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1 November 2023

Ministry for the Environment  
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Wellington 6143

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Dear Sir/Madam

**Waikato Regional Council Submission to Helping Nature & People Thrive – Exploring a Biodiversity Credit System for Aotearoa New Zealand**

Thank you for the opportunity to submit on the Helping Nature & People Thrive consultation document to inform the design of and the preferred role of government in a biodiversity credit system. Please find attached the Waikato Regional Council's (the Council's) submission, endorsed by the Council's Strategy and Policy Committee on **1 November 2023**.

Should you have any queries regarding the content of this document please contact Judy van Rossem, Specialist Policy Advisor, Policy Implementation Team directly on (07) 8590893 or by email [judy.vanrossem@waikatoregion.govt.nz](mailto:judy.vanrossem@waikatoregion.govt.nz).

Ngā mihi nui,

A handwritten signature in black ink, appearing to read "Tracey May". The signature is fluid and cursive, with a large initial "T" and "M".

Tracey May  
**Director Science, Policy and Information**

## **Submission from Waikato Regional Council on the Helping Nature & People Thrive – Exploring a Biodiversity Credit System for Aotearoa New Zealand consultation document.**

### **Introduction**

1. We appreciate the opportunity to make a submission on the *Helping Nature & People Thrive* consultation document to inform the design of, and the preferred role of government in, a biodiversity credit system.
2. We recognise that New Zealand needs to increase its efforts in protecting and restoring indigenous biodiversity and consider that it is worth pursuing opportunities for a market mechanism such as biodiversity credits to unlock the capital required to make this shift. Increasing expenditure on all environmental protection will place further burdens on the budgets of local and central government in the future and will be passed onto the public through taxes and rates. Bringing private investment into efforts to enhance and protect biodiversity would be a valuable additional avenue of funding.
3. The council considers that a well-functioning biodiversity credit system in this country requires a high level of government oversight and involvement, clear guidance and robust measurement to ensure that it operates with high integrity and is effective in achieving nature-positive outcomes.
4. For ease of reference, we have structured the submission following the four sections of the discussion document and the questions from the online submission form. Our comments in response to the 23 consultation questions are in the attached table, and we wish to highlight the following points:

#### **(a) What is a biodiversity credit system?**

The council supports the need for a biodiversity credit system in New Zealand as a way of attracting capital for crucial biodiversity restoration and protection actions. We suggest that biodiversity credits can help fund the protection of existing biodiversity, investment in the highest ecological value areas, restoration of degraded ecosystems, and the creation of new habitat linkages and corridors. We emphasise that the system should be well-regulated and robustly developed for effective operation and that biodiversity credits should complement, not replace, other funding mechanisms such as rates. We recommend that biodiversity credits and offsets should be separate, with credits aimed at private sector investment in biodiversity protection and restoration, not offsetting development-related biodiversity loss.

#### **(b) Why do we need a biodiversity credit system?**

The potential for a biodiversity credit system to attract investment in support of indigenous biodiversity in New Zealand is acknowledged, although it may take some time to become established. We consider that the most critical outcome for a biodiversity credit system is to halt the loss of biodiversity and achieve nature-positive outcomes. The biodiversity credit system should initially focus on addressing pressing biodiversity issues including stopping the loss of ancient native forests and wetlands, protecting uncommon and threatened ecosystems and preventing the loss of threatened species. Additionally, emphasis should be placed on activities and outcomes that yield multiple benefits, such as soil and species recovery, climate change mitigation and water quality improvement alongside biodiversity benefits. We also suggest that there should be flexibility in addressing regional priorities, aligning with regional biodiversity strategies developed under the National Policy Statement for Indigenous Biodiversity (NPSIB).

#### **(c) How should we design and implement a biodiversity credit system?**

We advocate for a system managed by central government to establish a credit registry to track and verify credits and outcomes and ensure robust measurement. This will provide confidence to those involved in biodiversity improvement, credit purchasers and consumers. We highlight the need for government regulation to prevent “greenwashing”, maximise efficiency, and ensure that the system meets its objectives. We advocate a cautious approach to international standardisation, given the uniqueness of New Zealand’s ecosystems, and highlight the need to

pilot the system in selected areas where other gains can be made in addition to biodiversity benefits. We also emphasise the importance of ensuring that a biodiversity credit system is flexible, equitable and respects Māori rights, involves Māori in its creation and recognises the cultural significance of land and biodiversity to Māori.

**(d) How a biodiversity credit system could complement the wider system**

We recommend that a biodiversity credit system operates in parallel to the Emissions Trading Scheme (ETS) but that they complement each other to maintain clear policy objectives. An independent biodiversity credit system can ensure enduring incentives for indigenous biodiversity, even if incentives for gross emission reductions change. However, we acknowledge that the potential interaction between the two systems is contingent upon the current review of the ETS. We also support the biodiversity credit system playing a complementary role in the resource management system and land-use reform, but that it should not fund compliance with legal requirements under the resource management system.

5. The discussion document canvasses the many considerations that need to go into designing a biodiversity credit system; however, there is a lack of clarity about the implications for, and expectations of regional councils in delivering the system. We consider that councils need to be involved in setting priorities for the application of biodiversity credits and providing local calibration as the system develops, but we are also concerned about the potential for unfunded mandates.
6. We look forward to continued involvement in future consultation processes for New Zealand's biodiversity credit system and would welcome the opportunity to comment on any issues explored during its development.

**Submitter details**

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**SUBMISSION ON “HELPING NATURE & PEOPLE THRIVE – EXPLORING A BIODIVERSITY CREDIT SYSTEM FOR AOTEAROA NEW ZEALAND” CONSULTATION DOCUMENT**

Questions	Our views and responses
<b>Section 1: What is a biodiversity credit system?</b>	
<p>1. Do you support the need for a biodiversity credit system (BCS) for New Zealand?</p> <p>Please give your reasons.</p>	<p>Yes, we agree with the preamble of the discussion document that New Zealand is facing a biodiversity crisis and we support the need for a biodiversity credit system. A market mechanism, such as biodiversity credits, could unlock the capital required for restoration and protection activities. We support the purpose of the system – to provide for improved biodiversity outcomes and to bridge the funding gap for biodiversity solutions.</p> <p>There is evidence of emerging interest in biodiversity credits (such as the <a href="#">CarbonZ Biodiversity Action Credit</a>), and a possible requirement for nature-based financial reporting on the horizon. We consider that the timing is right for central government to take the first steps in establishing a biodiversity credit system here in New Zealand.</p> <p>We suggest there are potential benefits for whānau, hapū, iwi, and Māori landowners. A biodiversity credit system could offer financial gains, autonomy in land management, and enhancement of cultural heritage and biodiversity. It would support Māori in their role as kaitiaki of their lands, enabling them to uphold cultural practices while gaining economic benefits without jeopardising land ownership.</p> <p>We note that the system must be regulated and robustly developed to work effectively and to ensure trust and integrity. There are risks including, but not limited to: high administrative and monitoring costs, the potential for over-design resulting in unnecessary complexity and low uptake, and possible perverse outcomes such as “greenwashing”. We also consider that biodiversity credits should be additional to - and not a replacement for – other more direct mechanisms for funding biodiversity protection and enhancement such as rates, taxes and levies.</p>
<p>2. Below are two options for using biodiversity credits. Which do you agree with?</p> <p>(a) Credits should only be used to recognise positive actions to support biodiversity.</p> <p>(b) Credits should be used to recognise positive actions to support biodiversity, and actions that avoid decreases in biodiversity.</p>	<p>We support option (b) – credits should be used to recognise the positive action to support biodiversity, and actions that avoid decreases in biodiversity.</p> <p>This is particularly important when considering all aspects of ecological restoration:</p> <ul style="list-style-type: none"> <li>(a) the retention and protection of existing biodiversity;</li> <li>(b) the restoration of degraded ecosystems (e.g through pest and weed control and reinstating key natural processes); and</li> <li>(c) reconstruction of new habitat and biodiversity linkages and corridors.</li> </ul> <p>Achieving substantial improvement in the condition and sustainability of indigenous biodiversity requires connectivity between remnants of the original ecosystems, natural regeneration and restoration plantings so that they can complement each other across the landscape and enhance resilience to climate change (refer to the paper on the <a href="#">“Ten Principles</a></p>

Questions	Our views and responses
<p>Please answer (a) or (b) and give your reasons.</p>	<p><a href="#">Underpinning Good Ecosystem Restoration” by the Society for Ecological Restoration 2021</a>). Biodiversity credits can facilitate all of these activities, providing some economic return to the land being restored.</p> <p>We consider the credits should recognise the measure of the gain from the activity. For example, comparisons should be made to the future <i>with</i>, versus <i>without</i>, the project. If the alternative future was the loss of a forest, but the biodiversity activity prevented that loss, then there is a clear measure of gain that can be recognised through the credits. The biodiversity credit system should also be designed so that greater credit value is assigned where the outcomes are more positive or have more impact, such as connectivity across a landscape.</p> <p>We note that Question 8 has a bearing on consideration of these two options. Our view is that option (b) here is supported as long as it does not duplicate, be inconsistent with or complicate the resource management regulatory system for managing adverse effects, offsets and compensation.</p>
<p>3. Which scope do you prefer for a biodiversity credit system?</p> <p>(a) Focus on terrestrial (land) environments.</p> <p>(b) Extend from (a) to freshwater and estuaries (e.g. wetland, estuarine restoration).</p> <p>(c) Extend from (a) and (b) to coastal marine environments (e.g. seagrass restoration).</p> <p>Please answer (a) or (b) or (c) and give your reasons.</p>	<p>Conceptually, the council supports option (c) as it reflects the interconnectedness of all ecosystems which is consistent with a te ao Māori worldview. However, for pragmatic reasons we prefer the scope outlined in (b) initially as this is where we have a greater understanding of the costs and impacts of restoration actions. We support a focus on terrestrial (land) environments but also consider this could be extended to freshwater and estuaries. Wetlands for example are easy to define and provide very real benefits for carbon storage (restoring the natural hydrology of wetlands and peatlands changes these areas from being a source of emissions to a permanent carbon sink) with potentially associated biodiversity credits.</p> <p>The priority for a biodiversity credit scheme should be permanent native habitats: ancient native forests, older natural regeneration, planted permanent native forests, shrublands, mangroves, wetlands, peatlands, and tussock lands. If cared for and/or restored, these habitats should earn biodiversity credits as well as carbon credits, attracting the highest value for landowners.</p> <p>The coastal marine fringe including coastal wetlands is an area of high value biodiversity and we consider that it may be able to be incorporated into a biodiversity credit scheme. Coastal wetlands also improve resilience to climate change impacts such as sea level rise, yet they can also be vulnerable to extreme weather events such as evidenced by the loss of seagrass in Coromandel Harbours following Cyclone Gabrielle. Such areas could be a target for restoration under a biodiversity credit scheme but the methods are not well established in New Zealand, and restoration techniques for marine and coastal ecosystems can be very expensive. We consider that extending the scope to coastal marine environments may add a layer of complexity that would reduce the effectiveness of a biodiversity credit scheme. The greater connectivity in the marine space, lower likelihood of restoration success, data paucity and difficulty in quantifying marine outcomes would make biodiversity credits more difficult to audit and measure. However, there may be scope to include certain coastal</p>

Questions	Our views and responses
	marine ecosystems once the system is established and operating effectively.
<p>4. Which scope do you prefer for land-based biodiversity credits?</p> <p>(a) Cover all land types, including both public and private land including whenua Māori.</p> <p>(b) Be limited to certain categories of land, for example, private land (including whenua Māori).</p> <p>Please answer (a) or (b) and give your reasons.</p>	<p>We consider that, in the first instance, it should apply to private land, including whenua Māori. We need further information to understand how it would apply to public land before we would be comfortable that perverse outcomes are unlikely – for example (a) government reliance on biodiversity credits to fund biodiversity protection on public conservation land, and (b) skewing of the credit scheme to large projects on public land at the expense of smaller projects on private or Māori land.</p> <p>There are other ways to fund biodiversity on public land i.e. through taxes, rates and levies and biodiversity credits should complement rather than replace long term, committed central and local government funding. Accordingly there could be a case for local government to apply for credits for scheme land, and for credits on public land where a community group is undertaking the work and receives the credit.</p>
<p>5. Which approach do you prefer for a biodiversity credit system?</p> <p>(a) Based primarily on outcome.</p> <p>(b) Based primarily on activities.</p> <p>(c) Based primarily on projects.</p> <p>Please answer approach (a) or (b) or (c) and give your reasons.</p>	<p>We prefer an outcome-based approach however we recognise that there may be complexities in measuring outcomes. Whilst we prefer (a) in principle, we consider (b) may be more practical and easier to measure. We also note that (b) is preferable over (c) as (c) may result in credits assigned to low value projects reflecting public perception on what constitutes important biodiversity activities. An activity-based approach would need specified standards for delivery and performance, such as a minimum density of infrastructure for predator control.</p> <p>The approach taken should account for the longevity of the investment. This is a key concern for an approach primarily based on projects (option c). An approach based primarily on projects would require a higher level of audit. There would also need to be assurances that the work undertaken will be protected and maintained in the long term. For instance, in the case of credits for projects where biodiversity restoration is being undertaken across multiple properties, the fate of those credits would need to be determined if only some of the properties are maintaining their fences or pest control.</p> <p>We also suggest that a hybrid activity/outcome (option a/b) approach may be feasible – a transition from an initial activity approach to incentivise action, and then an outcome approach in the medium term once measurement parameters are established. The credits could be awarded to fund activities upfront, and then the remainder of the credits awarded when the outcomes are achieved.</p>
<p>6. Should there also be a requirement for the project or activity to apply for a specified period to generate credits?</p>	<p>Yes, as this further defines the credit and improves measurability. A minimum period of time would have to be defined for different types of activities (e.g. number of hectares of pest control sustained over x years), and this in turn would depend on the scale and type of biodiversity being addressed.</p>

Questions	Our views and responses
<p>Please answer Yes/No and give your reasons.</p>	
<p>7. Should biodiversity credits be awarded for increasing legal protection of areas of indigenous biodiversity (e.g. QEII National Trust Act 1977 covenants, Conservation Act 1987 covenants or Ngā Whenua Rāhui kawenata)?</p> <p>Please answer Yes/No and give your reasons.</p>	<p>Yes, if it contributes to biodiversity outcomes, then biodiversity credits should be awarded for increasing legal protection of areas of indigenous biodiversity, but consideration needs to be given to the length of the legal protection and the underlying management of the area.</p> <p>Overall, it should be reasonably possible to attribute improvements in biodiversity outcomes to the additional legal protection in order for this to be eligible for credits, as well as providing confidence that the biodiversity credit investment will be secure.</p>
<p>8. Should biodiversity credits be able to be used to offset development impacts as part of resource management processes, provided they meet the requirements of both the BCS system and regulatory requirements?</p>	<p>We consider that offsetting should be separate. Biodiversity credits are intended to facilitate private sector investment in the protection and restoration of biodiversity only – not offset a negative impact from development activities. A national biodiversity credit system should not allow a company to clear native forest, and then offset this by investing in indigenous plantings somewhere else. Biodiversity offsets will not deliver nature-positive outcomes in the way that biodiversity credits can be designed to achieve. Offsets are inherently based on an accepted loss of biodiversity and are a regulatory tool for resource management – not a voluntary market mechanism.</p>
<p><b>Section 2: Why do we need a biodiversity credit system?</b></p>	
<p>9. Do you think a biodiversity credit system will attract investment to support indigenous biodiversity in New Zealand?</p> <p>Please give your reasons.</p>	<p>We consider that the biodiversity credit system will likely attract investment to support indigenous biodiversity although it may take some time for the system to become established. There are already examples of financial instruments targeting biodiversity investment operating currently in New Zealand. We encourage the government to investigate and consider whether the system would be open to international creditors and to weigh up the risks of international investment in the scheme.</p> <p>We caution that a biodiversity credit system should not result in inequity and competition between landowners. In other words, it should not mean that landowners with more experience, resources and access to support and information through formal and informal networks and larger properties are able to participate, while landowners who do not benefit from such advantages are not. Equity considerations should not be ignored in the design of the system, because its success will likely derive from landowners' and communities' perception of the scheme as being fair and equitable.</p>

Questions	Our views and responses
<p>10. What do you consider the most important outcomes a New Zealand biodiversity credit system should aim for?</p>	<p>We consider that all of the outcomes listed on page 29 are important; however, the key outcome to aim for is stemming the loss of biodiversity and achieving nature-positive outcomes (1(b)), especially ensuring more secure threatened habitats and species and rewarding the efforts of landowners who are implementing best practice over and above legal requirements.</p> <p>Outcome 2(a) honouring and giving effect to te Tiriti o Waitangi, is particularly important. A biodiversity credit system could offer Māori landowners new revenue sources, empower local conservation efforts rooted in tikanga Māori, and address challenges in securing finance for land development.</p>
<p>11. What are the main activities or outcomes that a biodiversity credit system for New Zealand should support?</p>	<p>We consider that the system should support a diverse range of outcomes or activities. The most concerning biodiversity issues such as halting the loss of wetlands, other naturally uncommon and threatened ecosystems on private land, and loss of threatened species are all high priorities. Credits should also support improving the integrity and functioning of ecosystems and increasing the extent of indigenous biodiversity in a connected way, in addition to protecting and enhancing what we already have.</p> <p>The focus should also be placed on activities and outcomes that will present multiple benefits and co-benefits i.e. soils and species recovery, climate change and water quality benefits along with biodiversity benefits.</p> <p>One option could be to set regionally specific priorities as the priorities will differ between the regions. We suggest that these priorities would be contained within emerging regional biodiversity strategies as the main activities or outcomes that a biodiversity credit system could support.</p>
<p><b>Section 3: How should we design and implement a biodiversity credit system?</b></p>	
<p>12. Of the following principles, which do you consider should be the top four to underpin a New Zealand biodiversity credit system?</p> <ul style="list-style-type: none"> <li>• Principle 1 – Permanent or long-term (e.g. 25-year) impact</li> <li>• Principle 2 – Transparent and verifiable claims</li> <li>• Principle 3 – Robust, with measures to prevent abuse of the system</li> </ul>	<p>We do not consider that there can be a top four from this list. All principles are important for building trust and longevity into a successful system. We note principles 2, 3 and 6 could be combined into an overall integrity measure.</p>



Questions	Our views and responses
<ul style="list-style-type: none"> <li>• Principle 4 – Reward nature-positive additional activities</li> <li>• Principle 5 – Complement domestic and international action</li> <li>• Principle 6 – No double-counting, and clear rules about the claims that investors can make</li> <li>• Principle 7 – Maximise positive impact on biodiversity</li> </ul>	
<p>13. Have we missed any other important principles? Please list and provide your reasons.</p>	<p>We note that page 32 of the discussion document refers to two principles that are guided by te Tiriti o Waitangi:</p> <ul style="list-style-type: none"> <li>• Supports te ao Māori and mātauranga Māori; and</li> <li>• Gives effect to te Tiriti o Waitangi principles.</li> </ul> <p>However, these do not appear in Table 2 (the list above in Question 12). We consider that these two principles could be combined into a single principle to “uphold government obligations under te Tiriti o Waitangi”. The design and implementation of a biodiversity credit scheme must align with the Treaty of Waitangi and respect the special relationship Māori have with their land and taonga (including indigenous biodiversity).</p>
<p>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?</p>	<p>We advocate for a system that is based on the principles in question 12, verifiable and regulated to operate effectively. Verifying biodiversity activities, and their impacts, will be crucial to ensuring trust in the system and in participating organisations. For example, if a landowner is claiming credit, they must not be using that income to destroy values elsewhere, either on the property or on other properties held by them. We would need assurance that the activities funded by biodiversity credits are contributing to an evidence-based biodiversity outcome, and that they are aligned with biodiversity priorities. There also needs to be a way of dealing with situations where outcomes are not achieved or biodiversity gains are reversed, either through human action/inaction or a natural event like a cyclone.</p> <p>We urge the government to consider who is responsible for assurance of the system. For example, will local government be required to provide advice on biodiversity initiatives being proposed under the scheme? Any new direction should avoid creating unfunded mandates, as these increase the difficulty for some councils to manage the cumulative impacts of central government passing new responsibilities and functions onto local government.</p>
<p>15. What do you see as the benefits and risks for a</p>	<p>The market is intended to achieve a public policy outcome. In the absence of perfect information, including in respect of the future, there is no reason to expect a market mechanism to produce efficient outcomes, let alone</p>

Questions	Our views and responses
<p>biodiversity credit market not being regulated at all?</p>	<p>achieve the public policy objective. We consider it is imperative that the system is regulated by government to avoid ‘greenwashing’ (companies or landowners claiming to be improving biodiversity outcomes when they are not) and to ensure the system achieves improvements in biodiversity.</p> <p>Relying on a market opens any mechanism to the uncertainty of human behaviour and the incentive to maximise profits. In the absence of adequate regulation, market mechanisms rely on trust between market actors. Activities shown to be greenwashing in a biodiversity system would undermine this trust and erode confidence in the policy mechanism. An unregulated biodiversity credit market could also risk losing trust resulting in low demand for credits and therefore missed opportunities to fund biodiversity improvements. In this scenario, biodiversity credits may become oversimplified or focused on activities with little biodiversity impact, or at worst, have detrimental impacts on biodiversity (e.g. through ignoring Māori whenua interests or creating long term problems such as weed infestation at a site).</p> <p>We highlight particular risks to Māori such as potential restrictions on land use, risk of exploitation, the commodification of nature, intellectual property issues and potential inequity in the distribution of benefits. Risks can be mitigated through the co-creation of the biodiversity credit system with Māori input, establishing a strong regulatory framework, offering educational resources, integrating flexibility in agreements, providing financial assistance for setup costs, and safeguarding Māori cultural values and traditional knowledge.</p>
<p>16. A biodiversity credit system has six necessary components (see Figure 5). These are:</p> <ul style="list-style-type: none"> <li>• project provision</li> <li>• quantification of activities or outcomes</li> <li>• monitoring, measurement and reporting</li> <li>• verification of claims</li> <li>• operation of the market and registry</li> <li>• investing in credits.</li> </ul> <p>To have the most impact in attracting people to the market, which component(s) should the Government be involved in? Please give your reasons.</p>	<p>Yes, central government should be involved in regulating the system. There will need to be different levels of government involvement to ensure independence and accountability, especially as an effective credit system requires more local knowledge to quantify benefits and outcomes. We consider that central government should be responsible for establishing a credit registry, setting out the scope and standards for biodiversity credits and tracking and verifying the credits/quantifying the outcomes.</p> <p>Central government involvement in the regulation of the market will provide confidence for three groups. First, those seeking to undertake activities that improve biodiversity will have confidence that genuine gains will generate credits that will fund the activities – that is, it reduces funding risk for those working to improve biodiversity outcomes. Second, those looking to purchase biodiversity credits, for whatever reason, can have confidence that their purchases have genuine value. Third, where biodiversity credit holders use them in their marketing, their customers can have confidence that it is not a greenwashing exercise.</p> <p>We envisage that central government would set clear priorities for the protection and restoration of habitats and species through the <a href="#">Te Mana o te Taiao 2020</a> framework, and that local government would provide local context and priorities through regional biodiversity strategies.</p>

Questions	Our views and responses
<p>17. In which areas of a biodiversity credit system would government involvement be most likely to stifle a market?</p>	<p>In respect of the six components listed in question 16, central government would add least value in the areas of project provision (the point of a biodiversity credit system is <i>not</i> about setting up projects, which can be funded through other mechanisms) or investing in credits (again, the point is not about public funding). It is possible also that quantification of outcomes, monitoring, measurement and verification may be better done as a central/local government partnership.</p> <p>We note too that government involvement could stifle the market where the implementation of the credit system becomes too onerous on participants and, for instance, reporting requirements are excessive for smaller scale activities.</p>
<p>18. Should the Government play a role in focusing market investment towards particular activities and outcomes and if so why? For example, highlighting geographic areas, ecosystems, species most at threat and in need of protection, significant natural areas, certain categories of land.</p>	<p>A system that is controlled by the government will ensure that there is a clear set of rules to operate effectively. The government could also direct where activities and outcomes are required. This would ensure that biodiversity that is more difficult to protect is also prioritised (for instance, high biodiversity value areas in districts with low rating bases). Refer to Q.11 – naturally uncommon and threatened ecosystems should be prioritised. Again, the credit system should provide additional incentives to protect and restore these areas over and above the funding by government through other means.</p> <p>There is an opportunity for central and local government to identify particular areas, ecosystems and species together to ensure that national and regional priorities complement each other to ensure biodiversity credit investment achieves landscape-scale biodiversity outcomes.</p>
<p>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?</p> <p>Please give your reasons.</p>	<p>We consider 3 on a scale of 1-5 to be appropriate. The uniqueness of New Zealand’s ecosystems, habitats and species makes it more difficult to standardise biodiversity credits so that they can be internationally traded. However, some alignment of frameworks internationally would be desirable as this may help the integrity of the scheme if it is seen to be consistent with schemes in other countries that are well-tested and effective. Alignment may also facilitate some foreign investment in domestic biodiversity credits.</p>
<p>20. Should the government work with private sector providers to pilot biodiversity credit system(s) in different regions, to test the concept?</p> <p>If you support this work, which regions and providers do you suggest?</p>	<p>Yes, we agree with this. It may be useful to test out the scheme in areas where there are:</p> <ul style="list-style-type: none"> <li>• co-benefits e.g. carbon sequestration and resilience to flooding, sea level rise and other effects of climate change;</li> <li>• existing Jobs for Nature projects that require ongoing funding beyond the original four-year, post-Covid grant timeframe (such as the Kaimai-Mamaku Restoration Project which straddles two regional council areas);</li> <li>• specific Māori land projects.</li> </ul> <p>EKOS and CarbonZ are two current market intermediaries of biodiversity credits.</p>

**Section 4: How could a biodiversity credit system complement the wider system?**

Questions	Our views and responses
<p>21. What is your preference for how a biodiversity credit system should work alongside the New Zealand Emissions Trading Scheme or voluntary carbon markets?</p> <p>(a) Little/no interaction: biodiversity credit system focuses purely on biodiversity, and carbon storage benefits are a bonus.</p> <p>(b) Some interaction: biodiversity credits should be recognised alongside carbon benefits on the same land, via both systems, where appropriate.</p> <p>(c) 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.</p> <p>Please answer (a) or (b) or (c) and give your reasons.</p>	<p>We recommend that the biodiversity credit system operates in parallel to the ETS, and complementary to the ETS but able to be recognised alongside each other for the same piece of land (i.e. 'stacked' credits). This will ensure that each system continues to have a clear policy objective. If biodiversity credits are 'stapled' together with carbon credits and integrated into one system, there is a risk that the policy objective of each scheme may become blurred. We therefore advocate for option (b).</p> <p>Both systems are constructive markets but if the incentives for gross emission reductions change, an independent biodiversity credit system would help ensure there are enduring incentives for indigenous biodiversity. If projects or activities have biodiversity values by and of themselves, then that value should be separately recognised. Conversely, for instance, pine plantations have carbon sequestration benefits but minimal biodiversity benefits compared to native forests. Another possible situation is that carbon credits may fund the early establishment of permanent forest cover, which then earns biodiversity credits over time as it grows. The ability to be flexible depending on the activity in question and to adjust the price of the two different types of credits is preferable.</p> <p>We also note that the government is undertaking a review of the NZ ETS and the permanent forestry category. The consultation document on this review presented four options, one of which proposed two separate systems – one for gross emission reductions and one for emissions removals. There is also a proposal to restrict the permanent forestry category to indigenous and transition forests. Our response to this question could therefore be affected by the result of this review. If two separate systems are created there may be less risk of the emissions price affecting the incentives for removals and biodiversity outcomes. However, until we see the outcome of the review it is difficult to assess how the biodiversity credit system could work alongside the ETS.</p> <p>Nonetheless, in our submission to the NZ ETS review consultation, we noted that the biodiversity credit system could operate as a complementary system and could be used as a separate mechanism to address the protection and re-establishment of indigenous forests. These markets could operate independently, each focusing on their respective policy objective, with less risk of unintended consequences.</p>
<p>22. Should a biodiversity credit system complement the resource management system? (Yes/No)</p> <p>For example, it could prioritise:</p> <ul style="list-style-type: none"> <li>• Significant Natural Areas and their connectivity identified through resource management processes</li> </ul>	<p>Yes, we consider that a biodiversity credit system should complement the resource management system. For instance, identifying significant natural areas, ecological corridors/buffers and taonga species through resource management processes and the NPSIB should be part of regional biodiversity strategies - which would in turn guide the application of, and priorities for biodiversity credits. However, we reiterate that biodiversity credits should not be used to fund compliance with consent conditions and other legal requirements under the resource management system.</p>

Questions	Our views and responses
<ul style="list-style-type: none"> <li>endangered and at-risk taonga species identified through resource management processes.</li> </ul>	
<p>23. Should a biodiversity credit system support land-use reform? (Yes/No)</p> <p>(For example, supporting the return of erosion-prone land to permanent native forest, or nature-based solutions for resilient land use.)</p>	<p>We agree with the general principle that a biodiversity credit system should support land use reform. For example, the system may assist in generating revenue to support a switch to nature-based solutions for resilient land use e.g. restoring wetlands in areas otherwise increasingly vulnerable to flood risk. A biodiversity credit system could also provide sufficient incentive for landowners to retire marginal farmland or pine plantations to permanent native forest cover. Note that we assume “land-use reform” is intended to mean <i>land-use change within a given regulatory framework</i>, and not a “reform” of the framework itself. We consider that while a biodiversity credit system may play a complementary, or supporting role, it should not be the primary policy instrument in respect of land-use or land-use system reform.</p>