

Helping nature and people thrive – Exploring a biodiversity credit system for Aotearoa New Zealand

Consultation questions

Questions	
1	<p>Do you support the need for a biodiversity credit system (BCS) for New Zealand? Please give your reasons.</p> <p>In principle, yes. However, the threat of biodiversity loss requires investment, raised awareness and effort beyond simply the implementation of a BCS. We need to investigate all options to enable this. For example, protection mechanisms through QEII and DOC covenant, the Reserves Act 1977 and the District Plan.</p> <p>Councils are already responsible under the Resource Management Act 1991 (RMA) for identifying and protecting areas of significant native vegetation and habitats of threatened native species. The Kāpiti Coast District use a mix of regulation, projects and work with other agencies to protect and support biodiversity in our district. A well-informed BCS may bolster our efforts to support Kāpiti's natural environment.</p>
2	<p>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 action to support biodiversity, and actions that avoid decreases in biodiversity.</p> <p>Please answer (a) or (b) and give your reasons.</p> <p>We support Option A as it rewards positive action rather than an absence of negative actions. We are concerned that there is a risk of Option B being gamed by proposing to do something damaging, then being rewarded for not undertaking those actions. If the focus is to be on restoring and enhancing our biodiversity (not just maintaining) then it is important to encourage actions that go beyond maintaining the status quo, which is only achieved through Option A.</p>
3	<p>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 (eg, wetland, estuarine restoration).</p> <p>(c) Extend from (a) and (b) to coastal marine environments (eg, seagrass restoration).</p> <p>Please answer (a) or (b) or (c) and give your reasons.</p> <p>We support the broad scope of Option C, as has a stronger focus on conservation upkeep and management, and recognises that all environments have value and could benefit from these incentives. In Kāpiti, we characterise our ecosystem as 'from mountain to sea', which is also reflective of this holistic approach and a broad scope for biodiversity incentives. This aligns with a te ao Māori worldview emphasising the interconnectivity of life and nature; that ecosystems are intimately linked; and that the benefits of restoring one ecosystem flow on to others.</p>

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4	<p>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. (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 support Option A - all land types. This is most fitting with the holistic approach discussed in response to Q3. Additionally, funding available for conservation activity on public (i.e., Council-owned) land is extremely limited, so a BCS could offer much-needed finance to maintain community spaces where nature and people thrive.</p>
5	<p>Which approach do you prefer for a biodiversity credit system?</p> <p>(a) Based primarily on outcome. (b) Based primarily on activities. (c) Based primarily on projects.</p> <p>Please answer approach (a) or (b) or (c) and give your reasons.</p> <p>We support Option A. Ensuring that a BCS is incentivising and rewarding only those activities that have created a measurable positive impact on biodiversity (ie Option A - taking an outcomes-based approach) is likely to be the most effective design of a BCS in terms of overall positive outcomes.</p> <p>However, there are likely to be some practical limitations for companies to be able to accurately measure outcomes and clearly attribute any changes to specific activities; this would therefore require a simple and structured assessment approach to be taken and implemented as part of the BCS design, as seen in Treasury's work around social investment return. In some instances, the benefits of an activity may take years to realise, which may create an unacceptable delay in being able to sell associated credits; a pragmatic approach would be needed to introduce interim 'signals' for change. The outcomes of an NBS <i>activity</i> can be measured using best practice biodiversity outcome monitoring techniques, and can be independently audited on a periodic bases, to ensure that biodiversity ambitions are being met.</p> <p>To support this system, high quality guidance and recommendations on NBS activities should be provided to inform decision-making around activity/project design and what opportunities to invest in. There should also be a requirement for ongoing review of activities, supported by independent expertise such as DOC ecologists – to identify benefits and lessons learnt.</p>
6	<p>Should there also be a requirement for the project or activity to apply for a specified period to generate credits?</p> <p>Please answer Yes/No and give your reasons.</p> <p>Yes. Per Question 5, setting out expected periods for impact would be required for an outcomes-based approach.</p>
7	<p>Should biodiversity credits be awarded for increasing legal protection of areas of indigenous biodiversity (eg, 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, biodiversity loss has resulted, to a large extent, from land management practices. Indigenous biodiversity needs to be legally protected. Incentivising protection using biodiversity credits may make legal protection, such as that offered by QE11 National Trust Act 1977, more attractive. A legally protected covenant teamed with positive restoration activity would be complementary.</p>

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8	<p>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>Biodiversity offsetting is an important method for biodiversity protection within the effects management hierarchy of the resource management framework. When used as intended, it is only used to offset those biodiversity impacts of a development that are unable to be avoided, remedied, or mitigated. Offsets can be either No-Net Loss, or Net Gain offsets.</p> <p>DOC guidance defines biodiversity offsetting as “a process that seeks to counter-balance the unavoidable impacts of development activities on biodiversity by enhancing the state of biodiversity elsewhere”. Activities that are eligible for biodiversity credits are by their nature going to be activities that “enhance the state of biodiversity elsewhere”, which does align with the intent of these provisions under the RMA.</p> <p>A potential benefit of this approach is that, by allowing Biodiversity Credits as an offset, the activities will likely be undertaken by organisations that are better able to ensure biodiversity outcomes are met, which could have positive results for biodiversity overall. However, the design of the system is going to be vital in ensuring that offsetting in this way results in a positive outcome for biodiversity values. Importantly, the biodiversity credits system will need to provide sufficient reliable and quantifiable information on the biodiversity values being provided so they can be assessed against the likely residual biodiversity impacts they are seeking to offset.</p> <p>Council is therefore cautiously supportive of using Biodiversity Credits as a biodiversity offset under the RMA, provided enough accurate and transparent information is available on the benefit to biodiversity value that is being offered. We would also be supportive of a requirement for Biodiversity Credits to result in a Net Gain rather than No Net Loss of biodiversity if they are proposed as an offset, which is in keeping with our support of a biodiversity credit scheme that encourages activities that produce a net benefit rather than maintaining existing biodiversity levels.</p>
9	<p>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>Yes, but it would need to be incentivised. Philanthropy New Zealand researched environmental funding and produced a report in 2018. They found philanthropic funding of environmental causes in 2017-18 was approx. \$26.5m (when local authority funding was excluded). This demonstrates that there are philanthropic motivations to invest in the environment. Report: Research reports — Philanthropy New Zealand</p> <p>However, investing in a biodiversity credit scheme would need to be more attractive to investors than more straightforward philanthropic methods such as donating to charities that promote biodiversity.</p>
10	<p>What do you consider the most important outcomes a New Zealand biodiversity credit system should aim for?</p> <ol style="list-style-type: none"> 1. Enhancement and protection of the highest biodiversity values. 2. Measurable increases in indigenous biodiversity. 3. A healthy natural environment that directly benefits societal wellbeing. 4. People working together to increase biodiversity.
11	<p>What are the main activities or outcomes that a biodiversity credit system for New Zealand should support?</p> <ol style="list-style-type: none"> 1. Activities which focus on entire ecosystem restoration. 2. Community-level activities. 3. Projects which take a restoration approach, rather than a task approach. For example, a project to restore an estuary should consider the wider impacts on that ecosystem and wider restoration activities should be planned around that instead of focusing on one aspect such as planting natives. There needs to be a ‘bigger picture’ approach that factors in all ecosystems in the area (both land and water). A BCS should support and reward ‘joined-up’ approaches.

Question	
12	<p>Of the following principles, which do you consider should be the top four to underpin a New Zealand biodiversity credit system?</p> <p>Principle 1 – Permanent or long-term (eg, 25-year) impact Principle 2 – Transparent and verifiable claims Principle 3 – Robust, with measures to prevent abuse of the system Principle 4 – Reward nature-positive additional activities. Principle 5 – Complement domestic and international action. Principle 6 – No double-counting, and clear rules about the claims that investors can make. Principle 7 – Maximise positive impact on biodiversity.</p> <p>Principle 1 – Permanent or long-term (eg, 25-year) impact Principle 2 – Transparent and verifiable claims Principle 6 – No double-counting, and clear rules about the claims that investors can make. Principle 4 - Reward nature-positive additional activities; however the definition of ‘nature-positive additional activities’ needs to be provided.</p>
13	<p>Have we missed any other important principles? Please list and provide your reasons.</p> <p>Biodiversity must not become wholly monetised. For nature to recover and thrive, it requires a healthy functioning ecosystem. Biodiversity credits should be used as a part of a company’s nature-positive journey, not relied upon as an offset for damage done.</p>
14	<p>What assurances 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> <ul style="list-style-type: none"> • Integrity of the market. • Longevity of the market. • Consequences of non-compliance. • Regulation of the market.
15	<p>What do you see as the benefits and risks for a biodiversity credit market not being regulated at all?</p> <p>Benefits and risk depend on who’s view is taken.</p> <p>For Council:</p> <ul style="list-style-type: none"> • There is risk that an unregulated market would not accurately quantify genuine biodiversity gains. For example, whether the purchase of credits is additional to what would have happened otherwise, such as the planned restoration of a wetland. • There is benefit that regulation would enable better standardisation, transparency and measurement of efficacy. An unregulated market could mask the ongoing degradation of ecosystems. <p>For developers, as an example:</p> <ul style="list-style-type: none"> • A potential risk of a BCS is that it is an additional cost, which may make development less attractive. Offset would be critical. • A benefit is that there would be clearer means to step through unclear requirements around biodiversity, particularly through regionally set requirements.

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16	<p>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.</p> <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>Government should only be involved in markets where there is a systemic failure. This means operation of the market and registry, verification of claims, and investing in credits.</p> <p>Although not listed in the original question, the integrity of the market. Council sees in other environmental areas that independent observers producing reports for developers and landowners are open to bias, and reports often have significant omissions. It is in the interest of ecological contracting firms to act in the interest of their clients.</p> <p>Clear standards for quantification of biodiversity activities, verification of such standards and government auditing will be essential in ensuring that the credit system is achieving its ambition of increasing NZ's biodiversity.</p> <p>Development of a BCS should pay particular attention to how implementation would work and how stakeholder compliance would be achieved. Good policies are at risk of falling over in implementation unless robust compliance enforcement is part of the policy structure.</p>
17	<p>In which areas of a biodiversity credit system would government involvement be most likely to stifle a market?</p> <p>Project provision, qualification of activities or outcomes, and monitoring measurement and reporting.</p>
18	<p>Should the Government play a role in focusing market investment on 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>Yes. See answer 11. Restoring, extending and protecting existing indigenous biodiversity should be valued higher than habitat creation, especially when the indigenous biodiversity is relatively unmodified.</p> <p>For example, a project to fence and protect an existing block of remnant forest should be a higher priority than extending a block of remnant bush by planting the surrounding paddocks and appropriately protecting it, which should be of higher value than planting a bare paddock that is relatively unconnected and a habitat being created from scratch.</p> <p>Land that is relatively intact and unmodified inherently has a higher indigenous biodiversity value than land which has been heavily modified. This is especially true for whenua Māori. A BCS could be used to provide value to Māori land where it has been withdrawn from productive use.</p>
19	<p>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? Please give your reasons.</p> <p>In principle, if, and only if, an existing international system or framework exists and is effective the NZ BCS should strongly align.</p> <p>Based on research, there currently isn't a credit system that is applicable to the proposed use case. Council would be interested to know the level of interest from offshore investors in a NZ BCS.</p>
20	<p>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, absolutely. Eastern Whio Link, and Carbonz</p>

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21	<p>What is your preference for how a biodiversity credit system should work alongside the New Zealand Emissions Trading Scheme or voluntary carbon markets?</p> <ul style="list-style-type: none"> (a) Little/no interaction: biodiversity credit system focuses purely on biodiversity, and carbon storage benefits are a bonus. (b) Some interaction: biodiversity credits should be recognised alongside carbon benefits on the same land, via both systems, where appropriate. (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>Please answer (a) or (b) or (c) and give your reasons.</p> <p>Option A to minimise the risk if one market fails.</p>
22	<p>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"> • Significant Natural Areas and their connectivity identified through resource management processes. • endangered and at-risk taonga species identified through resource management processes. <p>It is essential that government legislation complements other legislative tools, and that a BCS aligns with environmental legislation, supporting environmental bottom-lines. Given that the RMA may be appealed through 2024, it is important that the BCS (if introduced) aligns to any relevant legislation.</p>
23	<p>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>Yes, a BCS could be used to incentivise housing developers to protect indigenous biodiversity on their developments – by allowing buffers around SNAs for example (rivers, estuaries, wetlands). Such an approach would be complementary to the requirements stated in the Council’s District Plan for protection of ecosystems and the small incentives provided to landowners through rates remissions and grants.</p>