

3 November 2023

To: Ministry for the Environment

For: Hawke's Bay Regional Council

Tēnā koe

FEEDBACK ON TE ĀWHINA I TE TAI AO ME NGĀ TANGATA KIA PUĀWAI - HELPING NATURE AND PEOPLE THRIVE - EXPLORING A BIODIVERSITY CREDIT SYSTEM FOR AOTEAROA NEW ZEALAND DISCUSSION DOCUMENT

Hawke's Bay Regional Council welcomes the opportunity to provide feedback to the Ministry for the Environment on the discussion document - *Exploring a biodiversity credit system for Aotearoa New Zealand*.

Feedback on the proposal is detailed in Appendix one below and includes details of various views held by council staff on the design and operation of a biodiversity credit system. Due to tight submission deadlines, these comments have not received endorsement from elected members, but instead have been prepared by council staff. Many thanks for the opportunity to provide feedback at the early stage of this proposal.

Ngā mihi,

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APPENDIX ONE - DISCUSSION DOCUMENT QUESTIONS AND RESPONSES

Question	Answer/Comment
<p>1. Do you support the need for a biodiversity credit system (BCS) for New Zealand? Please give your reasons.</p>	<p>Council supports the creation of a biodiversity credit system for New Zealand.</p> <ul style="list-style-type: none"> • Biodiversity credits are a way to incentivise and finance protecting the environment. Biodiversity credits provide pathways for businesses that wish to promote their contribution to nature (not unlike FSC, or MSC) to purchase credits which in turn provide funding to undertake nature positive projects, or activities that may not have been otherwise undertaken. • However, the (BCS) system itself is needed firstly to provide the settings in which the creation, sales, and claims (relating to biodiversity credits) etc are made under.
<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 action to support biodiversity, and actions that avoid future decreases in biodiversity. Please answer (a) or (b) and give your reasons.</p>	<p>Council does not have a consensus view on a preferred option, pros and cons have been identified for both options.</p> <p>(a)</p> <ul style="list-style-type: none"> • Credits should reflect the key goal • Credits could complicate regulatory approaches. <p>(b)</p> <ul style="list-style-type: none"> • Credits should reflect positive outcomes. • Actions against future decreases should be rewarded, some of this protection could be vital for biodiversity survival (e.g. trapping).
<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 (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>Council does not have a consensus view on a preferred option, it should however be noted that Council agrees the scope should not be limited to just terrestrial.</p> <ul style="list-style-type: none"> • Acutely threatened environments should be prioritised above other environments. This includes environments such as wetlands and alluvial forest etc. Furthermore, biodiversity does not recognise domain boundaries and is not restricted by such boundaries.
<p>4. Which scope do you prefer for land-based biodiversity credits?</p>	<p>Council supports the scope of a biodiversity credit system that covers all land types including both public and private land. Council</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>agrees that biodiversity gains are a gain for the natural environment irrespective of the land type.</p> <ul style="list-style-type: none"> • There is a risk of central government using this source of potential funding to meet its core responsibilities, instead of an over and above. Council considers this potential source of funding an ‘extra’ source to support biodiversity positive outcomes.
<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>Council does not have a consensus view on a preferred option as there are pros and cons related to all three options.</p> <ul style="list-style-type: none"> • An activities-based approach ties the value of the credit to the activity rather than the biodiversity itself and recognises actions undertaken. Credits are received faster, perhaps generating more interest from businesses/philanthropists. This could however only provide a biodiversity positive so long as the activity is kept up infinitely. • An outcomes-based was noted as being perhaps difficult and time consuming but could result in projects that end in meaningful and measurable biodiversity positive outcomes. • A project-based approach was also noted as having a start and end date, unlike perhaps an activities-based approach.
<p>6. Should there also be a requirement for the project or activity to apply for a specified period to generate credits? Please answer Yes/No and give your reasons.</p>	<p>Council considers that there should be a requirement.</p> <ul style="list-style-type: none"> • There is the possibility that activities/projects may not be achieved. Setting timeframes that must be met would incentivise a project or activity’s completion. • However, it was also noted that there should be some flexibility for certain projects when factors that are out of their control contribute to delays.
<p>7. 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)? Please answer Yes/No and give your reasons.</p>	<p>Council agrees that credits should be awarded for increasing legal protection.</p> <ul style="list-style-type: none"> • This would promote the protection of many threatened environments that are now only found on private land outside the conservation estate. It was also noted that credits for legal protection should perhaps not be given on their own, rather for biodiversity projects that included legal protection. • Furthermore, despite legal protection for areas of indigenous biodiversity (from vegetation clearance or activities) and the potential for fencing, or from stock access, this does not mean these areas are protected from invasive plant and animal species if no active work is

	undertaken. Biodiversity gains are therefore limited if the ecological integrity is compromised.
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>Council does not support the use of credits in offsetting development impacts.</p> <ul style="list-style-type: none"> Biodiversity credits are intended to bring benefits to indigenous biodiversity, against which nature-positive claims can be made. Offsetting is a requirement under regulation and the effects management hierarchy (RMA). They should be kept separate.
9. Do you think a biodiversity credit system will attract investment to support indigenous biodiversity in New Zealand? Please give your reasons.	<p>Council agrees that a biodiversity credit system will attract investment to support indigenous biodiversity in New Zealand.</p> <ul style="list-style-type: none"> Markets will demand more environmental responsibility (not only climate, but in biodiversity which have multiple benefits) and a BCS will provide an opportunity for businesses to be able to verify environmental claims. There is also growing consumer interest in ensuring supply chain integrity. New Zealand, as a global biodiversity hotspot, alongside well documented biodiversity loss, should be positioned well to benefit from a BCS (assuming pricing).
10. What do you consider the most important outcomes a New Zealand biodiversity credit system should aim for?	<p>Council considers there is a range of important outcomes a biodiversity credit system should aim for.</p> <ul style="list-style-type: none"> The BCS should primarily (not exclusively) support the protection, and restoration of at risk/threatened indigenous biodiversity (halting the decline) on all land types by providing funding for positive biodiversity outcomes/projects/activities. Furthermore, a BCS would support landowners (including whenua Māori) by rewarding positive biodiversity efforts – providing an incentive.
11. What are the main activities or outcomes that a biodiversity credit system for New Zealand should support?	<p>Council considers there is a range of important outcomes and activities a biodiversity credit system should support.</p> <ul style="list-style-type: none"> The main BCS outcomes should be an increased extent of indigenous biodiversity, rewarding landowners for protecting indigenous biodiversity, and improved ecological integrity of at risk/threatened biodiversity. The main activities included wetland restoration, sustained pest (plants and animals) control, and indigenous forest reforestation providing multiple benefits.
12. Of the following principles, which do you consider should be the top four to underpin a New Zealand biodiversity credit system?	<p>Council considered the following the top four principles to underpin a biodiversity credit system:</p> <p>(7) The overarching BCS principle must be to maximise positive impact on biodiversity.</p>

<p>Principle 1 – Permanent or long-term (eg, 25-year) impact</p> <p>Principle 2 – Transparent and verifiable claims</p> <p>Principle 3 – Robust, with measures to prevent abuse of the system</p> <p>Principle 4 – Reward nature-positive additional activities</p> <p>Principle 5 – Complement domestic and international action</p> <p>Principle 6 – No double-counting, and clear rules about the claims that investors can make</p> <p>Principle 7 – Maximise positive impact on biodiversity</p>	<p>(2) As the BCS relies on investment in biodiversity credits and claims made against this, the system must be transparent and verifiable.</p> <p>(1) For it to be beneficial, positive impact on biodiversity should be permanent, or at least long-term.</p> <p>(5) Positive biodiversity outcomes should complement domestic and international action, in regard to threatened environments, wetlands etc.</p>
<p>13. Have we missed any other important principles? Please list and provide your reasons.</p>	<p>N/A</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>Council considered the following:</p> <ul style="list-style-type: none"> • As a landowner: Price and timeframe certainty. • As a purchaser: Certainty about what environmental claims can be made. Also, certainty around approved buying platforms or pathways.
<p>15. What do you see as the benefits and risks for a biodiversity credit market not being regulated at all?</p>	<p>Council agreed with the following risks including:</p> <ul style="list-style-type: none"> • Businesses making unverified claims of positive biodiversity impacts. • Sellers not legally having the right to sell credits (or carry out activities). • Double selling. • No verification of biodiversity positive projects or activities.
<p>16. 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. 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>Council agrees that the Government should play a targeted role in the biodiversity credit system.</p> <ul style="list-style-type: none"> • The Government should be involved in measuring and verifying activities (standardisation of systems and also some form of auditing). • Furthermore, Government involvement could attract people to the market by providing certainty (and integrity) around what activities/projects generate a certain number of credits (standardising).

<p>17. In which areas of a biodiversity credit system would government involvement be most likely to stifle a market?</p>	<p>Council considers that government involvement in project provision might force investors into a smaller range of options, which may reduce investor interest.</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>Council supports a government role which could focus on certain activities and outcomes.</p> <ul style="list-style-type: none"> • This could be done in the pricing of credits (measuring and verifying) relating to threat category, geographic areas, and ecosystem representativeness etc.
<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? Please give your reasons.</p>	<p>Council considers there is some relevance in New Zealand aligning its biodiversity credit system with international frameworks.</p> <ul style="list-style-type: none"> • The main objective of the BCS is to improve biodiversity outcomes for New Zealand and this should remain the most important factor. • Also, New Zealand faces unique biodiversity challenges that may not fit international frameworks.
<p>20. Should the Government work with private sector providers to pilot biodiversity credit system(s) in different regions, to test the concept? If you support this work, which regions and providers do you suggest?</p>	<p>Council supports the Government working with private sector providers.</p> <ul style="list-style-type: none"> • There is already good activity happening in places like EKOS at Maungatautari and this could be a good pilot.
<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>Council supports a biodiversity credit system that has some interaction (b) with the NZETS or carbon markets.</p> <ul style="list-style-type: none"> • Biodiversity credits should be recognised alongside carbon credits via independent systems. Stapling of credits should be available where appropriate if both biodiversity and carbon positive outcomes occur on the same piece of land. • These systems should be managed independently so that biodiversity credits maximise biodiversity outcomes, and carbon credits carbon outcomes. These can then be sold on as a combined product to purchasers who wish to claim both benefits, or more importantly add value to carbon schemes so there is an incentive to protect indigenous forest.

<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>22. Should a biodiversity credit system complement the resource management system? (Yes/No) 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>Council supports a biodiversity credit system that complements the resource management system.</p> <ul style="list-style-type: none"> • A BCS in New Zealand should prioritise areas such SNAs their restoration. Incentives need to be provided to private landowners with SNAs on their land to protect and maintain SNAs. A BCS could help with NPS-IB implementation in this respect. • A BCS should not be used in biodiversity offsetting as required under the NPS-IB. Furthermore, credits should not be restricted to landowners with SNAs, as those that do not have SNAs but wish to undertake conservation/restoration work.
<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>Council agrees that a biodiversity credit system could support land-use change.</p> <ul style="list-style-type: none"> • A BCS could provide a source of funding that supports land-use change (e.g. supporting the return of highly erodible land to permanent native forest, returning/restoring wetlands). • A BCS could also help land-use change to return indigenous forest in areas (not only erosion prone) such as Hawke's Bay where in lowland areas it has largely disappeared. • A BCS could also support the protection and enhancement of large tracts of indigenous biodiversity on whenua Māori as a source of funding.