DUNEDIN CITY COUNCIL | kaunihera a-rohe o Ōtepoti

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Tēnā koe

DUNEDIN CITY COUNCIL SUBMISSION: EXPLORING A BIODIVERSITY CREDITS SYSTEM FOR AOTEAROA NEW ZEALAND

Introduction

1. The Dunedin City Council (DCC) welcomes the opportunity to submit on the consultation 'Exploring a Biodiversity Credit System for Aotearoa New Zealand'.

2. The DCC supports the initiative to explore a biodiversity credit system (BCS) in Aotearoa, which aims to invest in the protection of biodiversity and the natural environment and has the potential to play a significant role in addressing the biodiversity crisis, climate crisis, and supporting indigenous biodiversity.

3. The DCC notes that a BCS would align with the National Policy Statement for Indigenous Biodiversity (NPS-IB). The DCC submitted in support of the NPS-IB in February 2020.

4. The DCC notes that, while the BCS holds promise for biodiversity conservation, there are issues and ambiguities in the discussion document for this consultation. The DCC's submission includes areas where it seeks clarification when detail is not provided.

Background

5. Biodiversity credits are a potential mechanism to address the funding gap for biodiversity protection and enhancement. Different BCS approaches are being explored, both on a global and domestic scale. They share a common strategy: rewarding entities for enhancing biodiversity through tradable certificates, which can enter a secondary market, attracting environmentally conscious businesses and investors (like those that exist in the Emissions Trading Scheme). These BCS approaches generally fall into three categories:

    a) Measuring biodiversity outcomes (outcome credits)
    b) Measuring biodiversity activities (activity credits)
    c) Standardising projects (nature repair certificates)

6. For reference, the Australian Government is in the process of establishing a 'nature repair market' as part of its Nature Positive Plan, primarily utilising the later project approach.

The Ōtepoti Dunedin Context

7. The BCS aligns with several of the DCC's strategies, including the Te Ao Tūroa Environment Strategy, the DCC Biodiversity Strategy, the DCC Te Taki Haruru – Māori Strategic Framework, and the Dunedin 2013-23 Economic Development Strategy. It also supports the Zero Carbon Plan's target of a 64% increase in carbon sequestration within Dunedin city boundaries by 2030, compared to 2018/19 levels.

8. Dunedin covers a large geographic area and contains a diverse range of landscapes and ecosystems, from offshore islands, the Otago Peninsula, and other coastal areas, through to forests, river plains, and uplands to the Rock and Pillar, Lammermoor and Maungatua ranges. There is a vast diversity of indigenous flora and fauna within these areas, some of which are rare species endemic to Dunedin.

9. The DCC funds and manages a Biodiversity Fund focussed on private and public land. Individuals and groups engaged in biodiversity conservation can apply. This is a contestable fund with an annual allocation of $81,300.00 to be distributed.

Te Ao Māori and the Treaty of Waitangi

10. Overall, the sections of the discussion document that related to Māori aspects are lacking breadth and depth and are repetitive.

11. The DCC seeks clarity around whether the BCS is intended as a mechanism for upholding obligations under Te Tiriti/ The Treaty of Waitangi (i.e. the difference between recognising the Māori text or the English text).

12. The DCC requests more information about what is meant by "uplifting mauri and mana of biodiversity" under the BCS, and how this would be put into practice.

13. The DCC notes that there would need to be consultation with iwi Māori on the use of Artificial Intelligence and data relating to their whenua, as this could be seen as indigenous data and therefore not expected to be freely accessible to everyone.

14. The DCC notes that the discussion document states that "expertise will be required to support functions such as measurement, verification, and reporting and expertise in mātauranga Māori about taonga species at the appropriate whānau, hapū and iwi scales." The DCC queries how this will be implemented if there are no tohunga who have this mātauraka at these levels, and if the government will train or upskill people to have this expertise?

15. The DCC supports the potential benefits for whenua Māori included in the discussion document which consider:

    a) Protecting and enhancing biodiversity on whenua Māori if that is the preference of the land holder, noting that many of the remaining at-risk species and habitats outside public conservation lands are on this land;

b) The BCS as a mechanism for Māori to raise finance without the need to provide security against land; and

c) How any government policies can best ensure that Māori realise the economic potential from whenua Māori.

Advantages of a Biodiversity Credit System in Aotearoa New Zealand

16. The current biodiversity funding allocation is limited, and the BCS has the potential to significantly augment the financial resources available for conservation projects.

17. Despite the importance of biodiversity to New Zealand's economy, environment, and Māori there is a significant funding gap for biodiversity conservation. This is due to several factors, including the high cost of conservation, the lack of coordination between funding sources, and the undervaluation of biodiversity.

18. Any step taken to improve funding generated in this space will be beneficial to the sector. The DCC operates a biodiversity fund, but the pressing demand for these funds, which has resulted in oversubscription for several years, highlights the inadequacy of the current funding allocation.

19. Leveraging the University of Otago's expertise in the natural sciences could attract additional research funding and foster collaborations.

20. Biodiversity Credits could encourage shared stewardship of the land, incorporating Māori perspectives and principles such as kaitiakitanga and manaakitanga.

21. Biodiversity loss and climate change are interconnected challenges. The BCS can play a role in addressing the climate crisis by supporting the protection and restoration of carbon-rich ecosystems, such as forests and wetlands.

The Biodiversity Credit System in relation to the Resource Management Act

22. A central issue that needs careful consideration is the role of the BCS in offsetting activities governed by the Resource Management Act (RMA). Biodiversity credits should serve a distinct purpose separate from the RMA, which primarily deals with land-use planning and environmental impact assessment. Integrating such a mechanism under the RMA could introduce additional complexities into an already rigorous process, as well as undermine the effectiveness of the BCS in achieving its primary objective of enhancing biodiversity[1] [2].

23. Offsetting should only be considered once all practical steps to avoid, remedy, or mitigate environmental impacts have been exhausted. Using a credit-based mechanism for

[1] Resource Management Act 1991. Section 88, Schedule 4 assessments of effects, (of which offsetting forms a part) and Section 104(1).

[2] Department of Conservation. (2014). Guidance on Good Practice Biodiversity Offsetting in New Zealand. Wellington.

offsetting activities could complicate the accountability and management of these credits, especially in the context of offsetting.

24. While the BCS aims to promote and preserve biodiversity by providing incentives for conservation efforts, placing it within the RMA framework risks compromising the very ecological values it seeks to protect. This integration could lead to the unintended loss of biodiversity if conservation efforts are disrupted, even temporarily. For instance, ensuring the long-term commitment, sustainability, and accountability of predator control or revegetation projects and the measure of no net biodiversity loss becomes challenging within this framework. Such an approach may also contradict the objective of biodiversity offsetting under the RMA and the primary objective of the NPS-IB.

25. It is essential that the BCS is designed to operate independently, free from the complexities of land-use regulation, and remains focused on rewarding and promoting positive biodiversity outcomes. Activities associated with credits for offsetting are likely to consist of achievable restoration projects, such as revegetation and pest control. These projects typically target common species, where information is readily available, and resourcing is straightforward. Importantly, these types of projects tend to benefit common species, but they should not replace the responsibility to protect threatened or at-risk species and ecosystems.

26. Biodiversity offsetting, as commonly practiced, tends to mitigate the loss of threatened and at-risk species and ecosystems. Therefore, it cannot be effectively replaced by projects that primarily focus on common species, as the conservation needs of threatened and at-risk species and ecosystems require dedicated attention and measures. It is difficult to create habitat for some key elements of biodiversity, making it more important that threatened ecosystems and species are not destroyed.

27. Offsetting by trading the immediate loss of existing habitats for restoration projects that promise future habitat will, at best, result in time lags in the availability of habitat, and at worse, fail to achieve the offset at all[3].

28. The Otago Regional Policy Statement (ORPS) does not currently outline a biodiversity credit system. However, it does acknowledge the potential role of funding mechanisms in supporting biodiversity conservation. The ORPS also emphasises the importance of protecting threatened or at-risk species and ecosystems.

29. The NPS-IB[4] emphasises the importance of avoiding, remedying, or mitigating adverse effects on biodiversity (Section 3.10). The policy statement does not prohibit the use of biodiversity offsets, but states that they should only be used as a last resort, and not to compensate for the loss of biodiversity in Significant Natural Areas (SNAs) (Section 3.11(2)(a)).

[3] Bekessy, S. A., Wintle, B. A., Lindenmayer, D. B., Mccarthy, M. A., Colyvan, M., Burgman, M. A., & Possingham, H. P. (2010). The Biodiversity Bank cannot be a lending bank. *Conservation Letters, 3*(3), 151–158.

[4] National Policy Statement for Indigenous Biodiversity (2023). Ministry for the Environment, Wellington.

Implementation and resourcing

30. The successful implementation of the BCS is essential. It is a complex system that will require substantial resources, and its implementation must be equitable, accountable, and sustainable. Initial resourcing requirements are likely going to be significant for both individual projects and the broader implementation of the BCS, so it is essential to clarify who bears the financial burden and how costs will be allocated.

31. Local support and expectations are also crucial for the success of the BCS. To enable local communities to participate effectively in biodiversity projects, local engagement should be supported through guidance, technical assistance, and funding, empowering communities and landowners to engage with the credit system.

32. The DCC seeks clarity about whether credits will be accrued only from the adoption of the BCS, or if there is the opportunity for some retrospective work to be included. For example, Ōtākou and Puketeraki marae (and their associated rūnaka) are already working to reverse the effects of climate change and to increase biodiversity and protection of indigenous flora and fauna.

33. Clear expectations should be set regarding the level of local involvement and the role of communities in biodiversity projects under the BCS. This includes designing and implementing the BCS in a way that respects Māori values and tikanga. Māori landowners should have a meaningful role in all aspects of the BCS, including the development of standards for biodiversity enhancement activities and the management of the credit market.

34. Clarification is needed on the timing of potential funding flows back to the originators of biodiversity actions, as a lack of early funding could impede both the initial development and the long-term progress of biodiversity initiatives. Further exploration is needed on the following:

    a) Resource expenditure required by local governments to support the potential BCS

    b) Oversight mechanisms and potential remedial actions to ensure the credibility and integrity of biodiversity actions as they develop. This includes a discussion of the source of funding for these activities, and how they will be managed and resourced in the long term, and

    c) Consideration should also be given to whether the scheme will be locally managed and tailored to local conditions, or centrally managed and supported.

35. The administrative and logistical burdens on territorial authorities and other relevant bodies are not yet clear. To ensure the effectiveness and credibility of the BCS, it is essential to establish guidelines for project development, assessment criteria, and compliance standards.

36. Defining the responsibilities of various stakeholders, such as iwi and hapū, businesses, and communities, is equally important, as any ambiguity could lead to operational

inefficiencies and undermine the overall credibility of the BCS. The system should be designed to minimise administrative burdens.

37. Territorial authorities are likely to play a crucial role in enabling and supporting the BCS, but their capacity to provide resources and support may vary. This raises the question of how responsibilities should be distributed among councils to ensure equitable participation and outcomes.

Long-term commitment and accountability

38. The long-term commitment and accountability needed for the management and maintenance of biodiversity projects require further consideration. To ensure the sustainability and promised outcomes of efforts, the BCS should incorporate mechanisms for ongoing management, adaptive management (based on evolving circumstances), and enforcement. Neglecting this poses the risk that projects initiated under the BCS could falter or fail, raising questions about economic impacts and system integrity.

39. The BCS needs to transparent and accountable, but also flexible enough to adapt to changing circumstances.

40. The BCS should be aligned with national and regional biodiversity goals, such as the NPS-IB and the National Policy Statement for Freshwater Management, to ensure it makes a meaningful contribution to protecting and enhancing New Zealand's biodiversity.

41. The BCS must have clear standards for biodiversity enhancement activities that generate credits. These standards should be based on sound science and ensure credits are generated only for activities with a positive impact on biodiversity.

How will the Biodiversity Credit System work at a local level?

42. One of Dunedin's primary concerns is ensuring that the financial benefits of the BCS remain within the city and support local biodiversity, while also considering the ecological benefits of ecosystems that transcend political boundaries.

43. To achieve this, it is important to examine mechanisms that encourage local investment and the circulation of funds. If credits are generated within Dunedin, how can we promote the reinvestment of these funds into local initiatives, projects, and businesses? This may be achieved through partnerships between the DCC and local organisations, businesses, and landowners who actively engage in biodiversity enhancement projects.

44. To achieve local buy-in throughout New Zealand, the BCS must be seen as a collaborative system, shaped by, and benefiting the local community. By securing the circulation of funds within the local economy, focusing on biodiversity enhancement, aligning with local goals, and fostering community engagement, the BCS can become a valuable tool that not only protects Dunedin's unique biodiversity but also contributes to the economy and biodiversity of all districts throughout New Zealand.

Outcome-based approach

45. To prioritise outcomes over activities and projects, the BCS should assess and quantify the actual ecological values gained from biodiversity enhancement efforts, rather than simply counting traps or trees. This outcome-based approach allows for a holistic evaluation of ecosystems, acknowledging that achieving biodiversity credits is a gradual process influenced by various ecological factors. However, it is important to strike a balance between encouraging and rewarding positive biodiversity outcomes while allowing flexibility to adapt to the unique circumstances of each project. Biodiversity projects can often be a complex process influenced by a variety of factors, so it is impractical to be too specific with required outcomes. Being too prescriptive could also introduce an administrative burden and hinder participation.

46. One way to achieve this balance is to develop priority biodiversity indicators that align with national and regional biodiversity objectives and provide guidance on best practices for measuring and reporting on them. This approach would allow for flexibility in project design and implementation, while also ensuring that the BCS is achieving its desired outcomes. Striking a balance between being too prescriptive and not prescriptive enough is essential for the success of the BCS.
47. To achieve alignment with the NPS-IB, the BCS could require projects seeking biodiversity credits to meet the Significant Natural Area (SNA) criteria outlined in Appendix 1 of the NPS-IB. These criteria are based on sound ecological principles and have been developed in consultation with a wide range of stakeholders. The SNA criteria are designed to identify sites that have the highest ecological value in New Zealand. Requiring project sites to meet these criteria would help to ensure that the BCS is supporting the most important sites for ecological priorities.

48. A strong alignment within the BCS design may improve the system's capacity to protect and enhance indigenous biodiversity in a manner consistent with national objectives, tikanga Māori, and the unique characteristics of each region or district. The NPS-IB has undergone extensive workshopping and consultation with experts over many years, resulting in well-developed criteria that are likely to remain consistent over time and space.

49. SNAs recognise areas of vegetation or habitat that have high ecological value. Requiring an area to meet significance criteria outlined in the NPS-IB prioritises conservation efforts toward the most ecologically valuable areas in New Zealand. This approach recognises regional ecological values in addition to national, regional, and local policies aimed at

protecting and enhancing SNAs[5] [6] [7] [8]. This approach would also reduce the number of revegetation projects targeting less ecologically significant areas.

50. The BCS could also encourage credits for projects that support the achievement of any identified outcomes in local strategies and plans, such as the DCC's anticipated Blue and Green Network Plan. Such an approach could include projects that:

    a) Support existing SNAs
    b) Contribute to an objective in a plan, and
    c) Restore and enhance habitat in identified areas.

51. The identification of sites that meet SNA criteria can be seen as the initial 'triage' of biodiversity projects, with outcomes and other strategies used to support local objectives.

52. This approach considers the Treaty of Waitangi and recognises species, populations, and ecosystems significant to (and identified by) tangata whenua at a local perspective. This approach may better align with local iwi and hapū values and priorities, a consideration that is largely lacking in the discussion document.

53. Furthermore, such an approach accommodates a large variety of landowners, regardless of their property size and location.

54. As mapping of SNAs is a requirement of the NPS-IB, credits could be calculated based on the area of the SNA. This offers a straightforward approach for quantifying conservation efforts and ensures that credits are proportionate to the ecological value of an area protected or enhanced. This approach may also reduce the significance of measuring credits by outcomes.

55. This approach may also incentivise landowners to enhance areas that currently do not meet significance criteria, making them eligible for the BCS in future.

56. Central government has announced several other initiatives to support the protection and enhancement of biodiversity in Budget 22. Although the NPS-IB Implementation Plan[9] does not provide specific budget figures, it does outline several initiatives to support the implementation of the NPS-IB, which are likely to require significant funding. Clarity on how the BCS may interact with the 'allocated funding' announced in the implementation plan should be provided, especially regarding the following budget announcements:

    a) Support for landowners and land managers to protect and enhance SNAs

[5] Ministry for the Environment (2023). National Policy Statement for Indigenous Biodiversity. Wellington: Ministry for the Environment.

[6] Otago Regional Council (2021). Proposed Otago Regional Policy Statement: Integrating the management of Otago's natural and physical Resource.

[7] Dunedin City Council (2023). Second Generation District Plan.

[8] Dunedin City Council (2021). Te Ao Tūroa – The Natural World, Dunedin's Environment Strategy 2016-2026.

b) Pilots of new biodiversity incentives/support measures and the exploration of further measures outside the BCS.

Conclusion

57. The DCC thanks the Ministry for the Environment (MfE) for the opportunity to provide input on exploring a biodiversity credit system (BCS) for Aotearoa New Zealand.

58. The DCC is interested in exploring mechanisms like the BCS to ensure Dunedin's biodiversity and conservation challenges are addressed. We emphasise the importance of timely and transparent communication with local stakeholders, including private landowners, iwi, and local communities on this matter.

59. The DCC looks forward to any further, more detailed information about possible development and implementation of a BCS for Aotearoa New Zealand being made publicly available once feedback to this consultation has been considered.

60. The DCC is committed to working with MfE and other stakeholders to develop and implement a BCS that is effective, fair, and meets the needs of all stakeholders.

61. The DCC welcomes the opportunity to speak at any hearings as part of this consultation.

Yours faithfully

Jules Radich

Mayor of Dunedin