data that was received in various formats and units (details are provided in Appendix 1). Additionally, given the data constraints, analysis is presented at an aggregated national level, by year, and then broken down by region. More detailed analysis is presented on a subsection of the data.

Overall, supply data provided represents over 150 sites, in addition to data from the BNG register totalling over 230 sites with an estimated 41,000 BUs (see Table 2.5). The number of units planned to be supplied to the market in 2025 is more than double those planned for 2026, with a much smaller number currently being planned to be brought online in 2027. This is in line with the understanding of the market from one supplier, who expected more supply in 2025 than 2026 (The Wildlife Trusts, pers. comm, July 2025). Additionally, the figures for 2025 are from a larger segment of the market, as they contain data on active

sites from all providers, not just those who supplied data for this research.

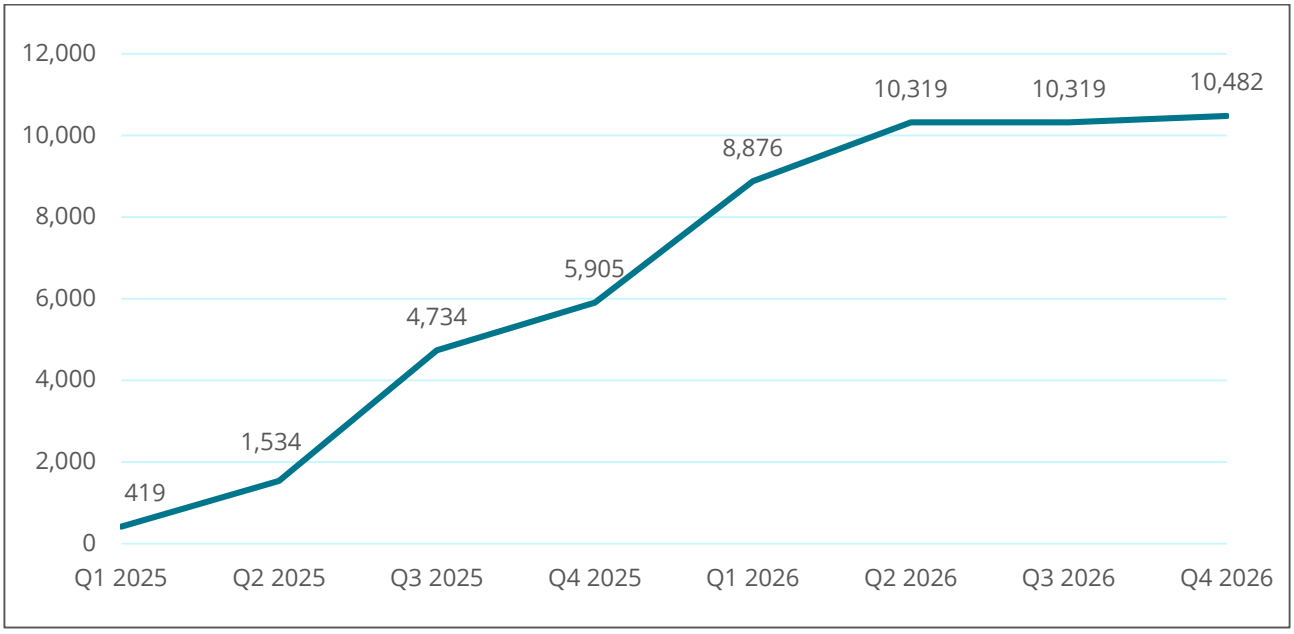
Furthermore, sites for the current year are likely to be further along in development, meaning more sites may be able to be brought online in subsequent years if there is sufficient demand. Supply is also likely to fluctuate in line with market confidence. Confidence is dependent on a number of factors, including support and commitment by Government on the future rules for BNG. The "Other" category in Table 2.5 reflects this, as whether these sites come online is subject to future demand.

Table 2.5: Planned supply of annual BUs by NGOs and the private sector

Year	2025	2026	2027	Other	Total
Number of BUs	26,571	10,878	3,321	604	**41,374**

Source: eftec analysis of data provided for this project from the Wildlife Trusts and others

Figure 2.1 shows a subset of BU suppliers gave more detailed estimates of the timing of their BU supply. This demonstrates the cumulative supply of units entering the market, broken down to the quarter in which units are planned to be active. The graph highlights the lag in getting units onto the market, given BNG has been in operation since February 2024, and how suppliers are looking ahead by around 12-18 months, after which planned supply tapers off.

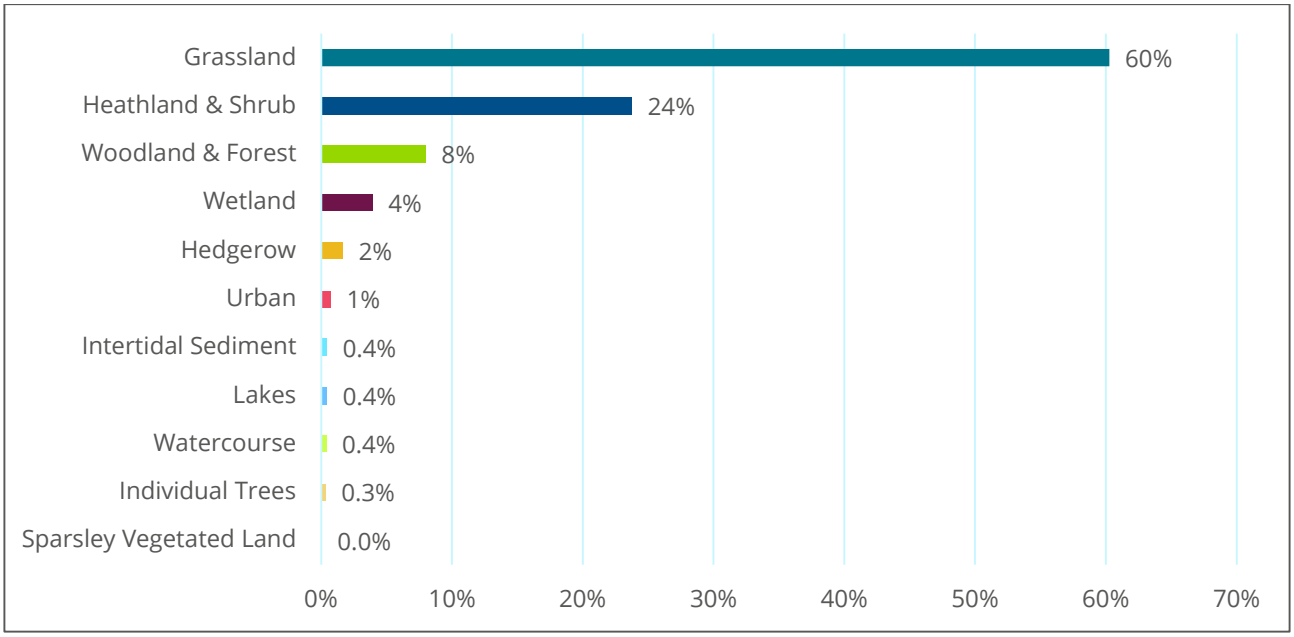


Source: eftec analysis of data provided for this project from the Wildlife Trusts and others

Figure 2.1: Cumulative planned supply of BUs into the market, from a subset of the data

Based on another subset of data received on specific sites, the proportion of BUs in each broad habitat type being supplied are shown in Figure 2.2. In general, units are dominated by grassland and heathland & shrub units, making up 60% and 24% of planned total supply, respectively. Many of the remaining broad habitats type units are rare. These results echo other research into early functioning of the BNG market (Duffus *et al.*, 2025; Savills, 2025), who find the type of units available are mainly from these habitat types.

It is difficult to untangle whether these outcomes suggest the policy is working as intended. This may be the case if mainly non-priority habitats are being developed on, such as grassland, or if developers are intentionally avoiding the destruction of priority habitats, due to the scarcity and expense of the supply of BUs relating to such habitats. Or it may reflect that grassland units are easier to supply through creation or enhancement compared to other habitat types. It is also likely that when development requires off-site mitigation of priority habitats, supply will be on a small scale and require more expertise. This may require direct interaction with suppliers who can deliver these bespoke solutions, rather than engagement with the wider BNG market.



Source: eftec analysis of data provided for this project from the Wildlife Trusts and others

Figure 2.2: Proportion of planned BUs by broad habitat group, from a subset of the data

The regional distribution of the supply of BUs is shown in Table 2.6. The largest proportion of units is in the East of England, followed by the South West, while there are currently no data on units planned to be delivered in London. The data only represents a proportion of the total market, but gives some evidence on regional variation. While units can be purchased from habitat banks anywhere in the country, the metric applies a "spatial multiplier" penalty if local units (defined as being in the same LPA or National Character Area (NCA)[3]) are not used. This problem may be exacerbated by the lack of available units for certain habitat types, which could be worse at a regional or local level, meaning developers will be required to purchase non-local units, thus increasing their costs.

[3] While there are no units available in the London region (i.e. none in London LPAs), the boundaries of NCAs can cross multiple regions. Therefore, some parts of the London region may be able to buy "local" BUs from within the same NCA, even though its from a differing region. An example of this would be parts of East London being in the "Greater Thames Estuary" NCA, which is predominantly in the East of England, and hence can buy "local" BUs from a different region and not face a spatial multiplier penalty.

Table 2.6: Total supply of BUs by region

Region	Number of BUs
East Midlands	4,010
East of England	10,199
London	0
North East	5,215
North West	3,371
South East	8,660
South West	5,121
West Midlands	2,330
Yorkshire and The Humber	2,467
Total	**41,374**

Source: eftec analysis of data provided for this project from the Wildlife Trusts and others

2.3 Market analysis

The BU demand and supply data described above can be used to analyse the market spatially and over time to understand the scale of a well-functioning BNG market.

For the BU demand, the market analysis was undertaken using the assumptions around timing between demand signals from planning application and actual market demand as presented in Table 2.4. That is, only a portion of demand comes to the market each year. Demand accumulates as the proportion of demand entering the market each year is added to the proportions from previous years. By year four (2028) the market demand is at its peak (given current development and off-site mitigation rates).

The pipeline of supply is shown from 2025 to 2028, even though uncertainty in the market may be restricting the number of sites that are currently registering as habitat banks for BNG. It is assumed that the small number of units in the "Other" category (see Table 2.5) will join the market in 2026. Planned supply for 2027 tapers off significantly, as most providers are not planning this far in advance. Therefore, this analysis should be interpreted as a lower bound for the national supply pipeline over the next few years.

BU surplus is the difference between the BU demand and supply, with a (positive) surplus showing there is more supply than demand, while a (negative) deficit suggests there is a scarcity of BUs (i.e. not enough supply on the market to meet demand). In the analysis, it is assumed that any surplus from the previous year rolls over to the next year's supply (see Appendix 1 for details).

The analysis is at an England level, but there is also some detail on regional analysis provided. Regional analysis helps identify where there may be market constraints due to limited supply, and where this scarcity must be addressed through the sourcing of BUs in other regions. This results in additional costs to

developers who must apply the spatial risk multiplier (Defra, 2024) to the number of BUs they must purchase to compensate for the biodiversity they destroy.

Table 2.7 presents the estimated demand and supply for BUs at the national level from 2025 to 2028, under the BAU and the well-functioning BNG market scenario. Under both scenarios there is enough supply to meet national demand in every year from 2025 to 2028 even though the surpluses decrease from 2027 as more demand comes to the market. The overall surplus of BUs is lower in the well-functioning BNG market scenario, even though it is still positive by the end of the period despite the partial data on supply, suggesting that the market would be able to absorb the extra demand.

The BU market for the current year (2025) will be the most accurate, as only five months of the year remain, and the bulk of habitat banks will have registered their available BUs for the year. Looking forward, some habitat banks that will register to supply BUs in 2026 and beyond are still in the administration and development processes required for habitat creation and restoration, and so many BUs will not yet have come online. However, it is likely that supply will rise to meet demand and as this analysis does not represent the whole potential supply to the market, the below underestimates the actual surplus, particularly in the years after 2025. Additionally, if the demand for BUs were to increase, then the price of BUs would likely rise, encouraging more landowners to enter the market to supply BUs.

Regional analysis for both scenarios (Table 2.8 and Table 2.9) shows the surplus and scarcity of BUs in each region. In the BAU scenario (Table 2.8), analysis shows a surplus of BUs in all regions across the time period apart from London, where there is a small scarcity of 177 BUs by 2028. This occurs as despite there being limited demand, due to a scarcity of biodiversity in a mainly urban region, there is also little potential for the supply of habitats with no active or planned sites. This suggests that developers will have to source offsite BUs from other regions with more chance of incurring spatial multiplier penalties.

In a well-functioning BNG market (Table 2.9), demand may outpace the current pipeline of supply in more regions and lead to scarcity unless habitat suppliers adapt rapidly to the market. The analysis shows that the gap between demand and supply will increase most by 2028 across the Midlands, the South East, and Yorkshire and the Humber, with smaller scarcity in London. However, overall there is still surplus BUs nationally, even with a limited amount of supply being modelled by 2028, and it is likely that more supply will enter the market if a scarcity of units is likely.

Table 2.7: National BNG market analysis over time

Scenario	2025			2026			2027			2028		
	BU supply	BU demand	BU surplus	Cumulative BU supply	Cumulative BU demand	BU surplus	Cumulative BU supply	Cumulative BU demand	BU surplus	Cumulative BU supply	Cumulative BU demand	BU surplus
BAU	26,571	1,835	24,737	36,218	4,403	31,815	35,136	6,605	28,531	28,531	7,339	21,192
Well-f. BNG market	26,571	3,341	23,230	34,712	8,019	26,693	30,014	12,028	17,985	17,985	13,365	4,621

Source: eftec analysis of Planning Portal data and data provided for this project from the Wildlife Trusts and others

Table 2.8: Regional BNG market analysis over time (BAU)

Region	2025			2026			2027			2028		
	BU supply	BU demand	BU surplus	Cumulative BU supply	Cumulative BU demand	BU surplus	Cumulative BU supply	Cumulative BU demand	BU surplus	Cumulative BU supply	Cumulative BU demand	BU surplus
East Midlands	1,741	246	1,495	3,380	589	2,791	3,157	884	2,273	2,253	982	1,270
East of England	7,147	253	6,894	9,399	608	8,791	9,319	912	8,407	8,387	1,014	7,373
London	0	44	-44	0	106	-106	0	159	-159	0	177	-177
North East	4,411	134	4,276	4,859	323	4,536	4,739	484	4,255	4,235	538	3,697
North West	2,558	132	2,427	2,801	316	2,485	2,905	474	2,430	2,410	527	1,883
South East	4,533	425	4,109	5,722	1,019	4,703	5,198	1,529	3,669	3,649	1,698	1,951
South West	3,343	215	3,127	6,413	517	5,896	6,369	776	5,594	5,574	862	4,712
W. Midlands	1,457	197	1,260	1,749	473	1,277	1,642	709	933	913	788	125
Yorkshire and The Humber	1,382	188	1,194	1,894	452	1,442	1,808	678	1,130	1,110	753	357
Total	**26,571**	**1,835**	**24,737**	**36,218**	**4,403**	**31,815**	**35,136**	**6,605**	**28,531**	**28,531**	**7,339**	**21,192**

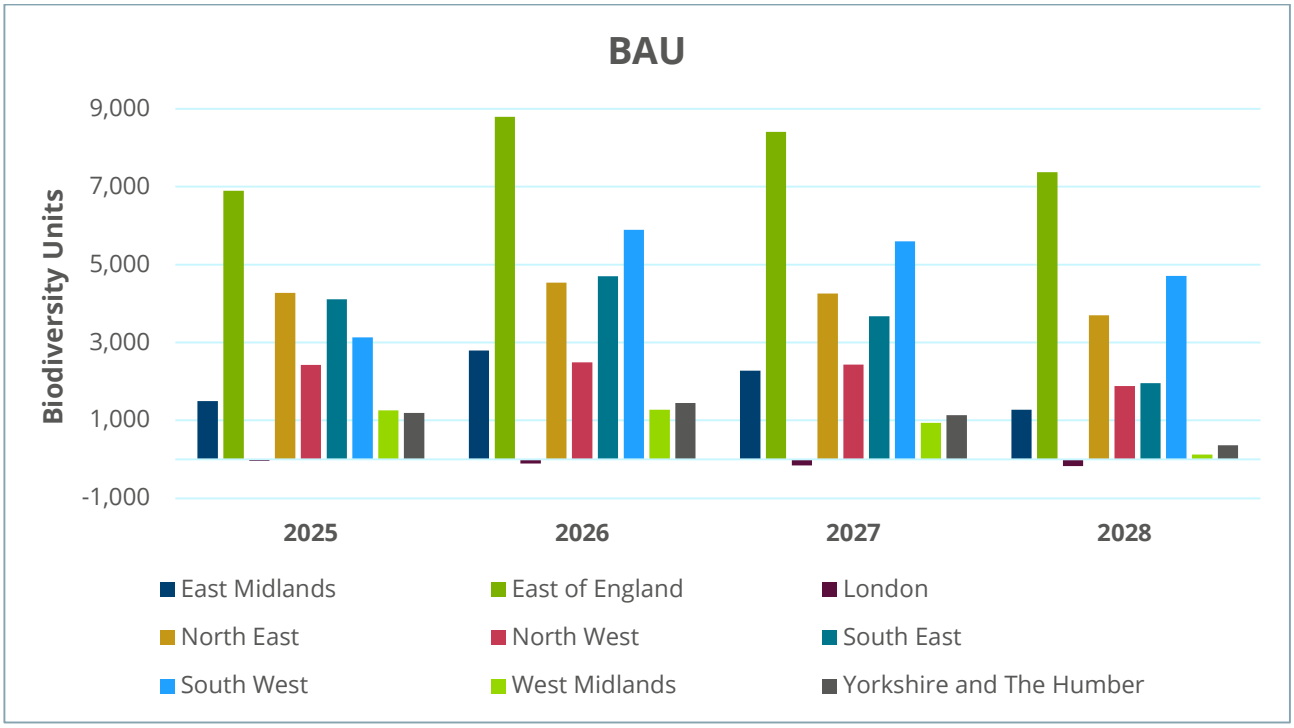
Source: eftec analysis of Planning Portal data and data provided for this project from the Wildlife Trusts and others

Table 2.9: Regional BNG market analysis over time (Well-functioning BNG market)

Region	2025			2026			2027			2028		
	BU supply	BU demand	BU surplus	Cumulative BU supply	Cumulative BU demand	BU surplus	Cumulative BU supply	Cumulative BU demand	BU surplus	Cumulative BU supply	Cumulative BU demand	BU surplus
East Midlands	1,741	447	1,293	3,174	1,073	2,101	2,456	1,610	846	762	1,789	-1,027
East of England	7,147	462	6,685	9,187	1,108	8,079	8,596	1,661	6,935	6,851	1,846	5,005
London	0	81	-81	0	193	-193	0	290	-290	0	322	-322
North East	4,411	245	4,166	4,744	588	4,156	4,348	881	3,467	3,383	979	2,403
North West	2,558	240	2,318	2,689	576	2,113	2,521	864	1,658	1,573	960	614
South East	4,533	773	3,760	5,369	1,856	3,513	3,997	2,784	1,213	1,129	3,093	-1,964
South West	3,343	392	2,950	6,231	942	5,290	5,753	1,412	4,340	4,256	1,569	2,687
West Midlands	1,457	359	1,098	1,583	861	722	1,077	1,291	-214	0	1,435	-1,435
Yorkshire and The Humber	1,382	343	1,039	1,735	823	912	1,267	1,235	32	32	1,372	-1,340
Total	**26,571**	**3,341**	**23,230**	**34,712**	**8,019**	**26,693**	**30,014**	**12,028**	**17,985**	**17,985**	**13,365**	**4,621**

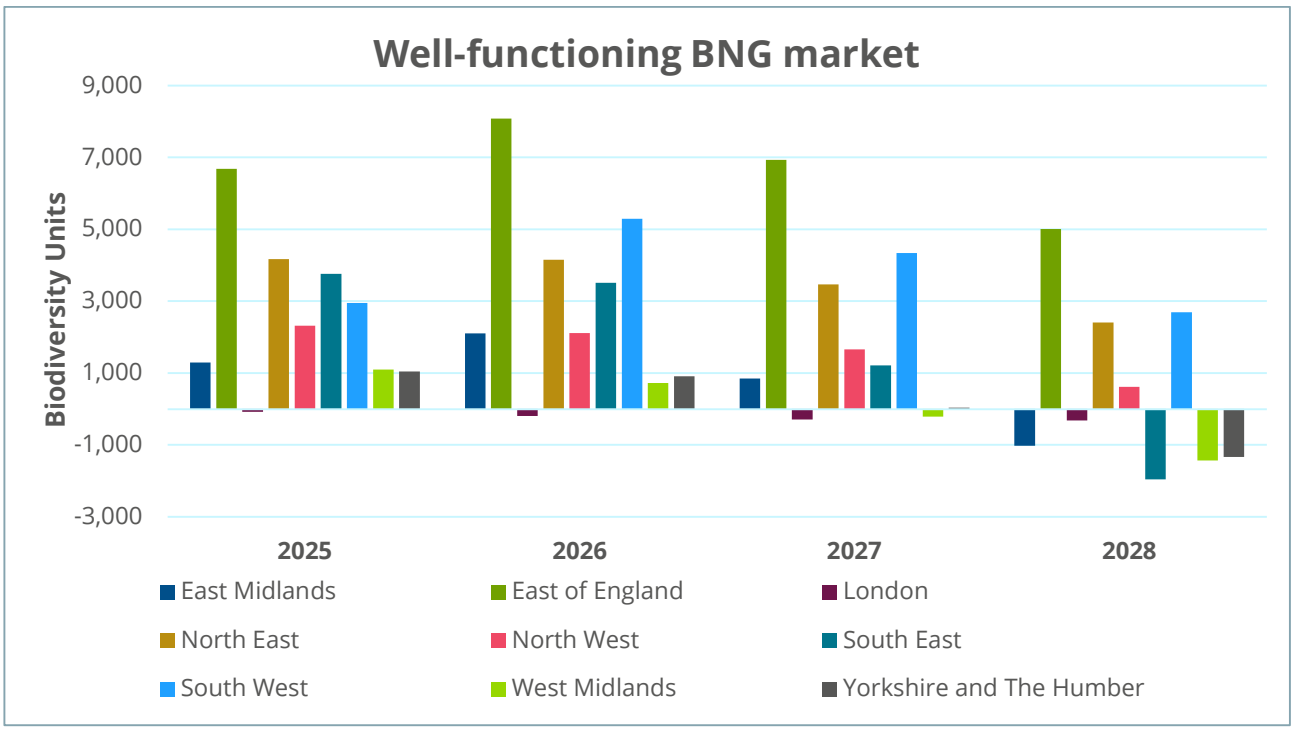
Source: eftec analysis of Planning Portal data and data provided for this project from the Wildlife Trusts and others

The regional analysis for the BAU and well-functioning markets are shown graphically in Figure **2.3** and Figure 2.4.



Source: eftec analysis of Planning Portal data and data provided for this project from the Wildlife Trusts and others

Figure 2.3 Regional surplus/scarcity of BUs in a BAU market over time



Source: eftec analysis of Planning Portal data and data provided for this project from the Wildlife Trusts and others

Figure 2.4 Regional surplus/scarcity of BUs in a well-functioning BNG market over time

If the BNG requirement of 10% gain was increased to 20%, this would increase demand by 9%, or 1,215 BUs under the well-functioning BNG market scenario (see Appendix 2 for further analysis). The data available suggests that supplying these units is feasible at a national level across the time period. It would be helpful to introduce such a change in the policy with a lag to allow habitat banks to increase their supply of BUs to the market, and avoid problems from market scarcity. The BNG market size will also be increased if the BNG requirement is expanded to NSIPs in 2026, as proposed by the Government. [4]

Conclusions from this market data are that:

- Under BAU, all regions have surplus across the whole period apart from London, which has a small scarcity due to a lack of supply.
- Under a well-functioning BNG market, the pattern is the same as for BAU for 2025 and 2026, after which scarcity becomes more widespread over time and space.
- This regional disparity can increase costs for developers, who will face steeper spatial multiplier penalties if they are forced to buy BUs from another regions

There is currently considerable uncertainty in the market, due to potential policy changes proposed by Government (Defra, 2025a, 2025b), and lack of confidence in the planning system to enforce BNG (as shown in eftec, 2025). This is making many developers reluctant to enter the market, limiting demand, which in turn creates a disincentive to suppliers. This is likely to continue until the government has committed to implement BNG requirements and exemptions effectively, and to provide adequate resources to implement a rigorous and transparent BNG policy.

The value of annual BUs traded can be estimated using an assumed average price per BU of £30,000 (see Section 3 for explanation of this value), multiplied by the total annual BU demand. This gives an estimated total BU market value of £220m under BAU every year, which could rise to £400m in a well-functioning BNG market. That would deliver an additional £180m of annual investment in nature compensation and recovery (see Appendix 2 for further breakdown). If the BNG requirement were increased to 20%, an additional £36m of investment would be delivered.

[4] NSIPs are planned to be subject to BNG from May 2026, see: https://www.gov.uk/government/consultations/biodiversity-net-gain-for-nationally-significant-infrastructure-projects

3. Economic benefit analysis

The analysis in this section estimates the potential economic benefits of meeting the annual BU demand in the market. In the analysis of the timing of this demand, applications requiring BNG were estimated to take four years to fully reach the market. The analysis here is based on this total annual demand, as calculated in the eftec (2025) work comparing the BAU (7,339 BUs) with the well-functioning BNG market scenario (13,365 BUs) to demonstrate the economic shortfall currently experienced, due to the poor implementation of BNG policy.

The additional economic benefits of habitat creation realised by a well-functioning market are calculated using an average £30,000 unit price per BU. The price of each BU varies considerably by region and habitat, ranging from under £25,000 to over £100,000. Not all the data from habitat banks that contributed to the analysis included the location or types of habitats, so £30,000 per BU is used as an average across all habitats and regions. This analysis does not account for changes in the unit cost over the 30-year lifecycle of habitat supply, due to external risks such as changes to the BNG regulations, climate change effects on habitat creation and enhancement, and administrative costs.

It is assumed that 10% of this £30,000 will be profit for the habitat provider, with the remainder (£27,000) being assigned as delivery cost[5]. This 10% profit assumption is taken to be for the short-term only, as it may be subject to change, depending on changes in the costs of habitat enhancement and market prices. This delivery cost is assumed to be 50% for the creation or restoration of the habitat, and the other 50% as expenditure on maintenance of the habitats over 30 years. The first year of the sale of a biodiversity unit will therefore result in £13,950 of delivery expenditure per BU (50% of £27,000 for creation/restoration plus 1/30th of the other 50% for maintenance). These costs are only to those that relate to creating and enhancing the habitats, for sale of BUs on the BNG market.

The regional breakdown and national totals of BU demand and delivery costs for both scenarios are shown in Table 3.1. With each successive year, as more demand comes on the market, the maintenance expenditure will accumulate until year 30 when it will reach its peak. The following costs and economic benefits are therefore a lower bound estimate.

[5] All figures are analysed in current (2025) prices.

Table 3.1: Total BU demand and annual delivery cost for Year 1 of habitat creation

	BAU		Well-functioning BNG market	
Region	**Total BU Demand**	**Year 1 delivery cost (£m)**	**Total BU Demand**	**Year 1 delivery cost (£m)**
East Midlands	982	14	1,789	25
East of England	1,014	14	1,846	26
London	177	2	322	4
North East	538	8	979	14
North West	527	7	960	13
South East	1,698	24	3,093	43
South West	862	12	1,569	22
West Midlands	788	11	1,435	20
Yorkshire and The Humber	753	11	1,372	19
Total	**7,339**	**102**	**13,365**	**186**

Source: eftec analysis of Planning Portal data

Notes: Unit costs are the same in both scenarios, total costs are rounded for simplicity.

The SIC codes for various services commonly involved in habitat creation and restoration were used to calculate composite output and employment multipliers. These are listed in Table 3.2, with the allocation divided evenly between woodland creation and regenerative agriculture.

Table 3.2: SIC codes used for commonly used services in restoration and creation activities

Economic linkage category	**SIC Code Description**	**SIC Code**	**% of SIC spend for**	
			Woodland creation	**Regenerative Agriculture**
Labour	Environmental consulting activities	78	1%	0%
	Hunting, trapping and related service activities	1	10%	0%
	Support services to forestry	02.1, 02.4	67%	12%
	Construction of other civil engineering projects	41-43	1%	0%
	Other professional, scientific and technical activities	74	0%	1%
	Support activities for crop production	1	0%	25%
Machinery/ Transportation	Renting and leasing of agricultural machinery and equipment	77	2%	4%
Materials	Plant propagation	02.1, 02.4	19%	1%
	Wholesale of agricultural machinery, equipment and supplies	45	0%	57%

Source: Scottish Government (2024)

Using economic and employment multipliers from the Scottish nature conservation sector (Scottish Government, 2024)[6], the economic outputs and likely job creation were estimated from the difference in BUs between the BAU and well-functioning BNG market demand. For £1 spent in a sector, the output multipliers used in this analysis estimate the total output (direct and indirect) generated in a given year, and employment multipliers estimate the total FTE employment (direct and indirect) generated in a given year.[7]The multipliers (Table 3.3) are applied to the estimated annual £13,950 per BU expenditure by those creating and enhancing habitats, in order to calculate the total economic output and employment effects of BU supplied to meet the demand in the two scenarios.

Table 3.3: SIC code description and corresponding multipliers

SIC Code Description	Output multiplier	Employment effect (Full Time Equivalent (FTE) per £1m expenditure)
Environmental consulting activities	1.36	21.31
Hunting, trapping and related service activities	1.49	12.64
Support services to forestry	1.36	11.19
Construction of other civil engineering projects	1.54	12.58
Other professional, scientific and technical activities	1.31	15.83
Support activities for crop production	1.49	12.64
Renting and leasing of agricultural machinery and equipment	1.29	11.74
Plant propagation	1.36	11.19
Wholesale of agricultural machinery, equipment and supplies	1.24	16.93

Source: Scottish Government (2024)

The % of BU delivery costs for each SIC code from Table 3.2 are multiplied by the data in Table 3.3 to calculate the impacts shown in Table 3.4 of £138 million in economic output, and creation of over 1,300 full-time jobs from the current BNG demand for habitat creation and enhancement. Within a well-functioning BNG market, this economic benefit would increase to £250 million and 2,450 jobs, an additional £112 million in economic output, and over 1,000 jobs a year.

These are an underestimation of the economic activity associated with BNG, as they do not include the costs associated with the demand side of the market. However, they do show a significant economic benefit from the current BNG market, which could be increased if the policy were better implemented.

[6] No equivalent data exists for England.

[7] Direct output total expenditure and FTE employment from BNG activities, whereas indirect output reflects the flow-on expenditure and FTE employment as a result of this spend.

Table 3.4: Economic output and employment due to habitat creation and maintenance resulting from BNG market demand

Scenario	BAU		Well-functioning BNG market	
Region	**Output (£m)**	**Employment (FTE)**	**Output (£m)**	**Employment (FTE)**
East Midlands	18	181	34	329
East of England	19	186	35	339
London	3	33	6	59
North East	10	99	18	180
North West	10	97	18	176
South East	32	312	58	568
South West	16	158	29	288
West Midlands	15	145	27	264
Yorkshire and The Humber	14	138	26	252
Total	**138**	**1,349**	**250**	**2,456**

Source: eftec analysis of Planning Portal data

Not all Biodiversity Gain sites will have public access, but where they do, there may be further benefits to both users and wider society (Natural England, 2025). Regular recreation in greenspaces has been shown to provide well-being benefits to users, particularly where nature is scarce (Day and Smith, 2018) and is associated with improved mental health outcomes[8]. However, as most biodiversity gain sites are located away from heavily populated and built-up areas where recreation benefits are greatest, the effects of BNG on well-being may vary significantly between sites. All Wildlife Trust habitat bank sites include managed provision for public access alongside the supply of BUs to market. They are therefore likely to provide significant benefits to society, in addition to the BU supply and associated economic activity.

The benefits to those accessing nature are also manifested to the economy through the avoided costs of healthcare for many physical and mental health conditions (Beale *et al.*, 2015; Shanahan *et al.*, 2016) and through the avoided costs of low productivity or absenteeism due to certain chronic illnesses (Saraev *et al.*, 2021), that are alleviated through visits to greenspace. However, public access, if not carefully managed, often adversely affects the biodiversity in restored habitats, so these benefits have all been omitted from the benefit analysis of this report.

[8] For city dwellers, even 15 minutes in nature can improve mental health | Natural Capital Project

4. Discussion and Conclusions

This section provides an interpretation of the results in the context of the current BNG policy and wider land use policy.

4.1 Policy alignment

A well-functioning BNG market will reduce negative impacts on biodiversity from land use development, and help achieve the UK's commitment to protect 30% of nature by 2030 as agreed upon at the Convention on Biological Diversity (CBD) as part of the Kunming-Montreal Global Biodiversity Framework. It will also contribute towards the relevant targets of the Environment Act (2021) and ensure some degree of permanence for any actions designed to achieve these. Relevant Environment Act targets include halting and reversing the decline of species, through the establishment and restoration of wildlife rich habitats and protected sites. The implementation of BNG will help achieve these targets through the scheme's requirements for the measurement and long-term maintenance of habitats.

The BNG system is designed to impose a cost to compensate for the damage to biodiversity from development, with penalties for buying offsite BUs from areas other than where the damage takes place. This is meant to incentivise avoidance of destruction in the first place, and encourage compensation to be in the vicinity of the damage. BNG also complements Local Nature Recovery Strategies (LNRSs). LNRSs help identify priority locations for restoration and expansion of habitats, by helping determine the 'strategic significance' multiplier within the biodiversity metric. LNRSs can also benefit the BNG market by identifying a pipeline of habitat improvement projects. In the long-term LNRSs are intended to map areas of particular importance to biodiversity, so that these can be protected and suitable buffer zones of habitat created around them (Defra, 2023).

The UK's Green Finance Strategy includes the target of mobilising over £500 million of private investment into nature recovery annually by 2027 through strategic use of public funds, long-term policy frameworks and market signalling, as set out in the Environmental Improvement Plan (DESNZ *et al.*, 2023). This amount will rise to over £1 billion annually by 2030 and will contribute to the delivery of habitat creation and restoration actions to help achieve nature recovery.

Within this policy context, the analysis in this report suggests that a well-functioning BNG market could produce adequate supply to meet potential short-term demand for BUs. Furthermore, there is a competitive market in the supply of BUs, including through multiple developers of habitat banks. As a result, there is confidence that supply could meet increases in future BU demand, such as from an increase in the net gain requirement to 20%, inclusion of NSIPs in the BNG regime, and/or increased land use development such as from policy objectives to increased construction of housing.

4.2 Conclusions and recommendations

Despite uncertainties in projecting future supply and demand, which are described in the method for this analysis, the analysis shows with reasonable confidence that:

- A key finding of this and previous work is the urgent need to remove inappropriate use of

exemptions from BNG in the land use planning system. BNG requires ambitious commitments from local authorities in terms of approving BNG applications and monitoring both on-site and off-site habitat delivery (Zu Ermgassen *et al.*, 2021).

- The analysis shows there is currently a surplus of supply in most regions of England until 2027, despite only a proportion of habitat banks that have BUs available this year or in the future being included in the analysis. Supply is likely to keep pace with demand, as confidence in the market improves from more permanent commitments from Government for resources, and better implementation and monitoring of exemptions. Government resources could include ecological expertise and staffing in local councils to improve the application process and on-going monitoring of development and biodiversity net gain sites.
- With tighter control of the use of exemptions and an improved BNG market, creating net gain through habitat creation and restoration would increase economic activity, stimulating an additional annual:
    - £180 million investment in nature;
    - £112 million in total economic output; and
    - over 1,000 jobs.
- With increased certainty from the Government around the rules, and better monitoring of exemptions, demand is likely to increase. Stronger demand and increased confidence in the Government's management of BNG will encourage habitat banks to register their BU supply, keeping pace with demand. Conversely, if demand for BUs decrease, this could reduce the benefits of total output and employment generated from BNG activity.
- BNG complements and strengthens many existing policies in the UK. Achieving the aims and objectives of the Environment Act (2021) will be facilitated by a well-functioning BNG market by increasing the extent of good quality, permanent habitats. LNRSs can help identify the location and types of habitats created to supply the BNG market, as well as encouraging local mitigation actions. This gives confidence to developers and reduces the cost of BU purchase, as well as establishing habitat banks where they can benefit biodiversity best.
- Confidence in the BNG market would also be enhanced through improving transparency of the BNG register and policy outcomes by addressing the challenges of sourcing data, and applying appropriate analytical assumptions for future research.

Potential further work

The analysis in this report could be strengthened by incorporating additional data from other sources. This would support further investigation of the positive investment cycle that could occur in a well-functioning BNG market, for multiple suppliers. It could also be linked to exploration of wider policy implications of a well-functioning BNG market (e.g. alignment with environmental goals such as Global Biodiversity Framework (GBF) targets).

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Appendix 1 Methodology

A1.1 Timing of BU demand

Appendix Table 1 shows the calculation of the total demand across the four-year period of the timing analysis for the well-functioning BNG market. In 2025, the demand is only from 2025 that reaches the market within one year. The next year, 2026, the demand is made up of the same proportion of demand from 2026, plus the proportion of demand from 2025 that reaches the market within 1-2 years, i.e. 60% of overall annual demand. This pattern continues until the full demand is reached by the fourth year (2028), where all 13,364 BUs reach the market. The same underlying calculation is used for the BAU scenario.

Appendix Table 1 Calculation of the proportion of demand that reaches the market in each year (well-functioning BNG market)

		Annual demand from year				
		2025	**2026**	**2027**	**2028**	
Cumulative demand in each year	**2025**	3,341 (25%)	-	-	-	**3,341 (25%)**
	2026	4,678 (35%)	3,341 (25%)	-	-	**8,019 (60%)**
	2027	4,009 (30%)	4,678 (35%)	3,341 (25%)	-	**12,028 (90%)**
	2028	1,336 (10%)	4,009 (30%)	4,678 (35%)	3,341 (25%)	**13,364 (100%)**

Source: eftec analysis of Planning Portal data

A1.2 Supply

The main steps taken to clean and standardise the supply data from different sources are shown in Appendix Table 2 .

Appendix Table 2 Issues in the data and steps taken to solve them for use in supply analysis

Aspect of the data	Issue	Solution
Habitat data	Inconsistent naming convention for habitat data.	Aligned all habitat names with those in the Statutory BNG metric
Geographic data	Data was provided at different geographic scales.	All data was presented at the regional (ITL 1) level For LPAs, regions are aligned. For National Character areas NCAs, regions are not aligned (i.e. a NCA can feature in multiple regions). GIS analysis was performed to determine for each NCA was region contained the most of its area.
Geographic data	Some data was given as an overall number and general locations without any geographic breakdown of units.	It was assumed in this case that all units were split equally among the locations listed. For some sources, there was data on the number of sites in each region, and the stage of development. In this case, it was assumed that units were distributed proportionally to the number of sites in a region, and the stage of development used to determine the relevant year.
Timing data	Inconsistent units for timing of sites coming online.	Data was aligned at the yearly level, then where possible at a quarterly level.
Timing data	Some sites were not given a specific year for which they were planning on coming online. E.g. "2025/2026" or "TBC – demand".	It was assumed that sites listed as "2025/2026" would come online in 2026, as they are not yet active and there is a surplus of supply in 2026. In the timing analysis, sites without a specific time were assumed to enter the market in 2026.
Habitat areas/units	For some sources, data was only provided on the area of habitats, not on the number of BUs.	Data on uplifted (enhanced/created) habitat areas were converted into BUs using the assumption of an average uplifted BU/ha value of 5.5, taken from (Hill *et al.,* 2025). This assumption is an average value across all habitat types, so analysis on specific habitat types cannot be used for this data. It is assumed that BUs from hedgerow or watercourse units are included in this 5.5 BU/ha assumption, and are not included additionally.

A1.3 Market analysis

The interaction of supply and demand over time in the market analysis is presented in more detail in Appendix Table 3 . It is shown for the well-functioning BNG market scenario, but the same process is done for the BAU scenario. For ease of explanation, only two years are shown. In 2025, supply and demand are determined independently, and then the overall surplus or scarcity of BUs is found by calculating the difference between the two, showing at a national and regional level. This assumes that if there is availability. This is likely to be the case as it means that there is less likely to be any negative impact from the spatial multiplier.

In the second year (2026), it is assumed that surplus units from the previous year remain on the market and form part of the supply in 2026. In addition, new units enter the market. These two numbers are added to give the cumulative surplus or scarcity. It is assumed that if there is a scarcity of supply to meet demand in a region, then units will be purchased evenly from other regions, as long as there is enough supply in that other region.[9] The result of this is shown in the "Actual cumulative BU supply" column. Here, the 81 units required in the London region are sourced equally from across the other eight regions, leading to equilibrium in London in 2026, while the supply from all other regions is slightly lower.

This calculation is then repeated for the third (2027) and fourth (2028) year of the analysis, using the surplus/scarcity values from the previous year.

[9] This is a simplification of the market, as it doesn't include any consideration of the spatial multiplier, which means "non-local" units must be bought in higher quantities to compensate for destroying biodiversity. It also does not consider the surplus/scarcity of different types of habitat units, rather treats all BUs as equivalent, which is a simplification of how the market operates

Appendix Table 3 Market interactions over time (2025–2026)

Well-functioning BNG market	2025			2026				
Region	**BU supply**	**BU demand**	**BU surplus**	**BU supply**	**Cumulative BU supply**	**Actual cumulative BU supply**	**Cumulative BU demand**	**BU surplus**
East Midlands	1,741	447	1,293	1,891	3,184	3,174	1,073	2,101
East of England	7,147	462	6,685	2,512	9,197	9,187	1,108	8,079
London	0	81	-81	0	-81	0	193	-193
North East	4,411	245	4,166	588	4,754	4,744	588	4,156
North West	2,558	240	2,318	380	2,699	2,689	576	2,113
South East	4,533	773	3,760	1,619	5,379	5,369	1,856	3,513
South West	3,343	392	2,950	3,291	6,241	6,231	942	5,290
West Midlands	1,457	359	1,098	495	1,593	1,583	861	722
Yorkshire and The Humber	1,382	343	1,039	706	1,745	1,735	823	912
Total	**26,571**	**3,341**	**23,230**	**11,482**	**34,712**	**34,712**	**8,019**	**26,693**

Source: eftec analysis of Planning Portal data and data provided for this project from the Wildlife Trusts and others

Appendix 2 Supplementary Analysis

A2.1 Increasing net gain requirements

Analysis of increasing the net gain requirements from 10% to 20% are shown in this section. Appendix Table 4 shows the difference in annual BU demand under both scenarios with a 10% and 20% net gain requirement respectively.

Appendix Table 4 Annual BU demand under 10% and 20% net gain requirements

Region	Total BU Demand (modelled from BAU data)			
	10% net gain		20% net gain	
	BAU	Well-functioning BNG market	BAU	Well-functioning BNG market
East Midlands	1,698	3,093	1,853	3,374
East of England	1,014	1,846	1,106	2,014
London	982	1,789	1,072	1,951
North East	862	1,569	940	1,712
North West	788	1,435	859	1,565
South East	753	1,372	822	1,496
South West	538	979	587	1,068
West Midlands	527	960	575	1,047
Yorkshire and The Humber	177	322	193	352
Total	**7,339**	**13,365**	**8,006**	**14,580**

Source: eftec analysis of Planning Portal data

Appendix Table 5 shows the national BNG market analysis over time if the required increase in biodiversity became 20%. Even with the increase in demand, the analysis shows that there is still a surplus of available BU units by the end of the analysis time period.

Appendix Table 5 National BNG market analysis over time (20% net gain requirement)

Scenario	2025			2026			2027			2028		
	BU supply	BU demand	BU surplus	Cumulative BU supply	Cumulative BU demand	BU surplus	Cumulative BU supply	Cumulative BU demand	BU surplus	Cumulative BU supply	Cumulative BU demand	BU surplus
BAU	26,571	2,002	24,570	36,056	4,804	31,252	34,583	7,205	27,377	27,392	8,006	19,386
Well-f. BNG market	26,571	3,645	22,926	34,452	8,748	25,704	29,130	13,122	16,008	16,803	14,580	2,223

Source: eftec analysis of Planning Portal data and data provided for this project from the Wildlife Trusts and others

A2.2 Calculating value of BU demand

Further breakdown of the value of the total annual BU demand is shown in Appendix Table 6 . This is calculated as the BU demand multiplied by the assumed average price of a BU of £30,000.

Appendix Table 6 Value of annual BU demand by region and scenario (10% and 20% net gain requirement)

Region	Value of BUs (£m)			
	10% net gain		20% net gain	
	BAU	Well-functioning BNG market	BAU	Well-functioning BNG market
East Midlands	29	54	32	59
East of England	30	55	33	60
London	5	10	6	11
North East	16	29	18	32
North West	16	29	17	31
South East	51	93	56	101
South West	26	47	28	51
West Midlands	24	43	26	47
Yorkshire and The Humber	23	41	25	45
Total	**220**	**401**	**240**	**437**

Source: eftec analysis of Planning Portal data

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