

3 November 2023

Ministry for the Environment

Consultation: Helping Nature and People Thrive – Exploring a Biodiversity Credit System for Aotearoa New Zealand

Introduction

DairyNZ welcomes the opportunity to provide feedback on the Ministry for the Environment's consultation - exploring a biodiversity credit system for Aotearoa New Zealand. This submission provides some high-level insights and recommendations to help shape the development of a potential biodiversity credit system for Aotearoa New Zealand.

DairyNZ is the industry-good organisation representing all 11,000 of New Zealand's dairy farmers. We seek to progress a positive future for New Zealand dairy farming through enhanced sustainability, profitability, and competitiveness. The dairy sector employs almost 55,000 people, generates over \$25b in export earnings, and comprises one-third of all goods revenue.¹

DairyNZ acknowledges that New Zealand's indigenous biodiversity is under pressure. We support the government's objective to protect, maintain, and restore indigenous biodiversity. Many farmers are already taking action to enhance biodiversity on their farms. Greater support for this would lead to greater biodiversity outcomes in the future.

DairyNZ believes that a credible and accessible incentive-based, voluntary system would support dairy farmers in their role as stewards of native biodiversity on their land.

Dairy sector environmental commitment

Farmers play a crucial role as stewards, guardians and caretakers of the land. New Zealand dairy farmers are already investing time and resources to protect and enhance indigenous biodiversity on their land, including through retiring and planting marginal land, restoring native bush, riparian planting and wetland restoration. These actions benefit bird, plant, insect, and aquatic life. Progress is being made at the individual farm level, as well as within communities and catchment groups.

The Sustainable Dairying Water Accord, a voluntary sector commitment adopted in 2013, has led to widespread change on many farms to help improve water quality.² Today, almost 25,000km of waterways have been fenced to exclude stock, representing 98% of 'Water Accord' waterways (defined as deeper than a gumboot, wider than 1m and permanently flowing).³ For example, in Taranaki, nearly 9,000km of streambanks have been planted with 5.6 million natives to act as buffer zones to trap sediment, reduce nutrient run-off into rivers, and provide aquatic habitat.

The sector's focus now is on continually improving water quality and meeting regional council requirements through the Dairy Tomorrow Sector Partnership. A key focus is on the widespread adoption of Farm Environment Plans and Freshwater Farm Plans. Farm Environment Plans guide

¹ [Microsoft Word - Solid foundations - Final - 04 September 2023.docx \(dcanz.com\)](#)

² [Sustainable Dairying: Water Accord - DairyNZ](#)

³ [Sustainable Dairying Water Accord, Four Years On](#)

good environmental farming practices. They are unique to each farm, helping identify environmental risks and ways to manage those risks. They identify actions to improve water quality, reduce greenhouse gas emissions and protect biodiversity. Many dairy farms already have a Farm Environment Plan and by 2025 they all will.⁴

Key principles for incentivising biodiversity positive outcomes

DairyNZ is supportive of an incentive-based, voluntary approach to improving biodiversity outcomes. Enabling an ownership model where landowners are supported to act will lead to better biodiversity outcomes on New Zealand dairy farms. A well-designed biodiversity credits scheme would be one useful mechanism to achieve this outcome.

There is also a broader conversation to be had about how other mechanisms could potentially be used alongside credits to complement or as an alternative option to a biodiversity credit market. It is critical that this conversation takes place with the industry. DairyNZ would request to be involved in further discussions on this topic.

DairyNZ believes that some key principles that should underpin any incentives-based approach include:

Principle 1: Accessibility

An incentives scheme should be accessible to farmers, encourage their participation and avoid over-burdening participants in bureaucracy. We believe a market driven system, with correct checks in place, can successfully drive a credit market.

We see Government as a market enabler rather than a market administrator. In addition to providing policies and guidance for the development and uptake of voluntary schemes, we consider that Government funding for system development as the credit market is established will be necessary for supporting accessibility.

There is currently a lack of data and knowledge on on-farm indigenous biodiversity, and how specific farming activities impact or enhance the value of indigenous biodiversity. To support accessibility, and discourage perverse outcomes, more work is needed to understand the current state and what farmers can do within their farm systems to improve and track this level.

Development of an information and knowledge base for managing on-farm biodiversity will ensure farmers can readily access information and tools relevant to their farm-system and their ecological context, and fully understand the practical implications of an incentive scheme for different farm systems. Without this knowledge base, assessing the maintenance of indigenous biodiversity will lack consistency and robustness across different farm-systems and regions.

The cost of monitoring biodiversity outcomes must not outweigh the value of the credit to be gained. Incentives must be stacked in favour of positive outcomes for nature, while considering the practicalities of implementation on-farm. Consideration of the benefits of a catchment versus individual land-owner based approach to monitoring will be important.

⁴ [Dairy Tomorrow sector strategy | Environmental commitment](#)

Principle 2: Credibility

For a credible system that has the buy-in of the market, it is important that accessibility is balanced with sufficient checks to ensure claims are transparent and verified. False claims or an ability to game the system risk undermining trust and participation, leading to poorer outcomes for biodiversity.

The principle of additionality, i.e. improving from a baseline state, is commonplace internationally to underpin credible incentives schemes. Where there are distinct benefits to carbon sequestration as well as biodiversity, these should both be able to be recognised within a wider, coherent system. Where ongoing efforts such as pest management continue to protect and enhance biodiversity outcomes on farm, these should also be recognised.

DairyNZ believes it is crucial to consider all land uses and provide the incentive to enhance biodiversity from whatever its current state, with a reliable means of verification, that leverages existing regulatory and reporting requirements. DairyNZ does not support creating liabilities against current land uses, penalties for biodiversity deficits or ongoing financial liabilities or requirements on landowners to maintain levels of biodiversity. A voluntary, opt-in system is likely to attract the most uptake from landowners.

Principle 3: System coherence

Biodiversity outcomes are strongly linked to other environmental outcomes, especially, climate and freshwater, as well as animal welfare. When seeking improved environmental outcomes, DairyNZ emphasises the importance of taking a holistic approach and understanding and monitoring impacts of actions across the whole farm-system.

The relationship between a biodiversity incentive system and other environmental reporting schemes (many of which currently occur at the regional rather than national level) should be clearly articulated to encourage integrated environmental outcomes. The design of a scheme must be done with careful consideration to its place within the wider regulatory landscape, to prevent duplication or undue bureaucracy for those wishing to participate.

Alignment with the National Policy Statement on Indigenous Biodiversity requirements, farm planning, resource management requirements, the review of the Emissions Trading Scheme and any future agricultural emissions pricing scheme will be critical to ensure system coherence and avoid doubling up. In particular, there is potential for overlap and confusion for farmers regarding on-farm sequestration eligibility and biodiversity co-benefits through any future agricultural emissions pricing scheme. Leveraging existing initiatives and programmes to support biodiversity positive outcomes such as Jobs for Nature will also be important.

Principle 4: Reliability

A well-functioning scheme relies on the existence of a market. Without reliable demand, the barriers to supply of credits will undermine the scheme. Demand can be supported by ensuring there is strong awareness of the scheme within the general public, corporate sector and other investors. Participants need to understand the value to be gained through their participation, be that reputational, environmental, production efficiency, or regulatory compliance.

Conclusion

DairyNZ is supportive of the intent of the consultation to consider a biodiversity credit scheme for New Zealand. We look forward to continuing to engage with government on this consultation, as well as participating in broader conversations about integrated support mechanisms to improve biodiversity outcomes in New Zealand. Working with industry on this issue will ensure appropriate recognition of farmers as stewards of the land and the important work that is ongoing in support of New Zealand's environment.

Nāku iti noa, nā



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DairyNZ

