

SUBMISSION

Helping nature and people thrive
Exploring a Biodiversity Credits System

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To: Ministry for the Environment and Department of Conservation

Submitter: New Zealand Plant Producers Incorporated (NZPPI)

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Background to NZPPI

New Zealand Plant Producers Incorporated (NZPPI) is the peak industry body for the businesses that propagate and grow plant for forests, ecology, food, wine and greenlife plantings. Plant production is also referred to as 'nursery' production.

Our members produce the plants that the grow food that Kiwis eat and export, that regenerate our forests, beautify our urban landscapes, and planted by millions of Kiwis in their backyard.

- NZ Plant Producers Inc. represents the commercial nursery industry and related businesses.
- It is a voluntary membership organisation with 306 member businesses and not-for-profit organisations.
- Plant nurseries employ more than 4000 people across New Zealand and contribute \$334m to our economy.
- Our industry is essential to the success of horticulture, forestry, viticulture, garden centres, native afforestation and many other plant-based industries.
- We also contribute to reforestation, riparian planting, landscaping, home gardens, and the plants that make our communities liveable.

Submission

We are pleased to provide feedback on the proposed biodiversity credit system (BCS) from the perspective of plant producers that propagate and supply seedlings for reforestation projects in Aotearoa New Zealand. Our submission reflects our experiences and insights into the practicalities of reforestation and biodiversity enhancement efforts from the perspective of plant producers (nurseries).

We support the establishment of a BCS that is carefully designed to encourage investment, ensure project success, and maintain integrity. We believe that with the right framework and government support focused on capacity building and integrity systems, the BCS can significantly contribute to Aotearoa New Zealand's biodiversity goals.

If it is successful, a BCS will likely drive the demand for native plants, produced in nurseries. This will in turn drive demand in our industry/

- We support a focus on private land, including whenua Māori, to encourage investment in biodiversity projects. However, we also see value in considering projects on public land where private investment can be appropriately applied.
- We encourage a system that will provide early credits for projects and activities, while providing ongoing credits over time. This recognises that outcomes in natural systems may take years to manifest. Early-stage project support is crucial, particularly for time critical tasks such as land preparation and plant propagation, which are foundational for project success.
- Enhanced legal protection of areas of indigenous biodiversity should be incentivised by awarding biodiversity credits, ensuring project longevity and quality.
- While allowing offsets should be approached with caution, they can be a useful tool within a high-integrity system to encourage participation and investment, provided they are managed transparently and with accountability.
- A system that allows for the stacking of benefits from carbon sequestration and biodiversity improvement would likely attract more investment and should be part of a high-integrity framework.
- The BCS should drive high-quality biodiversity projects beyond the minimum standards of the resource management system. It can support land-use reform by offering economically viable alternatives to historic farming and forestry land uses.
- The Government's role in the proposed BCS should focus on capacity building, particularly in research, education, and the development and oversight of integrity systems. This should be grass roots and community led, with support and leadership from our land based Universities and Crown Research Institutes. This must be delivered via a regional network of support and knowledge sharing to support successful projects.
- Investment in capacity building is essential for the success of a BCS. This includes research into native plant species and education for industry professionals. We recommend adopting internationally recognized integrity principles and modern systems for proof and reporting.
- We highlight the express deep concern over the potential for the BCS to exacerbate unmanaged production from subsidised nurseries. The current oversupply and price collapse in the native plant market is a stark warning against such interventions.

The Role of Plant Production in a Biodiversity Credits System

New Zealand needs a thriving and productive plant production industry that can adapt and meet the increasing demand for healthy plants now and in the future. Over the past five years, our industry has undergone significant growth and witnessed a transformative increase in productivity. However, we recognize that this is just the beginning of an unprecedented phase of change that will both challenge and propel our industry into the future. Establishing a BCS will likely drive further demand for native plants and seedlings.

These changes are impacting every aspect of our industry and the proposed BCS presents a unique opportunity to reimagine and redesign our plant production systems from the ground up. There are three key shifts driving this transformation:

1. Escalating demand for plants driven by government and industry priorities in areas, including native afforestation, land & water protection and biodiversity.
2. A significant advancement in technology and innovation within our production systems has the potential to further enhance the productivity and production capacity of nurseries.
3. Internal changes in the industry, including the retirement of a generation of skilled horticulturalists, new entrants into the industry, including many not for profit enterprises, and a more strategic, professional, and collaborative industry approach.

These changes will require leadership and strategic direction in key areas supporting industry development. With annual industry growth over the past five years ranging from 10% to 15%, we have undergone a phase of change that has not been witnessed in over 50 years. While individual businesses have adapted to this change, the next phase requires strategic planning and investment across the whole of industry to meet the increasing demand for high quality, healthy plants.

There are key questions about how to structure the plant production industry for success. This includes the industry structures and disciplines that will encourage investment, innovation and scale among the larger plant production businesses and enterprises, while accommodating the smaller community focussed enterprises. Questions about procurement policies disadvantaging commercial businesses, government grants and subsidies for nursery development and the place of volunteer labour vrs permanent paid jobs will need to be addressed.

In addition to the proposed BCS, factors driving the growth of the industry include planting programmes for cyclone recovery and land stabilisation, the Fit for a Better World and Aotearoa Horticulture Action Plan, the Net Zero Carbon policy, national policy statements for urban and rural development, native afforestation, cyclone recovery, farm environment plans, green infrastructure in cities, housing development and infrastructure plantings.

However, several factors hinder our progress, including an acute shortage of qualified workers and agronomists, a lack of research and extension, limited support for innovation and system optimisation. There are urgent needs in areas like waste and emissions, research gaps in

propagation, plant health, and productivity, industry data / insights for future planning, industry standards and disciplines, limited access to trusted knowledge beyond informal networks, and a lack of tools for financial and sustainability benchmarking.

Our industry is witnessing significant productivity improvements due to the adoption of new technologies and techniques for plant propagation. These advanced technologies, mostly sourced from Europe and the U.S., have the potential to accelerate seedling germination and growth by up to 40%.

If realised, this step change in productivity will greatly benefit our industries ability to support the development of a successful BCS. The integration of robotics, heating and energy systems, advanced growing media, and environmental sensors is becoming increasingly common in plant nurseries. While New Zealand has been relatively slow in adopting these technologies compared to other similar countries, the increased pace of adoption is now enabling us to catch up. However, rapid productivity gains also present challenges, such as the need for new skills, different processes which must be overcome through collective, strategic effort at an industry level.

Strategic planning, investment, and collaboration in our industry will enable the plant production industry to meet the demand for plants in the future with improved productivity and plant health.

Response to questions:

1. Which scope do you prefer for land-based biodiversity credits?

We believe that to encourage investment in biodiversity projects, it would be beneficial to focus on private land, including whenua Māori. However, there may be scenarios where projects on public land, especially those undertaken by private investment, could be considered if they are on appropriate areas of public land.

2. Which approach do you prefer for a biodiversity credit system?

There is a place for all 3 approaches, but with an emphasis on projects and activities. This recommended approach is informed by our experience with the 1 billion trees program, in which projects were the basis for participation, but key activities and milestones such as land preparation, purchasing seedlings, planting, land protection and pest control were sequentially funded. We emphasize the importance of supporting the early-stages of projects to gain momentum and ensure that time sensitive tasks, like plant propagation and planting, are undertaken within the critical timeframes. Recognising outcomes has an important role to engage investment for the long term as outcomes in natural systems may not be realised for many years or even decades in the future.

4. Should biodiversity credits be awarded for increasing legal protection of areas of indigenous biodiversity?

Yes, biodiversity credits should be awarded for enhanced legal protection to ensure the longevity and quality of projects.

5. Should biodiversity credits be able to be used to offset development impacts as part of resource management processes?

Yes, if it is part of a high integrity system. Allowing offsets is common practice in environment credit systems internationally and play a useful role to encourage the participation and investment. Criticism of offset projects are mainly around issues like corruption and the quality and integrity of the projects, often in developing countries. Aotearoa New Zealand is regarded as a high trust society, meaning that, with a high quality integrity and metrics system in place, allowing offsetting could create a competitive advantage to attract high quality international investment.

6. What is your preference for how a biodiversity credit system should work alongside the New Zealand Emissions Trading Scheme or voluntary carbon markets?

Yes, as part of a high integrity system. Having the ability to stack the benefits of carbon sequestration and biodiversity will have a greater chance of encouraging investment proposals.

7 & 8. Should a biodiversity credit system complement the resource management system and support land-use reform?

Yes, but not as the key driver of the system. The resource management system sets minimum standards, whereas a biodiversity credits systems should drive towards high quality, impactful biodiversity projects. A biodiversity credit system can assist land use reform, if it offers a viable economic opportunity and an attractive business model for land owners and investors, compared to other land uses.

9. To have the most impact in attracting people to the market, which component(s) should the Government be involved in?

Capacity building

Investment in capacity building to support the production, planting and establishment of our native species is urgently needed. Investment in research, education and systems should be a priority to ensure the success of a biodiversity credits system.

New Zealand's **research & innovation** capacity in the horticulture and forest sciences is inadequate to support the needs of a successful biodiversity credits system. For more than 20 years our horticulture and forestry science system has been focussed on the export sectors for fruit and forestry, with little investment into research into our native plant species. Our research and extension models are outdated and are not supporting the adoption of innovation and knowledge in the industry. This will be a significant constraint to successfully implementing and scaling a biodiversity credits system.

Funding nursery development and operations

First and foremost funding from the Government, or from biodiversity credits, should not be used for subsidising, building, or operating native plant nurseries.

The native plant industry is already seeing a price collapse due to the oversupply of seedlings. This is due to an increasing volume of plants coming into the market from new nurseries that have been

established with funds from sources including, Regional Councils, Jobs for Nature and One Billion Trees.

As a result of this, the 2022/23 season has seen a significant oversupply of plants in the market and a collapse of the price of plants, including plants being given away free of charge. This has happened at a time of increasing operating costs, particularly in the areas of materials, staff costs and the price of interest on borrowing. This has placed commercial nurseries under significant pressure, making many of them vulnerable.

We are deeply concerned that the proposed biodiversity credits system could lead to more un-managed production from subsidised nurseries, increasing the industry risk.

Capacity building (systems, research & education)

A significant investment is required in **capacity building** to support the implementation of a biodiversity credits system. This includes **research** into our native plants species to understand their propagation and the factors for successful planting and establishment. There has been little in the way of research undertaken in this area, which will be critical to ensure that projects that have attracted credits and funding are successful.

Similarly in **education**, a recent survey of the nursery industry undertaken by Te Uru Rakau reported that just 16% of plant producers had training in place for the NZ Certificate of Horticulture and just 5% stated they had training for the NZ Certificate in Primary Industry Skills. The survey showed that the majority of training in the industry is informal, and on the job, without a qualification at the end. We currently lack student numbers in our tertiary level horticulture programmes, with few graduates with the deeper horticulture systems skills needed in areas like propagation, plant health, biosecurity, research, etc.

Integrity systems will be required to provide proof and to drive impact, including the skilled systems people to lead and operate them. We recommend that the Government adopts internationally accepted integrity & credibility principles, rather than making up a bespoke system for New Zealand that others in the world don't understand. The system should include:

- Standards that can be measured and assessed.
- Assessing compliance with standards, so that partners, investors and other stakeholders know they can trust the results of assessments.
- Monitoring and evaluation systems to understand how effective their standards are at achieving the goals.
- Modern systems for proof and reporting, including networks for data capture, protection & sharing.

