



Environment Protection Authority

Environmental management calculation protocol

April 2026





Acknowledgement of Country

The NSW Environment Protection Authority acknowledges the Traditional Custodians of the land on which we live and work, honours the ancestors and the Elders both past and present and extends that respect to all Aboriginal people.

We recognise Aboriginal peoples' spiritual and cultural connection and inherent right to protect the land, waters, skies and natural resources of NSW. This connection goes deep and has since the Dreaming.

We also acknowledge our Aboriginal and Torres Strait Islander employees who are an integral part of our diverse workforce and recognise the knowledge embedded forever in Aboriginal and Torres Strait Islander custodianship of Country and culture.

Aboriginal artwork by Worimi artist Gerard Black

This protocol sets out the method the EPA uses to work out the environmental management category allocated to holders of environment protection licences under the *Protection of the Environment Operations Act 1997*.

About this document

This document is the Environmental Management Calculation Protocol (the Protocol) referred to in Section 25 of the Protection of the Environment Operations (General) Regulation 2022 (the General Regulation).

The Protocol sets out the matters and methods the NSW Environment Protection Authority (EPA) will use to work out the environmental management category allocated to holders of environment protection licences issued under the *Protection of the Environment Operations Act 1997* (POEO Act). The environmental management category will be used to calculate the administrative fee to be paid by environment protection licensees in accordance with Section 24 of the General Regulation.

The EPA may vary or replace the Protocol from time to time by notice in the *NSW Government Gazette*. This Protocol, or any variation of it, takes effect from the date it is published in the *NSW Government Gazette*.

Glossary

Term	Definition
clean up notices	Are as set out in Part 4.2 of the POEO Act.
enforceable undertakings	As referred to in this Protocol are set out in section 253A of the POEO Act. Enforceable undertakings in relation to the <i>Waste Avoidance and Resource Recovery Act 2001</i> , and the <i>Ozone Protection Act 1989</i> are excluded from the operation of this Protocol.
environmental improvement programs	Are pollution reduction programs (under section 68 of the POEO Act) that have been initiated by the licensee by way of an application made to the EPA to vary their licence under section 58(3) of the POEO Act. The environmental improvement programs must be programs outside of those required to achieve compliance with legislative requirements under the POEO Act or its regulations or any existing conditions on the licence at the time that the environmental improvement program is added to the licence.
environmental management calculation protocol (this document)	Sets out the matters and methods the EPA will use to work out the environmental management category allocated to holders of licences issued under the POEO Act.
environmental management category (A, B, C, D or E)	Is allocated to a licence holder based on the licence holder's performance in managing environmental risks associated with the licensed activity. The environmental management category is used to calculate the administrative fee in accordance with Section 24 of the General Regulation.
environmental management factors	Are listed in the table in Section 24 of the General Regulation (and reproduced as Table 1 of this Protocol). Environmental management factors are the multipliers corresponding to each environmental management category and are used to calculate the licence administrative fee.
environmental management score	Is based on licensee compliance history/EPA regulatory response associated with the licensed activity, calculated using the methodology set out in section 3.1 of this Protocol. The environmental management score is the sum of the yearly regulatory score over three years.
environmental management weighting	Listed in Table 2 of this Protocol, is linked to regulatory actions taken over the past three years and reflects the significance of the regulatory action taken. The weighting is used to calculate the environmental management score.
general regulation	Is the Protection of the Environment Operations (General) Regulation 2022 as in force from time to time.

Term	Definition
licence	Is an environment protection licence as defined in the POEO Act
mandatory environmental audits	Are as set out in Part 6.2 of the POEO Act.
official cautions	Are official cautions issued to a licensee for any offence under the POEO Act or Regulations. Official cautions issued for offences under the <i>Waste Avoidance and Resource Recovery Act 2001</i> , and the <i>Ozone Protection Act 1989</i> are excluded from the operation of this Protocol.
penalty notices – Category 1	<p>Are penalty notices issued by the EPA for the offences under the following sections of the POEO Act:</p> <ul style="list-style-type: none"> s 48 Failure to hold a licence – licensing requirement – scheduled activities (premises-based) s 49 Failure to hold a licence – licensing requirement – scheduled activities (not premises-based) s 64 Failure to comply with condition except for the late or non-submission of an annual return s 91B Failure to comply with clean-up notice by occupiers or polluters s 97 Failure to comply with prevention notice s 120 Prohibition of pollution of waters s 128 Standards of air impurities not to be exceeded s 142A Pollution of land s 143 Unlawful transporting or depositing of waste (asbestos or hazardous waste) s 144 Use of land as waste facility without lawful authority s 144AAA Unlawful disposal of asbestos waste s 144AAB Re-use and recycling of asbestos waste and penalty notices issued by the EPA for the offences under the following clause of the Protection of the Environment Operations (Waste) Regulation 2014: cl 71 Application of proximity principle to transportation in course of business. <p>Penalty notices – Category 1 do not include penalty notices that have been issued but subsequently withdrawn under s 228 of the POEO Act.</p>

Term	Definition
penalty notices – Category 2	Are all penalty notices issued by the EPA for offences prescribed by Schedule 6 of the General Regulation not categorised as penalty notices – category 1, except for penalty notices in relation to offences under the <i>Ozone Protection Act 1989</i> . Penalty notices – Category 2 do not include penalty notices that have been issued but subsequently withdrawn under s 228 of the POEO Act.
POEO Act	<i>Protection of the Environment Operations Act 1997</i> .
pollution reduction programs	Are, for the purposes of this Protocol, programs initiated or directed by the EPA to carry out works or to install plant for the purposes of preventing, controlling, abating or mitigating pollution. Pollution reduction programs are imposed on a licensee by the EPA by way of a licence condition under section 68 of the POEO Act.
prevention notices	Are as set out in Part 4.3 of the POEO Act.
regulations	Are any Regulations made under the POEO Act, as in force from time to time.
successful prosecutions	Are where: <ul style="list-style-type: none"> a licensee; or a director or directors of a company that holds a licence has/have been convicted of an offence under the POEO Act and Regulations. Tier 1 prosecutions are as set out in Part 5.2 of the POEO Act and for the purposes of this Protocol do not include prosecutions for offences under the <i>Ozone Protection Act 1989</i> . Tier 2 prosecutions are as defined in section 114 of the POEO Act, and for the purposes of this Protocol do not include prosecutions for offences under the <i>Waste Avoidance and Resource Recovery Act 2001</i> , and the <i>Ozone Protection Act 1989</i> . Successful prosecutions include prosecutions for offences for which a penalty notice was issued but subsequently withdrawn by the EPA under s 228 of the POEO Act but do not include ‘Successful prosecutions – Court elected penalty notice – Category 1’, or ‘Successful prosecutions – Court elected penalty notice – Category 2’.
successful prosecutions – Court elected penalty notice – Category 1	Are where a licensee has chosen to contest a penalty notice – Category 1 in court and has subsequently been convicted of the offence.
successful prosecution – Court elected penalty notice – Category 2	Are where a licensee has chosen to contest a penalty notice - Category 2 in court and has subsequently been convicted of the offence.

Term	Definition
suspension of licence	As set out in section 79 of the POEO Act.
total environmental management score	Is calculated using the methodology set out in section 3.4 of this Protocol. The total environmental management score is the environmental management score minus the total environmental improvement program score reduction. The total environmental management score is compared to threshold values set out in Table 4 at section 3.5 of this Protocol to work out the environmental management category.
total environmental improvement program score reduction	Is calculated using the methodology set out in section 3.3. of this Protocol. The total environmental improvement program score reduction is based on environmental improvement programs initiated by the licensee. The total environmental improvement program score reduction is deducted from the environmental management score.
year 1	Is the most recent licence fee period (this is generally a 12-month period).
year 2	Is the licence fee period prior to year 1.
year 3	Is the licence fee period prior to year 2.
yearly regulatory score	Is calculated using the methodology set out in section 3.2 of this Protocol. The yearly regulatory score is based on a licensee's compliance history for each year considered as part of the risk assessment. The yearly regulatory score is used in calculating the environmental management score.

1. Environmental management category overview

The environmental management category is informed by the environmental management performance of the licensee.

In assessing environmental management category, the EPA takes into account:

- a licensee's environmental performance associated with the licensed activity based on their compliance history
- the regulatory actions the EPA has taken to respond to incidents and non-compliances
- environmental improvement programs initiated by the licensee to mitigate environmental risks.

Based on this assessment, a licensee will be allocated an environmental management category (EMC): A, B, C, D or E for each licence.

Where a licensee holds more than one licence, an EMC will be allocated to each licence based on regulatory actions and environmental management performance at the premises covered by that licence.

The environmental management categories (A, B, C, D or E) allocated to licensees will be used to calculate licence administrative fees.

The EPA will work out environmental management categories in accordance with this Protocol.

2. Calculation of licence administrative fees

The General Regulation prescribes licence administrative fees for holders of environment protection licences. Section 24 in combination with Schedule 1 of the General Regulation prescribes these fees based on the type of activity (fee-based activities) and the scale of these activities.

Under Section 24 of the General Regulation the administrative fee for each licence will be calculated based on the type of activity (fee-based activities), the scale of these activities, and the environmental management category worked out for each of the licensed activities. The environmental management category allocated to a licensee for the licensed activities corresponds with an environmental management factor. These factors are set out in the table to Section 24 (and in Table 1 of this Protocol). The environmental management factor acts as a multiplier to the administrative fee, resulting in a decrease, increase or no change to the licence administrative fee. Licensees who perform well and minimise environmental risk will be rewarded with a reduction of their administrative fees. Poor performing licensees will pay licence fees that provide them with an incentive to improve their performance.

Section 24 of the General Regulation sets out a three-step process for calculating the administrative fee:

Step 1: Calculate administrative fee units

Multiply the amount of one administrative fee unit for the relevant licence fee period by:

- the number of administrative fee units specified in Schedule 1 to the General Regulation for the activity authorised or controlled by the licence, or
- if the licence authorises or controls more than one activity, the greatest number of administrative fee units specified in Schedule 1 for the activities.

Step 2: Work out the environmental management category

Work out the environmental management category in accordance with this Protocol.

Step 3: Calculate administrative fee

Multiply the amount calculated in Step 1 by the environmental management factor for the applicable environmental management category (Step 2).

Table 1: Environmental management categories and corresponding environmental management factors*

Environmental management category	Environmental management factor
A	0.95
B	1
C	1.3
D	1.6
E	2

*Environmental management factors are prescribed in Section 24 of the Protection of the Environment Operations (General) Regulation 2022.

For the first licence fee period of the licence (Section 24(2)(b) of the General Regulation) and for the transport of trackable wastes, only Step 1 will apply for the purposes of calculating the administrative fee.

3. Working out the environmental management category

The EPA will work out the environmental management category for each licensee in accordance with this Protocol based on the following criteria and methodology.

3.1. Calculating the environmental management score based on licensee compliance history/regulatory response

Table 2 sets out the regulatory actions that may be undertaken by the EPA in relation to a licensee's operations, and the environmental management weighting corresponding to that regulatory action based on how long ago the regulatory action happened. The environmental management weighting is based on a licensee's performance associated with the licensed activities over the past three years.

Regulatory actions taken in the most recent licence fee period (i.e. in the past 12 months) will be weighted more heavily than those actions taken in the two years prior. This is reflected in the

environmental management weighting, where it is reduced by 50% and 90% where the action occurred in the second and third years, respectively.

Where a regulatory action taken by the EPA is withdrawn, discontinued, revoked, or otherwise ceases to have legal effect, the EPA may adjust a licensee’s environmental management score for the licence fee period in which the regulatory action took place, and subsequent licence fee periods where necessary. Any necessary adjustment to the environmental management score and environmental management category may be backdated to the licence fee period in which the regulatory action took place. Where required, the EPA may refund licence administrative fees because of the adjustment.

Table 2: Regulatory actions, criteria considered and corresponding environmental management weightings

Regulatory actions	Criteria considered	Environmental management weighting
Successful prosecutions Tier 1	Number in year 1	500
	Number in year 2	250
	Number in year 3	50
Successful prosecutions Tier 2	Number in year 1	360
	Number in year 2	180
	Number in year 3	36
Successful prosecutions – Court elected penalty notice – Category 1	Number in year 1	130
	Number in year 2	65
	Number in year 3	13
Successful prosecutions – Court elected penalty notice – Category 2	Number in year 1	100
	Number in year 2	50
	Number in year 3	10
Enforceable undertakings	Number in year 1	150
	Number in year 2	75
	Number in year 3	15
Suspension of licence	Number issued in year 1	130
	Number issued in year 2	65
	Number issued in year 3	13
Mandatory environmental audits	Number required in year 1	130
	Number required in year 2	65
	Number required in year 3	13

Regulatory actions	Criteria considered	Environmental management weighting
Penalty notices – Category 1 ¹	Number issued in year 1	120
	Number issued in year 2	60
	Number issued in year 3	12
Penalty notices – Category 2 ²	Number issued in year 1	90
	Number issued in year 2	45
	Number issued in year 3	9
Official cautions	Number issued in year 1	60
	Number issued in year 2	30
	Number issued in year 3	6
Clean-up notices	Number issued in year 1	90
	Number issued in year 2	45
	Number issued in year 3	9
Prevention notices	Number issued in year 1	90
	Number issued in year 2	45
	Number issued in year 3	9
Pollution reduction programs	Number required in year 1	70
	Number required in year 2	35
	Number required in year 3	7

3.2. Consideration of years 1, 2 and 3 in determining the environmental management score

For each year considered, the yearly regulatory score will be calculated – based on the criteria and weightings outlined in **Table 2** – as follows:

Number of regulatory action(s)	x	Environmental management weighting	=	Yearly regulatory score
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Each yearly regulatory score will then be added to work out the environmental management score for a licensee’s compliance history and EPA regulatory response – as follows:

Yearly regulatory score for year 1	+	Yearly regulatory score for year 2	+	Yearly regulatory score for year 3	=	Environmental management score
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¹ For the purposes of Table 2, Penalty notices – Category 1 does not include penalty notices that are court elected.

² For the purposes of Table 2, Penalty notices – Category 2 does not include penalty notices that are court elected.

3.3. Calculating the total environmental improvement program score reduction

The total environmental improvement program score reduction is based on the environmental improvement programs specified in the licence.

3.3.1. Environmental improvement programs

The licensee may choose to enter into an environmental improvement program for the licensed activities. The environmental improvement programs must be agreed to between the licensee and the EPA. The environmental improvement program details are attached as a condition to the licence and must be programs outside of those required to achieve compliance with legislative requirements or any existing conditions on the licence as applying at the time the environmental improvement program is entered into.

The licensee must apply to the EPA for a licence variation for the programs to be included on the licence, and provide the following information:

- description of program, including costs
- proposed completion date
- key reporting milestones
- details of expected environmental improvements.

The calculation method for determining the reduction to the environmental management score for environmental improvement programs is set out in **Table 3**. The score reduction is applied in the next licence fee period. The score reduction applies for each environmental improvement program entered into, in accordance with **Table 3**.

Environmental improvements programs entered into in the most recent licence fee period (i.e. in the past 12 months) will be weighted more heavily than those entered into in the two years prior. This is reflected in the score reduction, where it is reduced by 50% and 90% where the environmental improvement programs were entered into in the second and third years, respectively.

The EPA may remove the environmental improvement program from the licence if the key milestones or any other conditions of the environmental improvement program are not met. If the environmental improvement program is removed from the licence, the EPA will add an amount equivalent to the total score reduction received for the environmental improvement program, on to the environmental management score for the following licence fee period.

Table 3: Score reduction for environmental improvement programs

Action	Criteria considered	Score reduction
Environmental improvement programs	Number put in place in year 1	70
	Number put in place in year 2	35
	Number put in place in year 3	7

3.4. Calculating the total environmental management score

The total environmental management score for each licensee will be calculated by deducting the licensee’s total environmental improvement program score reduction from the licensee’s environmental management score as follows:

Environmental management score	-	Total environmental improvement programs score reduction	=	Total environmental management score
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3.5. Calculating the environmental management category

The total environmental management score will determine a licensee’s environmental management category as follows:

Table 4: Total environmental management score and corresponding environmental management category

Total Environmental management score	Environmental management category
0-10	A
11-110	B
111-190	C
191-400	D
400+	E

The environmental management category will then be used by the EPA as part of calculating the annual licence administrative fee according to Section 24 of the General Regulation.



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