



Submission

3 November 2023

TO THE

**Ministry for the Environment &
Department of Conservation**

ON THE

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

BY

**Beef + Lamb New Zealand Ltd &
Deer Industry New Zealand**

SUBMISSION ON

To: Ministry for the Environment

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Submission

A. Executive Summary

Beef + Lamb New Zealand (B+LNZ) and Deer Industry New Zealand Ltd (DINZ) welcome the opportunity to make a submission on the consultation on a biodiversity credit system for Aotearoa New Zealand. B+LNZ and DINZ recognise the importance of indigenous biodiversity and agree it is important to protect, enhance and maintain biodiversity across all land tenures, including as part of integrated land use on sheep, beef, and deer farms.

B+LNZ and DINZ support the intent of a biodiversity credit system that could provide additional income and support for landowners to protect and enhance indigenous biodiversity. However, more information is required to fully understand how biodiversity work on farms across New Zealand could be funded and supported. We consider the discussion needs to be wider than a market-based biodiversity credit system. Biodiversity discussions need to consider an integrated package of support and incentives, which focuses on supporting improved biodiversity outcomes, while ensuring existing policy settings are improved.

Farmer feedback, alongside policy analysis, has strongly informed the views and positions put forward in this submission. B+LNZ and DINZ have engaged with our farmers regarding biodiversity, which over the last several years has included farmer surveys, individual and group farmer conversations, including from Māori agribusiness. B+LNZ and DINZ will continue to engage with our farmers around biodiversity policy, support, and incentives as this is a complex topic and one in which there are a range of farmer views.

What is clear is that farmers are already doing a lot of work to protect and enhance indigenous biodiversity on their land for the benefit of all New Zealanders, and many would like to do more, and are interested in support mechanisms for this. Overall, farmers are mixed in their views on the ways support should be provided and the role of the Government in this. There is also a strong desire for policy and regulatory settings to be improved, with a key theme being that the National Policy Statement for Indigenous Biodiversity goes too far in its definition of “significance” and farmers have substantial concerns about the implications attached to a “significant natural area”.

This submission is intended to be high level as this is an extremely complex topic and if rushed, poorly designed, and implemented by the government, could lead to adverse implications for New Zealanders and our farmers. There is a broader conversation to be had about how other mechanisms could potentially be used alongside to complement, or as an alternative option to a biodiversity credit market. It is imperative that this conversation takes place with the industry. As such, B+LNZ and DINZ request to be involved in further discussions.

B. Introduction

B+LNZ and DINZ welcome the opportunity to make a submission on the biodiversity credit consultation.

B+LNZ is an industry-good body funded under the Commodity Levies Act through a levy paid by producers on all cattle and sheep slaughtered in New Zealand. B+LNZ's vision is 'Sustainable and profitable farmers, thriving rural communities, valued by New Zealanders'. Protecting and enhancing New Zealand's natural capital and economic opportunities through a holistic approach to environmental management is fundamental to the sustainability of the sector and to New Zealand's wellbeing for current and future generations.

DINZ is a levy funded industry-good body established by the Deer Industry New Zealand Regulations (2004) under the Primary Products Marketing Act 1953. Its purpose is to lead a confident deer industry into the future.

With the first license to farm deer issued in 1970, the deer industry is the youngest pastoral-based industry in New Zealand but provides complementary land use, diversified markets and additional revenue to other pastoral farming industries. Indeed about 80% of deer farmers also farm other livestock species.

Both B+LNZ and DINZ are actively engaged in environmental management, with a particular emphasis on building farmers' capability and capacity to support an ethos of environmental stewardship, as part of a vibrant, resilient, and profitable sector based around thriving communities. Maintaining and, where degraded, enhancing the health of freshwater aquatic habitats, and biodiversity across the country is important to the people of New Zealand, it is important for our economy, and it is important to our farmers.

Sheep and beef farmers manage 24% of New Zealand's remaining indigenous vegetation habitat. This makes sheep, beef and deer farmers the second largest stewards of native bush, exceeded only by public conservation land¹. This has been done in the context of losing some of their most productive land to other land uses (a total of four million hectares over 30 years). Sheep, beef and deer farmers are proud kaitiaki of the land and, are proud of their sector's sustainability and environmental integrity.

B+LNZ and DINZ are supportive of the intent of the consultation document in considering a mechanism for supporting landowners in work to protect and enhance indigenous biodiversity. How biodiversity work is and could be funded and supported is highly complex and our options need to be wider than a market-based biodiversity credit system. Further, any support system needs to recognise the holistic nature of biodiversity and the interconnection between different land parcels, ownership and rural communities.

Farmer feedback, alongside policy analysis, has strongly informed the views and positions put forward in this submission. B+LNZ and DINZ have engaged with our farmers regarding biodiversity, which over the last several years has included two farmer surveys in July 2022 and October 2023 (of which results are shared throughout this submission and a summary of results included as Appendix 1), individual farmer

¹ Norton, D. & Pannell, A., 2018. Desk-top assessment of native vegetation on New Zealand sheep and beef farms, University of Canterbury and Auckland University of Technology

conversations and targeted discussions with groups of farmers, including from Māori agribusiness. B+LNZ and DINZ have provided feedback on several biodiversity consultations including in relation to the (then) proposed National Policy Statement on Indigenous Biodiversity in 2020 and 2022. We continue to engage with our farmers around biodiversity policy, support, and incentives as this is a complex topic requiring further discussion.

What is clear is that farmers are already doing a lot of work to protect and enhance indigenous biodiversity on their land for the benefit of all New Zealanders, and many would like to do more, and are interested in support mechanisms for this. Overall, farmers are mixed in their views on the ways support should be provided and the role of the Government in this. There is also a strong desire for policy and regulatory settings to be improved, with a key theme being concerns around the National Policy Statement for Indigenous Biodiversity, particularly the breadth of the criteria for defining significant natural areas.

Key themes from farmer engagement include:

- Majority of farmers (89%, October 2023 survey) are interested in receiving financial support to help them establish, protect, enhance, and maintain biodiversity on their properties.
- Hesitation towards accepting funding from the Government due to fear of what strings might be attached.
- Hesitation towards Government involvement in a credit market. However, preference for Government involvement (if any) to be in a development/administration role, rather than determining where funding goes.
- Important for previous work done to protect and enhance biodiversity to be recognised.
- Any credit market to fit in the wider system of current initiatives, such as EKOS, Toha, QEII Trust, Predator Free 2050. As well as assurance and premium programs, such as NZ FAP+, Merino ZQ etc.
- A system needs to be simple, fair, and accessible to all farmers.
- Any system needs to integrate well across policy settings.
- Underlying policy such as the National Policy Statement for Indigenous Biodiversity needs to be revised.

C. General Submission

Sheep, beef and deer farmers are already custodians of a significant amount of indigenous biodiversity and should be recognised for and supported in what they do to protect and enhance biodiversity on their land. B+LNZ and DINZ have long been advocating for greater recognition of the work currently undertaken by sheep, beef, and deer farmers. A biodiversity credit system of some form could provide an opportunity for farmers to receive the recognition they deserve and further the work they are already doing to maintain and enhance biodiversity on farms.

It is important that a biodiversity credit system and other mechanisms to support the protection and enhancement of biodiversity on farms is developed with the industry. Drawing on farmers knowledge and experience about what works well on their land and where support could best be focused will help ensure farmers are recognised as stewards of the land and for their positive biodiversity work that has been ongoing for decades. This has been for the benefit of both their farming business and providing a public good. A system also needs to be simple, fair, and accessible to all farmers.

A 'biodiversity credit system' is complex, therefore a broader conversation is required in order to develop a coordinated system that not only considers a credit market, but also other mechanisms that will support farmers to protect biodiversity as a public good. B+LNZ and DINZ have heard from our farmers that they want options to enable them to manage indigenous biodiversity on their land in a way that achieves positive outcomes for interconnected ecosystems within viable farming businesses.

For some this may be via direct cash funding for 'one-off' activities, such as fencing or to purchase native plants. For others this may be through ongoing direct funding for weed and pest control, or a combination of both. Others may prefer to enter a biodiversity credit market to create another income stream.

Farmers value biodiversity for a range of reasons. B+LNZ's 2022 survey asked how biodiversity was integrated into farming systems? The most common answers were: shelter belts, riparian margins, stock exclusion, retiring gullies, and QEII covenants. One respondent explained:

"Indigenous vegetation is a huge part of our farm. We have about 150ha of manuka, beech forest, wetlands and red tussock incorporated into reserve areas.... All our riverbed is fenced off and this includes some beech forest where stock has been excluded for about 30yrs.

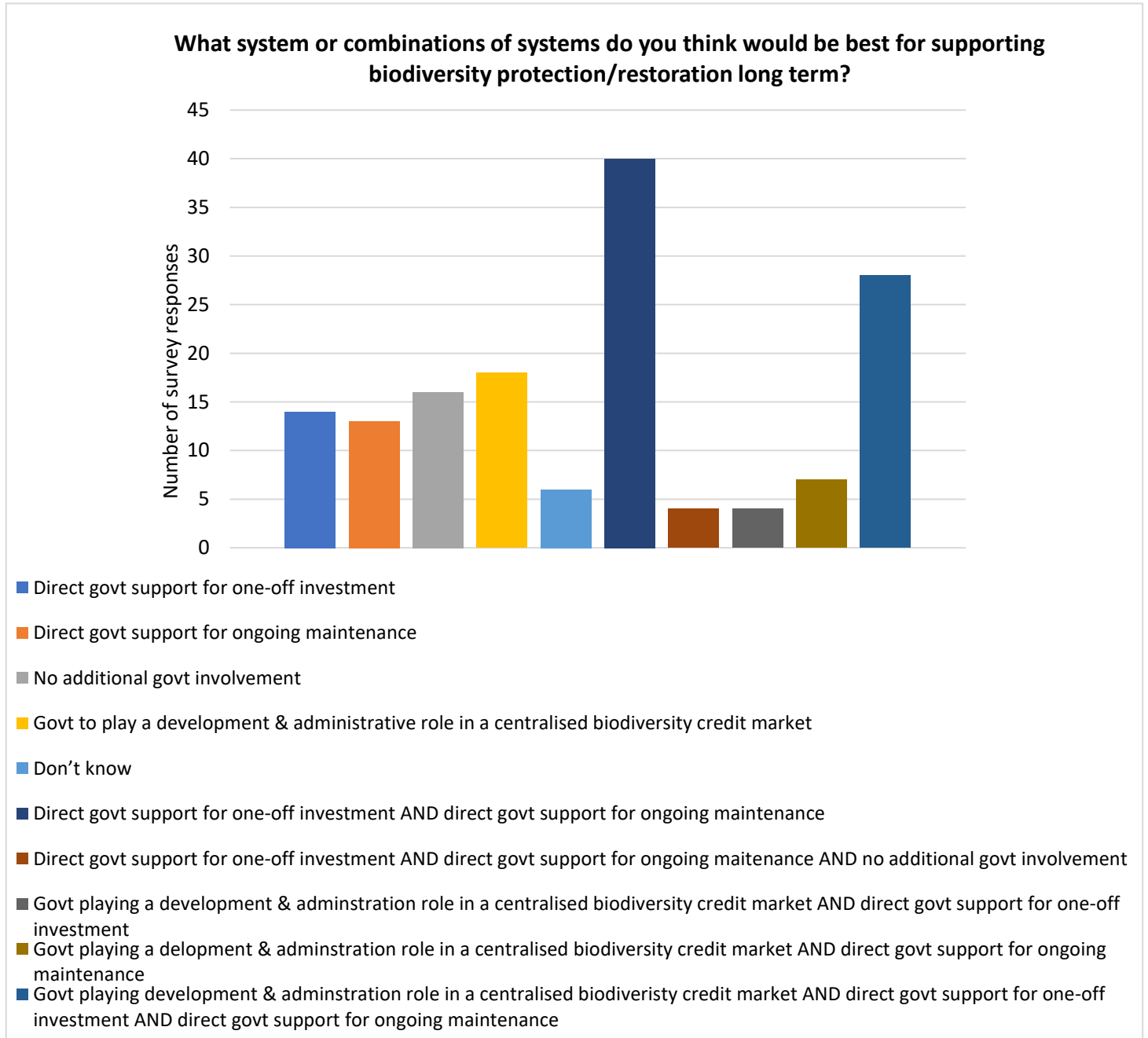
We are using our natural biodiversity to enhance the many other exotic planting that we have undertaken, this in turn provides corridors for native birds such as pukeko and koromako, and native fish such as galaxiids and freshwater cray. These areas are in turn buffer zones from which we source our water. In turn they provide shelter for stock and create a microclimate on our farm".

This example highlights the integrated nature of biodiversity and farming systems.

Furthermore, the 2023 survey showed that 89% of sheep, beef, and deer farmers are interested in receiving financial support to help them establish, protect, enhance, and maintain biodiversity on their properties. Survey results show that direct cash funding for one off investments (e.g. capital investment for establishing fencing) and ongoing funding for maintenance/pest control is preferred over a credit market. This was followed

by the government playing an administration and/or development role in a credit market also with direct funding for one-off and ongoing work. See graph 1 below for the results.

Graph 1: Results from the 2023 survey question ‘What system or combination of systems do you think would be best for supporting biodiversity protection/restoration long term? Note that this does not show options with less than 4 votes or ‘other’ suggestions.



It is important to note that along with choosing one, or a combination of options in the above graph, 52% of survey respondents also suggested other ways outside of a credit market that farmers could be recognised and supported for their indigenous biodiversity work. Suggestions varied widely; common suggestions were:

- Rates and/or tax relief.
- Advice and education for farmers wanting to do the work but are unsure how.
- Enhance the work of the QEII trust.

Other considerations put forward by farmers for a credit market or combination of mechanisms that could make up a wider system included:

- The importance for previous work done to protect and enhance biodiversity to be recognised.
- Utilise catchment groups.
- Keep it simple.
- A labour force is required, especially for ongoing pest control and maintenance.
- Any credit market needs to fit in the wider system of current initiatives, such as EKOS, Toha, QEII trust, Predator Free 2050. As well as assurance and premium programs, such as NZ FAP+, Merino ZQ etc.
- Emissions offsets and the ETS.

Clearly there is a desire to consider biodiversity support more widely, and any private credit market should only form one part of a wider system.

B+LNZ and DINZ submit that the consultation is limited and includes substantial discussion of technical issues relating to how a government administered private credit system could be established.

Before investing in this level of detail, a stocktake of the current range of incentives already available in New Zealand should be undertaken, and consideration should be given to a total package of support and incentives to best recognise and support landowners in their biodiversity work. Such consideration must also link to the underlying policy directing the regulation of biodiversity and improvements to the National Policy Statement for Indigenous Biodiversity must be made.

As such, we have not answered the 23, largely technical, questions posed in the consultation document, however we have made further comments below using the section headings from the consultation document to guide officials to where our thinking is aimed.

Consultation Document Section 1: What is a biodiversity credit system?

The consultation focuses on the potential for a privately funded biodiversity credit market, but this is only one potential mechanism for financing and supporting biodiversity work. As well as private funding, biodiversity funding could potentially come from Government or charitable sources, or through things like tax relief or low/no interest debt financing. There are a number of international examples of various mechanisms, some of which have been identified through the discussion document.

In New Zealand, there is already a variety of existing ad hoc funding mechanisms for environmental works, which often includes biodiversity, such as council funds (which vary between regions), Government and Department of Conservation funding, and voluntary credit markets, to name a few. These are currently operating in isolation from each other and have differing mechanisms for access and entry. Often landowners may not be aware of the options. As part of the biodiversity support discussion, it would be useful to have a full stock take of current environmental/biodiversity incentive opportunities within New Zealand to better understand gaps and the need for Government involvement in the development of further systems.

Consultation Document Section 2: Why do we need a biodiversity credit system?

Biodiversity is largely a public good and to achieve improved biodiversity outcomes across New Zealand, biodiversity needs to be supported and its protection and enhancement incentivised in a coordinated way. Although there is a strong desire to do more biodiversity work, farmers can't do this without support to look after something that benefits all New Zealanders.

With increasing farming costs and pressures (e.g., high interest rates, inflation, and regulation) projects such as fencing off a block of remnant bush, riparian planting a stream, or restoring a wetland are pushed further to the bottom of the priorities list. One of the B+LNZ 2022 survey respondents noted “we are essentially being asked to retire areas of our farm, take responsibility for all of the associated costs, and live with the reduction in income.”

With it soundly established that New Zealand needs to do something to meet the funding gap that currently exists to support landowners in achieving biodiversity outcomes, the question turns to what is the best system of support?

Broadly speaking, B+LNZ and DINZ see there is potential for a biodiversity credit system to help farmers continue to be stewards of their land and maintain and enhance indigenous biodiversity on their properties. However, as discussed earlier, a biodiversity credit system may not be the only or best way to incentivise positive biodiversity outcomes. As mentioned above, sheep and beef farms hold the second largest area of native woody vegetation (second only to the DoC estate). This demonstrates that sheep and beef farmers take pride in their native biodiversity, and with the right support framework, will be able to accelerate ongoing work to protect this public good.

While getting a system in place sooner could mean landowners may have access to funding for biodiversity work that is already happening or about to start, priority needs to be focused on getting the right system in place to ensure that the right outcomes are achieved. There is also a need to move the conversation up a level from the technical and narrow focus of a biodiversity credit market to having a wider discussion about a total package of support and incentives and how these fit within the broader policy and regulatory framework.

We have already noted there are significantly mixed views amongst sheep, beef, and deer farmers about a biodiversity credit system, and the role of Government in this. However, many also consider a biodiversity credit market, if done properly, could bring a new income stream to landowners which would help them retain, maintain, and enhance biodiversity on their land for generations to come.

Some key points raised by farmers when considering a biodiversity market as one form of incentive, include:

- Needs to have strong integrity and be ethical.
- Needs to be measurable with strong accountability for those who non-comply with the agreed system.
- No secondary market.
- Recognises the positive biodiversity work that is already happening.
- Needs to create additional income, not just cover the costs of maintenance.
- Long lasting, sustainable funding program.
- Minimal compliance costs – align with freshwater and climate change regulations, as well as industry assurance programs.
- Ongoing pest control is extremely important.

Overall, B+LNZ and DINZ suggest that any Government established biodiversity credit system be considered as part of a wider package/system of biodiversity support. If such a credit system were established, that it be voluntary to enter to allow landowners an additional option for biodiversity income, rather than extending Government control too widely across biodiversity incentives in general.

Consultation Document Section 3: How should we design and implement a biodiversity credit system?

It is difficult to provide strong views on the design and implementation of a biodiversity credit system. Our feedback from farmers shows a level of mistrust, and we would recommend direct engagement with farmers as a key part of the design process, which we are happy to support.

B+LNZ and DINZ suggest the Government consult more broadly with landowners to understand the potential role for Government in biodiversity incentives and support, including a variety of financing mechanisms, to better understand how landowners can best be supported and incentivised to increase biodiversity work on their land.

Consultation Document Section 4: How a biodiversity credit system could complement the wider system

As discussed throughout this submission, it is imperative that any biodiversity credit system integrates with a wider system, which includes other incentives and support mechanisms, other environmental markets, and with regulatory and policy settings (such as freshwater and climate change).

Particular consideration will need to be given to the development of any biodiversity credit system and related carbon credit systems. Biodiversity and carbon sequestration benefits are inextricably linked, and the development of any biodiversity credit market needs be considered with regard to the New Zealand Emissions Trading Scheme, especially in relation to sequestration from indigenous biodiversity. It is important that these systems complement each other and are not developed and/or changed in isolation from one another.

Biodiversity incentive systems also need to complement underlying regulation. B+LNZ and DINZ have significant concerns with the National Policy Statement for Indigenous Biodiversity (see our 2022 submission [blnz-and-deer-industry-new-zealand-submission-national-policy-statement \(beeflambnz.com\)](https://www.beeflambnz.com/national-policy-statement)), particularly in relation to the identification of Significant Natural Areas.

The current consultation document proposes that a biodiversity credit system would complement the National Policy Statement for Indigenous Biodiversity and support its implementation. While B+LNZ and DINZ agree that any biodiversity credit system should complement regulation as part of a holistic package, we do not consider that a biodiversity credits system would compensate for inadequacies within regulation. As such we recommend a review of the National Policy Statement for Indigenous Biodiversity be undertaken alongside wider consideration of biodiversity incentives.

D. Conclusion:

Sheep, beef, and deer farmers should be recognised for and supported in what they do to protect and enhance indigenous biodiversity. A 'biodiversity credit system' of some form has the potential to not only provide farmers an opportunity to get the support and recognition they deserve, but further the work they are already doing. However, the role Government should have in the development of such system is unclear and needs further consideration. It is crucial that any biodiversity credit system is considered as part of a wider package of policy and support.

As custodians of 24% of the native woody vegetation in Aotearoa New Zealand, it is crucial that sheep, beef, and deer farmers are directly engaged with to develop a well-informed and effective package of biodiversity support that is wider than just a credit market. This will help to ensure that the system recognises farmers as stewards of the land and the positive biodiversity work that has been ongoing for decades on a lot of sheep, beef, and deer farms. This has been done for the benefit of both their farming businesses and providing a public good.

B+LNZ and DINZ have heard from our farmers that they want options to enable them to manage indigenous biodiversity on their land in a way that achieves positive outcomes for ecosystems integrated within viable farming businesses. Therefore, B+LNZ and DINZ recommend that this consultation is just the beginning of a broader conversation about how other mechanisms could be used alongside to complement, or as an alternative option to a biodiversity credit market.

Appendix 1: Summary of 2022 and 2023 farmer surveys.

2022 survey questions and common responses:

This survey was conducted in July 2022 and received 290 responses.

What would incentivize you to take more action on the ground in regard to indigenous biodiversity?

- Credits.
- Recognition of sequestration to offset GHG emissions.
- Financial support for fencing costs, including labour.
- Financial support for weed and pest control, including labour.
- Rates relief.
- Free/subsidized/easier access to native trees.
- Enhanced farm value.
- Acknowledgement for work done to protect the environment.
- Self-satisfaction is enough to want to do more, but that would be taken away by proposed heavy handed regulations (NPS-IB requirements).
- Assistance with funding applications.
- Easier access/funding for additional education and advice resources e.g how and what species to plant and where, importance of biodiversity etc.

How do you currently integrate indigenous biodiversity into your farming system?

- Shelter belts.
- Riparian margins.
- Stock exclusion.
- Retiring gullies.
- QEII.

What gains have you seen on your farm where indigenous biodiversity is integrated with your farm system?

- Cleaner streams.
- More bird life.
- Native regeneration.
- Feel good/self-satisfaction.
- Improved animal survival (from shelter belts).
- Erosion control.

What new or extended activities might you want to take in or adjacent to areas of indigenous biodiversity on your farm in the future?

The general sentiment is people want to continue the work they have been doing for years.

- Fencing native bush blocks.
- Riparian planting along waterways.
- Transition pines to natives.
- More planting.
- Pest and weed control.

Some quotes from the 2022 survey

- “Assistance with funding applications and most importantly funding for restoration, weed control and fencing. We are essentially being asked to retire areas of our farm, take responsibility for all of the associated costs, and live with the reduction in income. Our neighbours who have not tried to preserve these important remnants will have no such problems as their farms are fully developed and the native areas are gone.”
- “If farmers got credit for their biodiversity achievements by way of the 'carbon emission credits', I feel then there would be a lot more 'buy in'. At the moment everyone wants to take from the farmer but no credit is given back for the huge strides that have been taken to enhance the farming environment in the last decade or so. Funding used to be available for a lot of environmental mitigation work, but that seems to have all but dried up now. The burden just comes back on the landowner even though our hard work benefits everyone.”
- “Would love to be able to plant more but have to be practical, would need to spend on fencing and cutting back stock numbers and at present we can't, financially it would cripple us. Plan being get rid of debt then indulge in our fantasies for a perfect farm”.

Anecdotal commentary from survey respondents regarding unintended consequences

- Shelterbelts are good in most adverse weather events (shade in droughts, shelter in rain and wind) but during extreme events with extreme flooding shelter belts are a trap.
- More pests, especially on farms that border DoC land.
- Pine blocks next door housing pigs, deer, etc come into native blocks and cause damage.

2023 survey questions and common responses:

This survey was conducted in October 2023 and received 157 responses.

Would you be interested in receiving financial support to help you achieve biodiversity goals on your farm if support were available?

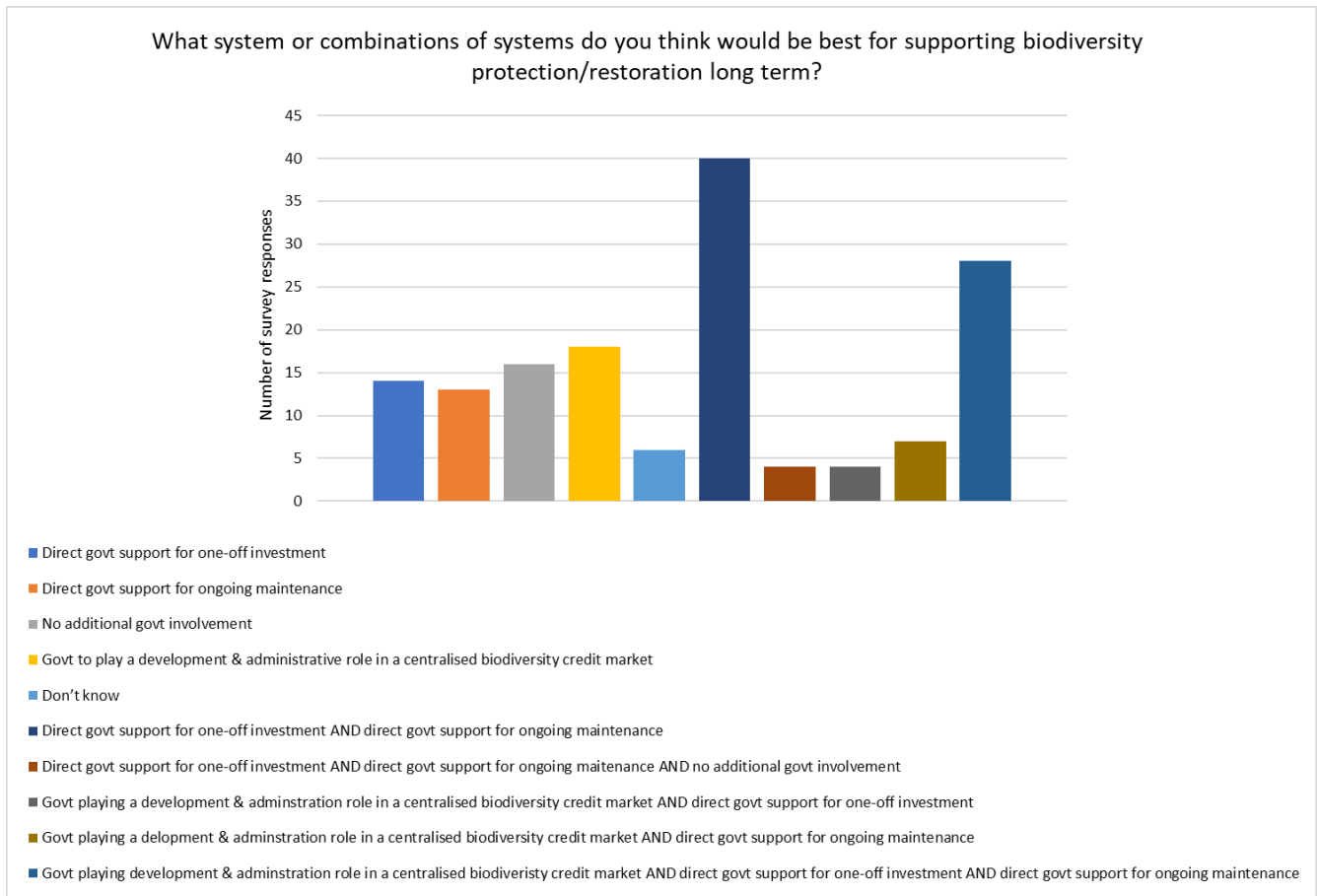
89% Yes

11% No

Provide any other comments you might have about receiving financial support below.

Most common reasoning for not being interested in receiving financial support was the assumption that the government would be involved and what strings/conditions would be attached.

What system or combination of systems do you think would be best for supporting biodiversity protection restoration long term?



Should previous and/or existing work to retain protect or enhance indigenous biodiversity be recognised and if so how do you think that could work?

92% of respondents agreed that previous work done should be recognised. How this might work was varied, many weren't sure how that would work. Many also thought that previous work done should be eligible for ongoing support, either through direct funding or a market system, for maintenance. Some respondents wanted compensation or retrospective credits for work done in the past.

If a centralised biodiversity credit market was established, what do you think is important to consider in developing the system?

- The importance for previous work done to protect and enhance biodiversity to be recognised.
- Utilise catchment groups.
- Keep it simple.
- A labour force is required.
- Any credit market to fit in the wider system of current initiatives, such as EKOS, Toha, QEII, Predator Free 2050. As well as assurance and premium programs, such as FAP+, Merino ZQ etc.
- Emissions offsets and the ETS.

What other ways outside of a credit system could farmers be recognised for and supported in their indigenous biodiversity work? These may be financial or non-financial we're keen to hear what would work for you.

Most common answers:

- Rates and/or tax relief.
- Advice and education for farmers wanting to do the work but are unsure how.
- Enhance the work of the QEII trust.

Do you have any other comments you would like to share about biodiversity support and incentives in general?

The following are some quotes from the survey:

- "There are many things we want to do but can't afford, we understand that there will need to be follow up to ensure the money is well spent however sometimes those requirements can outweigh the benefit in getting the funding."
- "Over the past 8 years we have grown from seed various native trees and have planted 50 thousand + approximately, of them on our deer farm. We have 3-4 metre gaps, double fenced between all our paddocks. we originally applied via project crimson and other online council/govt agencies to be supplied with any plants, but were ignored, so just went ahead and did this ourselves."
- "This [receiving financial support] would be wonderful as we have identified areas on our farm that we would love to fence off and plant with natives but cashflow doesn't always allow this."
- "Of course I would like to receive financial support, however I would be very hesitant to sign myself up to anything set up by the government or council as I have very little trust in them. I imagine it will come with mountains of paperwork and conditions and I would rather keep my farm well away from their spotlight."
- "I believe this to be an excellent concept as long as it is easy to access and not wrapped up in endless paperwork and bureaucracy. if it is too complicated to apply for funding there will be no incentive for farmers who already spend too much of their time dealing with paperwork to satisfy new regulation requirements."