

TO: MINISTRY FOR THE ENVIRONMENT

biocredits@mfe.govt.nz

Submission: Te āwhina i te taiao me ngā tāngata kia puāwai - Helping nature and people thrive - Exploring a biodiversity credit system for Aotearoa New Zealand discussion document

From: Liz Lambert Executive Director
Email: liz.lambert@teurukahika.govt.nz
Phone: **0274285618**

Date: 30 October 2023

For: Te Uru Kahika (a collective of regional and unitary councils)

INTRODUCTION

Te Uru Kahika welcomes the opportunity to make a submission to the Ministry for the Environment (MfE) in response to the Government's Discussion document – *'Exploring a biodiversity credit system for Aotearoa New Zealand'* on behalf of its member councils.

This submission is made in the interest of protecting and restoring Aotearoa's unique indigenous biodiversity including taonga species, responding to the challenges arising from climate change and promoting the sustainable management of its natural and physical resources and the wellbeing of its people and communities.

Te Uru Kahika is Aotearoa's Regional and Unitary Councils' collective voice, representing 16 regional and unitary councils. Together and individually, we are responsible for the integrated management of New Zealand's natural and physical resources. Regional sector coordination and input into the design and implementation of a biodiversity credit system for Aotearoa, is crucial given the roles, responsibilities, partnerships, relationships, and expertise of regional and unitary councils.

In providing this submission Te Uru Kahika has identified the consensus view of its members in regards the discussion document and the matters it raises. This submission supplements but does not override submissions from Te Uru Kahika's member councils. While there is broad consensus supporting the need for new and innovate approaches to help fund indigenous biodiversity protection and restoration, there are some areas of detail where differing views are held between and within member councils concerning the design and operation of a biodiversity credit system.



ROLE OF TE URU KAHIKA

Te Uru Kahika is the coordinating entity for the regional sector's collective efforts across Aotearoa New Zealand. As a collective, Te Uru Kahika works together to apply its expertise and local knowledge for the wellbeing of our environments and communities.

Te Uru Kahika councils are charged with the integrated management of land, air, and water resources, supporting biodiversity and biosecurity, providing for regional transport services, and building more resilient communities in the face of climate change and natural hazards. Environmental science and local knowledge underpin all that we do.

The regional sector is powered by scientists, engineers, technicians, kaihautū, planners, project managers, land managers, technology specialists, and community relations officers working on some of the most pressing issues of our time. They have extensive knowledge of the catchments and communities they work in, as well as a strong connection to Te Ao Māori, reflected in the decisions that are made.

EXECUTIVE SUMMARY

Aotearoa's indigenous biodiversity is crucial to the wellbeing of New Zealanders and inherent to the whakapapa relationship Māori have with te taiao, the natural world. Its ongoing decline and related environmental challenges effecting te Taiao need to be addressed by collaborative action across central and local government working in partnership with tangata whenua, landholders, businesses, and the wider community. Traditional funding sources are currently insufficient to address these major environmental challenges and new sources of funding are urgently needed.

Without additional resources and mechanisms such as a Biodiversity credit system to tap into wider community and business support (here and overseas) we are concerned that an undue economic burden is placed on councils, communities, landowners, and tangata whenua to address these major challenges.

Te Uru Kahika supports the further exploration of a biodiversity credit system for Aotearoa New Zealand. It considers it has the potential (if designed and implemented appropriately) to play an important role by helping to attract and focus additional support from businesses and the wider community for indigenous biodiversity restoration and protection, and to encourage the use of 'nature-based' solutions to our environmental challenges more generally.

Councils as a sector has a strong focus on partnerships with iwi/Māori. We urge the recognition and status of tangata whenua as kaitiaki in their rohe and their central leadership role in protecting and enhancing indigenous biodiversity and taonga species in a way that enables the interactions of people within the environment to positively impact on the wellbeing of Papatūānuku.

We note the need for the Government to engage and partner effectively with tangata whenua in the further development of a biodiversity credit system for Aotearoa. We strongly emphasise the need for adequate resources and capacity building to allow iwi



and hapu and landholders of whenua Māori to grow their understanding and participate in a meaningful way in the design, development, and operations of a biodiversity credit system.

We consider that, biodiversity credit funding needs to complement, not replace, central government funding for the protection and management on indigenous biodiversity particularly on public conservation lands but also more broadly.

Design and implementation issues and the respective role of central and local government and tangata whenua needs to be carefully considered and explored to avoid perverse outcomes and to ensure the system is fit for purpose, cost effective and Te Tiriti compliant.

The financial and resource implications for local government, tangata whenua and landholders is not able to be estimated until the system is further developed, and the respective roles of regional, unitary councils and territorial authorities is clarified. Any new direction including the potential future regulation of a biodiversity credit system should avoid creating unfunded mandates for local government, as these increase the difficulty for some councils to deliver on their core responsibilities. This is due to the cumulative impacts of central government passing new responsibilities and functions on to local government.

There remains a considerable capacity and capability shortfall within some councils, particularly territorial authorities, which will have nation-wide implications for the ability for councils to participate in a biodiversity credit system.

Te Uru Kahika requests that councils be fully involved in the further development of this approach given our statutory roles, expertise, work with landowners and communities, and strong connection to Te Ao Māori.



Discussion Document questions and responses

1 Do you support the need for a biodiversity credit system (BCS) for New Zealand?

Answer

Yes – Te Uru Kahika supports the need for a biodiversity credit system to help attract additional community and business investment to help address the ongoing decline in indigenous biodiversity across Aotearoa.

Please explain your answer here

New Zealand is facing an ongoing decline in indigenous biodiversity across all environmental domains in addition to other significant environmental challenges. Traditional funding approaches are not currently sufficient to address these challenges.

We support the need to develop new and innovative approaches to tap into the support of the wider community and businesses to help fund the required mahi needed.

We also note that with-or-without Government involvement private sector biodiversity credit offerings are already emerging internationally and to a limited extent domestically. We consider it timely and important to assess Aotearoa's position in regards the development of these new approaches, how they operate and their potential to support needed improvements in the state of our indigenous biodiversity.

We consider a biodiversity credit system (if well designed and implemented) has the potential to increase funding and focus support to assist with the delivery of national and regional biodiversity strategies and priorities. Such a system also has the potential to assist with other environmental challenges relating to climate change mitigation, land use reform and improvement in the state of our freshwater ecosystems.

Councils note the need for care and further engagement in the design of such a system to ensure it has integrity and impact, works for both central and local government, tangata whenua, landowners, and the wider community, and to avoid unintended consequences, perverse outcomes, and gaming of the system.

2 Below are two options for using biodiversity credits. Which do you agree with?

- credits should only be used to recognise positive actions to support biodiversity?
- credits should be used to recognise positive action to support biodiversity, and actions that avoid future decreases in biodiversity?

Answer



Te Uru Kahika councils do not have a consensus view on this issue as individual councils have identified pros and cons for both approaches. While most councils support the use of biodiversity credits to recognise both positive action and actions to avoid future loss, several of our councils considered that only positive actions should be recognised.

[Please explain your answer here](#)

Many of the councils supporting the use of credits for both approaches have caveated their support by noting that:

- it is important to recognise and incentivise actions that result in the retention of existing significant indigenous biodiversity and both approaches can achieve this
- credit eligibility, needs to be in line with design principles and objectives, aligned to national and regional strategies and priorities and not duplicate existing legal requirements
- when considering rewarding the actions to avoid future loss - additionality of effort and actions is still important including only rewarding improvements against a realistic and defensible baseline
- credits should reflect the scale of positive outcomes by providing greater reward where there are more positive outcomes

Those councils supporting only the use of biodiversity credits to recognise positive action noted:

- the avoidance of loss is primarily a matter for the resource management system and providing credits for avoiding future loss could complicate regulatory approaches and be inconsistent with the effects management hierarchy
- credits should not reward avoidance of negative action (e.g., development of land) due to the likelihood that future outcomes for biodiversity may be impacted by other external factors regardless.

3 Which scope do you prefer for a biodiversity credit system?

- [Focus on terrestrial \(land\) environments?](#)
- [Extend from land to freshwater and estuaries \(e.g., wetland, estuarine restoration\)?](#)
- [Extend from land and freshwater to coastal marine environments \(e.g., seagrass restoration\)?](#)

[Answer](#)

Te Uru Kahika councils do not have a consensus view on whether the scope of a biodiversity credit system should cover either - all environmental domains, or be limited to land, freshwater, and estuarine domains, but do all agree that the scope should not be limited to just terrestrial environments.

[Please explain your answer here.](#)

Te Uru Kahika councils support either an all-domains (land-freshwater-estuary-coastal-marine) or multi-domains (land-freshwater-estuary) approach noting that:



- biodiversity impacts and improvements do not recognise domain boundaries (ongoing decline is not restricted to one domain) and addressing this decline requires an integrated holistic approach and investment across environmental domains.

Further an all-domains approach

- better reflects a 'from the mountains to the sea' - te ao Māori world view of te Taiao
- could provide a potential source of funding for marine biodiversity/biosecurity as this is often overlooked and underfunded

Support for an all-domains approach is generally conditional on addressing:

- key legal and operational issues such as who is entitled to credits in the coastal marine domains.
- key operational issues such as improving the understanding of coastal marine ecosystems and designing costs effective measurement, reporting, and verification (MRV) methods for the coastal marine domains.

4 Which scope do you prefer for land-based biodiversity credits?

- Cover all land types, including both public and private land including whenua Māori?
- Be limited to certain categories of land, for example, private land (including whenua Māori)?

Answer

Te Uru Kahika support the scope of a NZ biodiversity credit system covering all land categories and tenures. This support is subject to certain caveats.

[Please explain your answer here.](#)

Te Uru Kahika considers that the focus of a biodiversity credits systems should be based on priorities for biodiversity protection and restoration, not tenure, as all land types will have biodiversity value and the decline in indigenous biodiversity species and habitats isn't restricted to certain land tenures.

This provides the greatest potential opportunity for such a system to contribute to improved outcomes on both public and private land including whenua Māori.

Biodiversity credits should ideally operate at and recognise all scales of project including supporting the needed mahi across different land tenures and in the wider landscape. Nature crosses legal boundaries requiring a collective or coordinated landscape scale response to achieve sustainable and enduring nature positive outcomes.

There is a risk, however, that central Government would use the advent of this new source of funding to meet its responsibilities and obligations to provide core funding for conservation. We consider that this source of funding needs to complement, not replace, central government funding. The Government has an obligation to support the protection



and management of indigenous biodiversity particularly on public conservation lands and other Crown lands but also more broadly.

There is also a risk that Central Government could use its influence and scale to dominate the developing market for biodiversity credits by focusing the use of credits on public conservation lands at the expense of private landholders including of whenua Māori. This needs to be avoided to ensure equitable outcomes for all land tenures and to satisfy the Government's te Tiriti and other obligations in regards iwi Māori.

5 Which approach do you prefer for a biodiversity credit system?

- Based primarily on outcome?
- Based primarily on activities?
- Based primarily on projects?

Answer

Te Uru Kahika councils do not have a consensus view on the preferred approach for biodiversity credits as there are pros and cons in relation to all three approaches and all three may have a role in different circumstances depending upon both the situation, scale and complexity of the biodiversity challenge being addressed.

[Please explain your answer here.](#)

There is increasing complexity, administration costs and increasing time lags associated with moving from an activity-based, to a project-based, to an outcome-based - biodiversity credit approach.

Conversely there is increased risk that good outcomes may not be achieved, or be ineffective, or reversed, if the focus is primarily on activities unless those activities are well coordinated and based on clear evidence-based performance standards.

The pros of a primarily activities-based approach includes that:

- activities are easier, quicker and more cost effective to measure and verify
- it provide greater opportunity to frontload financial support and incentivise early action (including for pest and weed control, stock exclusion etc)
- it provides a cost-effective middle ground provided there is a strong evidence base linking the delivery of certain activities operating to agreed standards to biodiversity improvement outcomes.

The pros of a primarily project-based approach includes that good project design provides for:

- both activities and outcomes, end dates and milestones to track achievement towards outcomes
- can recognise and respond to national and/or region strategies and priorities.

The pros of a primarily outcomes-based approach include:



- other approaches risk broad exposure to ineffective and uncoordinated activities

Support for an outcomes-based approach is conditional on having or developing accurate and cost effective / efficient monitoring, verification, and reporting methodologies to track and recognise quantifiable improvements in indigenous biodiversity outcomes over time.

A hybrid activity/outcome approach may be feasible initially, or there may be merit in a transition from an initial activity-based approach to incentivise action, to an outcome-based approach in the medium term once measurement parameters are established.

6 Should there also be a requirement for the project or activity to apply for a specified period to generate credits?

- Yes?
- No?

Answer

Yes - Te Uru Kahika consider that there should be a requirement for a project or activity to apply for a specified period to generate credits.

[Please explain your answer here.](#)

A minimum period would have to be defined for different types of projects, activities and/or outcomes reflecting different circumstances. This period would need to vary by activity/project, based on its scale and complexity and importance of the outcome. The value of credit should also reflect the level of permanence and certainty of success.

7 Should biodiversity credits be awarded for increasing legal protection of areas of indigenous biodiversity?

For example, QEII National Trust Act 1977 covenants, Conservation Act 1987 covenants or Ngā Whenua Rāhui kawenata.

- Yes?
- No?

Answer

A qualified yes - Te Uru Kahika councils conditionally supports biodiversity credits being awarded for increasing legal protection (covenants or kawenata). However, several councils opposed the use of credits only for enhanced legal protection.

[Please explain your answer here.](#)

Some councils noted that:



- covenant/kawenata protection helps gives confidence that biodiversity credit investment benefits will be secured long term
- this would incentivise increased legal protection (above regulatory minimums) by supporting fencing for stock exclusion and to introduce regular monitoring of these areas.

This support is generally conditional and related to:

- the recognition that improved legal protection is rarely all that is required to maintain/improve biodiversity as active management of covenants (e.g. regular wild animal, pest and or weed control is also usually needed)
- a small number of covenants are either not established and / or managed for biodiversity protection purposes by their landowners and
- proposed covenant areas may not be strategically important or the highest priority for biodiversity protection.

8 Should biodiversity credits be able to be used to offset development impacts as part of resource management (rm) processes, provided they meet the requirements of both the biodiversity credit system (BCS) and regulatory requirements?

- Yes?
- No?

Answer

A qualified No - Most Te Uru Kahika councils generally oppose the use of biodiversity credits to offset development impacts as part of resource management (rm) processes, with several councils being neutral or providing only qualified support for this use of credits.

[Please explain your answer here.](#)

Reasons for opposing the use of biodiversity credits as rm offsets include:

- offsetting in a credit-based system adds unnecessarily complication and contentiousness, and risks conflating and confusing two conceptual approaches potentially reducing wider investor interest
- has the potential to compromise the regulatory system and is likely to be premature due to a lack of key institutional settings and methodological gaps relating to rm offsets (knowledge, capacity, governance, compliance etc.)
- this could lead to a perverse outcome of encouraging 'offsets' instead of avoidance of impacts by becoming a cheaper option than avoiding impacts when undertaking developments leading to overall loss in biodiversity given that offsets rarely adequately replace what has been lost
- offset projects are required to be equivalent and specific to the biodiversity loss being incurred so are unlikely to be scoped / developed ahead of time by the general biodiversity credit market and
- the risk that biodiversity credits could be 'double-counted' – by being purchased to both offset development impacts while separately also still being presented as also supporting 'nature-positive' claims.



The reasons given by a minority of councils who supported the use of credits to offset development impacts were that this:

- would provide a potential additional source of demand for credits and
- allow focus on the development of one system and methodologies to support both approaches.

9 Do you think a biodiversity credit system will attract investment to support indigenous biodiversity in New Zealand?

- Yes?
- No?

Answer

Yes – Te Uru Kahika consider a biodiversity credit system will attract investment to support indigenous biodiversity, although it remains uncertain the likely overall scale/size of investment that a NZ biodiversity credit market would attract.

[Please explain your answer here.](#)

Interest in investing in a NZ biodiversity credit systems is likely to be driven by a range of motivations and factors including how the market is perceived by potential investors both here and overseas. This will affect the potential growth and eventual size of this market.

Even in the absence of a national framework, there are already indications of some demand for credits from investors and some of our councils noted the approaches they have already received from philanthropists and businesses here and overseas looking for opportunities to support and invest in biodiversity projects.

Given the large response to biodiversity improvement grant programmes that individual councils generally receive, there is also considered to be a high likelihood that there will be a significant supply of projects and activities available to the market when it is established.

10 What do you consider the most important outcomes a New Zealand biodiversity credit system should aim for?

Answer

Te Uru Kahika consider there is a range of important outcomes a BCS should aim for.

[Please explain your answer here.](#)

The most important outcomes fall into four categories:



- Improved outcomes for indigenous biodiversity species and habitats (including protection / restoration / reestablishment) especially but not exclusively relating to rare or threatened species and habitats
- biodiversity outcomes that also provided other environmental co-benefits (climate change mitigation / adaptation / resilience, freshwater improvement, encouragement of nature-based solutions, and improving ecosystem services)
- te Tiriti compliance, supporting tangata whenua aspirations, engagement, and participation
- recognising and rewarding the efforts of landowner who are implementing best practise

11 What are the main activities or outcomes that a biodiversity credit system for New Zealand should support?

Answer

Te Uru Kahika consider there are a diverse range of activities or outcomes a BCS should support:

[Please explain your answer here.](#)

Main activities included:

- wetland, native forest, and salt marsh restoration, replanting, and reforestation activities with both biodiversity improvement and climate change mitigation and adaptation benefits
- sustained pest and weed control, and stock exclusion to protect threatened species and habitats & taonga species and to improve ecological integrity.

Main outcomes included:

- increased extent of indigenous biodiversity
- improved ecological integrity of threatened ecosystems & species
- encouraging the right species in the right place
- sustained pest and weed control
- improved cultural health of Te Taiao
- freshwater improvement, carbon sequestration and improved land resilience
- giving landowners a green economic return for protecting indigenous ecosystems or for changing land use using indigenous species.

12 Of the following principles, which do you consider should be the top four to underpin a New Zealand biodiversity credit system?

Please select your top four principles.

Principle	No. of Councils supporting this principle in their top 4
-----------	--



Principle 1 – Permanent or long-term (e.g., 25-year) impact		Eight Councils			
Principle 2 – Transparent and verifiable claims	Ten councils				
Principle 3 – Robust, with measures to prevent abuse of the system	Ten councils				
Principle 4 – Reward nature-positive additional activities				Three councils	
Principle 5 – Complement domestic and international action					Two councils
Principle 6 – No double-counting, and clear rules about the claims that investors can make			Six Councils		
Principle 7 – Maximise positive impact on biodiversity	Ten councils				

Please explain your answer here.

- One council noted that Principles 6 should be combined with Principle 2 and 3 as integrity measures
- In relation to Principle 1 – one council noted some crucial activities are short term and one council noted long term impacts maximise biodiversity outcomes.

13 Have we missed any other important principles?

Answer

Yes -several Te Uru Kahika Councils have identified the need for additional principles.

Please explain your answer here.

Important additional principles include that a biodiversity credit system needs to:

- uphold Tiriti o Waitangi obligations by supporting te Tiriti compliance
- work for tangata whenua, partnerships, participation, and protection and to give tangata whenua scope to exercise Kaitiakitanga and rangatiratanga for their biodiversity projects



- work for our community by ensuring the system is attractive to market participants (both landholders and investors) by offering benefits without undue bureaucracy, administrative burdens, or excessive cost.
- promote a whole ecosystem approach, not a single indigenous species approach

14 What assurance would you need to participate in a market, either as a landholder looking after biodiversity or as a potential purchaser of a biodiversity credit?

Answer

Te Uru Kahika considers that market participants would need the following assurances:

- that biodiversity credits satisfy the proposed principles
- a good evidence base, and timely information to give high confidence that meaningful biodiversity outcomes will be achieved/ projects and activities will have impact and so markets can understand potential system risks and constraints
- the system has integrity and is stable and that BCs are verifiable, transparent, traceable, robust, long-lasting, and cost effective
- BC funding is aligned with biodiversity strategies and priorities
- there is a robust system for dealing with situations when outcomes are not achieved, or biodiversity gains are reversed

Additionally, Te Uru Kahika councils note the need for Māori to be assured that they can participate in ways that:

- safeguard their te Tiriti rights and interests
- protect kaitiakitanga, taonga, and mātauranga Māori
- allow customary use in accordance with tikanga
- enable new occupation, use and development of whenua Māori.

[Please explain your answer here.](#)

Assurance that biodiversity credits meet the proposed principles above and have integrity and impact would go a long way to encouraging participation.

15 What do you see as the benefits and risks for a biodiversity credit market not being regulated at all?

Answer

Te Uru Kahika identified some potential benefits of the biodiversity credit market not being regulated including that:

- this is likely to result in a simpler, less bureaucratic, and easier to participate-in system(s) that were also likely to be more responsive to emerging technologies and processes, providing greater scope for innovation
- unregulated market participants (both buyers and sellers of biodiversity credits) are likely to incur lower costs of administration and be subject to fewer overheads for monitoring verification and reporting



- costs would not fall on regulators (Government or councils) in regards the establishment and enforcement of a private sector biodiversity credit system

Conversely Te Uru Kahika identified the following key risks of no regulation leading to a market

- focused on supporting oversimplified, uncoordinated, low-priority, low-value biodiversity activities and projects (e.g., more of a focus on popular charismatic species and / or on cheap methods /quick wins at the expense of a prioritised ecosystem focused projects that includes significant habitats and the use of 'best-practise / fit for purpose methods)
- attracting 'cowboy' operators that mislead / take advantage of naïve investors and / or landowners by marketing credits with low integrity / low transparency / low accountability and poor or short-lived outcomes. This could undermine trust in the market, reduce market stability and its potential to grow
- market decisions based more on greenwashing / market spin and less on evidence-based guidance to market participants linked to relevant science, proven methodologies, and robust standards.

[Please explain your answer here.](#)

A lack of regulation of an emerging biodiversity credit market has the potential to lead to reduced or no long-term improvement in biodiversity for the reasons mentioned above, may miss the opportunity to encourage projects with co-environmental benefits, potentially result in unintended consequences, and result in overall poor biodiversity returns on investment that could undermine confidence in this market overtime.

On balance Te Uru Kahika considers the benefits of appropriately targeted and designed regulation focused on the areas of greatest risk and need is likely to outweighs the benefits of not regulating this emerging market. Caution is needed, however, to ensure this market is not overregulated given the costs and stifling impacts this can also impose on new and emerging markets.

16 To have the most impact in attracting people to the market, which component(s) should the Government be involved in?

A biodiversity credit system has six necessary components (see figure 5). These are: project provision, quantification of activities or outcomes, monitoring measurement and reporting, verification of claims, operation of the market and registry, investing in credits.

- Project provision
- Quantification of activities or outcomes
- Monitoring measurement and reporting



- Verification of claims
- Operation of the market and registry
- Investing in credits.

Answer

Te Uru Kahika consider that the Government should play a targeted and calibrated role across all components of a biodiversity credit system (based on an assessment of level of need and risk).

[Please explain your answer here.](#)

The Government has a role to some degree in all components of a biodiversity credit system, either in-its-own-right, or working with and overseeing outsourced private sector market providers and subject matter experts. The scale of involvement could vary significantly between different components based on the degree of risk and need for oversight and input.

There is also a clear role of Government to inform / guide the market of desirable outcomes aligned with national and regional strategies and priorities to inform market participants and meet te Tiriti obligations and ensure Māori can participate appropriately.

17 In which areas of a biodiversity credit system would government involvement be most likely to stifle a market?

Answer

Te Uru Kahika considers the following approaches could stifle the markets potential and operations:

- poorly calibrated or excessive government involvement, over regulation across most areas of the market
- the Government abusing its market power in project provision

[Please explain your answer here.](#)

- government should apply a light-handed touch particularly in regulating the market by focusing on the areas of greatest risk, uncertainty and need
- If government requirements on individual components are overly bureaucratic, or regulation is excessive / not pragmatic – this could result in costly administration overheads and deter participation in the market. For example, setting MVR requirements on a one-size-fits-all basis that are not calibrated to the scale or complexity of the project or activity and the funding involved and level of risk. This is likely to result in high overheads potentially capturing most of the investment available for smaller scale projects and activities.



- drastic policy shifts that effect price or restrict the type of projects and / or activities that would qualify
- insufficient support for research and method development and / or access to relevant databases and science expertise
- Government using its scale and expertise to develop projects on public lands that end up dominating the market at the expense of crowding out other participants including private landowners and tangata whenua.

18 Should the Government play a role in focusing market investment towards particular activities and outcomes?

For example, highlighting geographic areas, ecosystems, species most at threat and in need of protection, significant natural areas, certain categories of land.

- Yes?
- No?

Answer

Yes - Te Uru Kahika supports a government role focusing market investment toward particular activities and outcomes.

If yes, why? Please explain your answer here.

Te Uru Kahika sees an important role and opportunity for central government to work with regional and local government and tangata whenua to identify and focus the biodiversity credits market towards national, regional, and local priorities for indigenous biodiversity including toward protection of the most vulnerable species and habitats and including support for significant natural areas.

Te Uru Kahika notes that projects that are very big and ambitious, or span multiple regions are also likely to require government involvement and influence to secure the necessary investment and coordination of effort.

19 On a scale of 1, not relevant, to 5, being critical, should a New Zealand biodiversity credit system seek to align with international systems and frameworks?



	1 - not relevant	2	3 Somewhat relevant	4	5 - is critical
Should a New Zealand biodiversity credit system seek to align with international systems and frameworks?			Nine councils		Three councils

Answer

Most Te Uru Kahika councils consider there is some relevance in NZ aligning its biodiversity credit system with international systems and frameworks, while several considered this to be critical. No councils considered alignment to be irrelevant.

[Please explain your answer here](#)

Most councils that considered there to be some relevance in alignment note the following:

- while biodiversity declines and the emerging biodiversity credit market is a global one leading to some benefit in alignment to attract international investment, in most cases the specific challenges and potential solutions to the challenges to our indigenous biodiversity are unique to New Zealand (given its island biogeography unique challenges, approaches, and cultural and legal context)
- there is a current opportunity for New Zealand to influence emerging international standards to recognise our unique circumstances given the early stage of development of most international frameworks.

The councils that consider alignment to be critical note that following:

- international best practise and emerging global standards will influence international investment in a NZ biodiversity credit market. Our biodiversity risks missing opportunities to attract international investment without appropriate alignment of a NZ biodiversity credit system with international approaches.
- One council considered it particularly beneficial to align with the Australian Nature Repair system (currently the subject of legislation before the Australian Parliament) given NZ's close corporate business connections with Australia.



20 Should the Government work with private sector providers to pilot biodiversity credit system(s) in different regions, to test the concept?

- Yes?
- No?

Answer

Yes – Te Uru Kahika supports the Government working with private sector providers (and in some cases councils themselves) to pilot biodiversity credits system approaches in different regions.

If you support this work, which regions and providers do you suggest?

Please explain your answer here.

This should be the topic of further discussions with councils as individual councils will be submitting on their interest in pilots and potential partners in their respective regions.

Pilots could

- focus on restoration of a range of different ecosystems and / or
- focus on working with low-risk landholders and / or
- take advantage of working with established projects and already existing relationships including with tangata whenua within certain regions.

There are a range of both private and public entities that that Government could consider developing pilots with including but not limited to:

- Toha, Ekos, CarbonZ, interested Iwi entities, QEII National Trust, Wild for Taranaki, Jobs for Nature, and potentially some councils themselves.

21. What is your preference for how a biodiversity credit system should work alongside the New Zealand Emissions Trading Scheme (NZ-ETS) or voluntary carbon markets (VCM)?

- **Little/no interaction:** biodiversity credit system focuses purely on biodiversity, and carbon storage benefits are a bonus?
- **Some interaction:** biodiversity credits should be recognised alongside carbon benefits on the same land, via both systems, where appropriate?
- **High interaction:** rigid biodiversity 'standards' are set for nature-generated carbon credits and built into carbon markets, so that investors can have confidence in 'biodiversity positive' carbon credits?



Answer

Te Uru Kahika supports a NZ biodiversity credit system having some interaction with domestic carbon credits systems (NZ-ETS or VCM).

[Please explain your answer here.](#)

This view is based on the following considerations:

- there are key differences between carbon credit (NZ-emissions trading system -NZ-ETS/Voluntary Carbon Market - VCM) and biodiversity credit systems including purpose, focus, tradability of credits, carbon credit market caps, and the more complex challenge of quantifying uplift in biodiversity outcomes vs carbon uptake and storage
- there is a need to first address current challenges and perverse outcomes associated with the current design of the NZ-ETS and concerns about some of the methodologies used by the VCM
- not all improvements in biodiversity outcomes provide a direct carbon benefit
- both systems should be stand-alone to avoid overly complicating each other but be able to talk (share key information) where practical including by stapling biodiversity and carbon credits (NZUs or Voluntary carbon credits) together where appropriate (e.g., indigenous reforestation, wetland, and saltmarsh restoration projects) to reward projects that have obvious and significant indigenous biodiversity and carbon sequestration outcomes
- the respective systems should also be able to speak to each other to avoid double counting (e.g., voluntary carbon credits that already sell at a premium due to marketed biodiversity benefits should not also generate biodiversity credits)
- there is some potential to align and share certain applications, administrative processes, and methodologies between both biodiversity credit and carbon credit systems (e.g., mapping, legal descriptions of land, registry functions etc.)

22. Should a biodiversity credit system complement the resource management (rm) system?

For example, it could prioritise:

- Significant Natural Areas (SNAs) and their connectivity identified through resource management processes
- endangered and at-risk taonga species identified through resource management processes.
- **Yes?**
- **No?**

Answer

Yes – Te Uru Kahika considers a biodiversity credit system should complement the resource management system.



[Please explain your answer here.](#)

Te Uru Kahika note that:

- identification of SNAs and their connectivity, and of endangered and at-risk species through the resource management process should feed into Regional Biodiversity Strategies, and where relevant, the National Biodiversity Strategy. These priorities along with broader priorities for biodiversity restoration should be communicated to the biodiversity credit market, so both project/activity proponents and investors can make informed choices about where most impact/improvement in indigenous biodiversity can be achieved.
- while biodiversity credit systems should complement the resource management system, biodiversity credits should not be used to fund compliance with legal requirements under the resource management system (e.g., consent conditions).

23. Should a biodiversity credit system support land-use reform?

For example, supporting the return of erosion-prone land to permanent native forest, or nature-based solutions for resilient land use.

- **Yes?**
- **No?**

Answer

Yes – Te Uru Kahika agree that a biodiversity credit system should support land-use reform.

[Please explain your answer here.](#)

Post cyclone landscape has reinforced the need to inspire / transition certain at-risk lands to permanent native forest cover and this requires new sources of funding as the resources needed are beyond the scope of most landowners and councils.

Biodiversity credits could make a significant difference to the financial viability of:

- native afforestation
- transition from production to permanent biodiverse forests and
- reestablishment and/or restoration of mangroves and saltmarshes
- switching away from urban or agricultural uses by reestablishing wetlands in areas otherwise increasingly vulnerable to flood risk

While a biodiversity credit system may play a complementary, or supporting role, it should not however, be the primary policy instrument in respect of land-use or land-use system reform and should not be used to fund compliance with legal requirements.

Any general feedback on the consultation

There is currently a lack of detail in the discussion document on how the design and implementation of a biodiversity credit system will be funded and the likely implications



for and expectation of local government to be involved in the BCS and how a BCS could affect local communities

Any new direction including the potential future regulation of a biodiversity credit system should avoid creating unfunded mandates for local government, as these increase the difficulty for some councils to manage. This is due to the cumulative impacts of central government passing new responsibilities and functions on local government.

There is a need to consider and explore how BCS would work with other green finance mechanisms.



LIZ LAMBERT
EXECUTIVE DIRECTOR
TE URU KAHIKA

