TRANSPOWER

Transpower submission on exploring a biodiversity credit system for Aotearoa New Zealand

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To	Ministry for the Environment
By email	biocredits@mfe.govt.nz
Address for service	Transpower New Zealand Limited PO Box 1021 Wellington 6140 Attention: Keitaria Haira, Corporate Counsel Email: keitaria.haira@transpower.co.nz Phone: 04 590 7390

1 Transpower New Zealand (**Transpower**) is the State-owned enterprise that plans, builds, maintains, owns and operates New Zealand's high voltage electricity transmission network (the **National Grid**).

2 Thank you for the opportunity to make a submission on *Te āwhina i te taiao me ngā tāngata kia puawai – Helping nature and people thrive: Exploring a biodiversity credit system for Aotearoa New Zealand MfE DOC* (2023) (the **Discussion Document**). The Discussion Document seeks feedback on the need for and the design of a biodiversity credit system for Aotearoa New Zealand.

Executive Summary

3 Transpower's interests in the Discussion Document are two-fold.[1] Firstly, we want to ensure that a biodiversity credit system (**BCS**) does not incentivise planting in locations that will negatively impact our assets and electricity supply. Secondly, that consideration is given to the practical implications of biodiversity offsetting from Transpower's perspective.

4 Transpower broadly supports nature-positive outcomes and recognises that a BCS could play an important role in addressing Aotearoa New Zealand's biodiversity crisis. Moreover, Transpower has strategies aimed at improving its environmental stewardship through understanding the biodiversity values around our assets and an aspiration to achieve net biodiversity gains for future projects.[2]

5 However, the National Grid is critical infrastructure that runs the length of the country, from Kaikohe to Bluff. Given its linear nature, there are various technical, operational and locational constraints, that often require it to locate in, or traverse, a wide range of ecosystems and landscapes across Aotearoa. Consequently, to secure the benefits from

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1 We note that emsTradepoint Limited, a fully owned subsidiary of Transpower, intends to lodge a separate submission on the Discussion Document.

2 Transpower Integrated Report FY 2023, Powering Aotearoa New Zealand, p23.

National Grid infrastructure, some effects or impacts on biodiversity will be unavoidable. But, that biodiversity – particularly forests and trees – also has the potential to negatively impact the National Grid.

6 Poorly located vegetation can grow, or fall, into (or too close to) transmission lines. Trees coming into contact with transmission lines, or being too close, can result in fires, risk serious injury (or death), destroy property, damage National Grid assets, and affect security of supply. Indigenous flora, fauna, and biodiversity habitat more generally can also be impacted by the requirement to repeatedly trim or remove vegetation that puts the National Grid at risk. As a result, the benefits anticipated by a BCS – to provide positive outcomes for biodiversity – would not be achieved if planting does not occur in the right place.

7 Transpower would support the use of a BCS to offset development activities. Particularly where frequent small-scale works are required or when there are difficulties obtaining landowner approval to undertake offsetting activities on both public and private land.

8 Transpower's concerns relate to questions 1, 8, 13, 15, 18, and 23 of the Discussion Document. Specific responses to those questions are set out in Schedule 1 to this submission.

Risks to the National Grid

9 Transpower has raised concerns about vegetation near its transmission lines in several other consultation and review processes.[3] The main risks or effects we have identified include:

a. **Loss of supply of electricity**: This can occur when trees are blown into or fall onto overhead lines, or when trees come too close to the conductors (wires).

b. **National Grid asset damage**: Trees and branches can fall into transmission lines, damaging conductors, poles and towers. This can occur naturally or following high winds, large rainfall events or floods, fires, and so on.

c. **Wildfires**: Flashovers can cause wildfires.[4] Vegetation related flashovers have the potential to ignite fires, which under the right conditions, can be sustained and lead to widespread property loss.

d. **Restricting access to National Grid assets**: Access to National Grid assets can be impeded or restricted in a number of ways. Forests and forest debris can impede

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3 Transpower submissions on the: Climate Change Response (Emissions Trading Reform) Amendment Bill (10 Dec 2019), National Direction for plantation and exotic carbon afforestation (18 Nov 2022), the Electricity (Hazards from Trees) Regulations 2003 (1 May 2023), Strengthening the resilience of Aotearoa New Zealand's critical infrastructure system (8 August 2023), and the review of the NZ Emissions Trading Scheme and the redesigned NZ ETS permanent forest category (11 August 2023) are available at https://www.transpower.co.nz/our-work/industry/regulatory-submissions.

4 A 'flashover' can occur when a tree comes close to the conductor (wire) and the electricity "jumps" to the tree or a major electrical discharge occurs through the tree.

access to National Grid assets which in turn, can compromise Transpower's ability to maintain its assets, or to restore electricity supply during an emergency.

10 Our concern with a BCS, is that it could encourage the planting of trees near our lines, as we have seen occur with trees planted under the Emissions Trading Scheme (ETS).[5] Transpower's experience is that the incentives created under the ETS, have driven landowners and foresters to plant forestry without regard to the risks it creates to the National Grid or the costs that are borne in our case by electricity consumers. Therefore, Transpower would support a BCS that:

a. will not incentivise the planting of vegetation in the wrong places, including inappropriately close to transmission lines and associated assets; and

b. will not penalise (through potential BCS liabilities) appropriate actions to manage the risks from vegetation to transmission lines, in order to protect the National Grid and security of supply – e.g. clearance and/or removal of planted vegetation.

11 In addition, our experience is that the current regulations do not provide for adequate protection of electricity lines and do not ensure planting of the right tree in the right place.[6] Transpower is concerned that a BCS could add further risks to the National Grid if a coordinated and cohesive regulatory regime is not developed.

Biodiversity credits as an offsetting tool

12 The Discussion Document seeks feedback on whether biodiversity credits could be used to offset development impacts as part of resource management processes. Transpower supports the need for an offsetting framework to ensure appropriate management of biodiversity where adverse effects cannot be avoided.

13 In practice, there are many situations where technical, operational, or locational requirements necessitate locating transmission lines within or across areas of indigenous biodiversity value. This results in the need for Transpower to carry out routine (often small-scale but frequent) works on its ~30,000 structures, for example removal of naturally established vegetation as part of regular maintenance of transmission tower access tracks. Furthermore, Transpower does not own the land where the majority of its assets are located, meaning the vegetation being removed or trimmed is on privately-owned land.

14 A biodiversity credit could be a useful tool in these smaller settings where offsetting is not always possible or would otherwise have a negligible impact on improving biodiversity. As such, a BCS could complement resource management processes by providing a practical mechanism for making financial contributions towards a positive biodiversity outcome.

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5 See Transpower joint submission on the review of the NZ Emissions Trading Scheme and the redesigned NZ ETS permanent forest category, (11 August 2023) at https://www.transpower.co.nz/our-work/industry/regulatory-submissions.

6 For example: the Electricity (Hazards from Trees) Regulations do not prevent trees being planted "in the right place" away from transmission and distribution lines and do not authorise removal of trees that place lines at risk due to the ability to fall into lines; the Emissions Trading Scheme incentivises trees being planted close to lines, and increases costs of removing inappropriately planted trees by having to compensate for surrendered carbon credits; and the Resource Management (National Environmental Standards for Plantation Forestry) Regulations 2017 does not prevent trees being planted where they will place transmission lines at risk.

This approach would enable applicants to contribute towards a collective fund for bigger projects which may be more efficient and result in better biodiversity outcomes for Aotearoa.

15 While the Discussion Document notes how various individuals and groups are eager to invest in the protection and management of biodiversity on their lands, this has not always been Transpower's experience. Our ability to offset is not guaranteed as it is not always agreed to by the owners of land that our assets are on.

16 It is not only private landowners who do not agree with offsetting. For example, we have assets that traverse land owned, or administered, by the Department Conservation (DOC). There have been occasions when tree trimming and vegetation clearance has been required around our transmission lines and DOC has not allowed offsetting replanting due to biosecurity risks around high-value conservation land.

17 A biodiversity credit to offset adverse effects of indigenous vegetation and habitat removal in situations where the works are small and negligible, or when landowner approval cannot be obtained, is something that Transpower could find useful and would support.

Schedule 1: Discussion Document Questions

Given the nature of Transpower's interest in this proposal, not all questions in the Discussion Document are relevant to us. Responses to some of the specific questions of relevance are set out below.

Question 1: Do you support the need for a biodiversity credit system (BCS) for New Zealand? Please give your reasons.

Transpower generally supports a BCS for Aotearoa New Zealand. However, such a system should be carefully designed so as to not result in perverse outcomes, including for transmission and electricity lines (as has occurred under the Emissions Trading Scheme).

Risks from inappropriately planted trees apply regardless of whether the tree is for amenity planting, shelter belts, commercial forestry, crops, regenerating native forests or to improve biodiversity. Risks also exist in national parks, conservation areas and significant natural areas – whether on public or private property.

Despite having an extensive and ongoing programme to manage vegetation around transmission lines, the increase in, and frequency of, severe weather events has made it crucially important that the right planting occurs in the right location.

Question 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 biodiversity credit system and regulatory requirements?

Transpower supports the need for an offsetting framework to ensure appropriate management of biodiversity where such adverse effects cannot be avoided. Biodiversity credits should be able to be used to offset development impacts and must form a necessary part of the resource management system.

There are situations where offsetting is not appropriate or not possible due to the landowner not agreeing. A BCS could enable essential activities to continue, while offering a means to fund projects or activities in the wider vicinity of these effects that would provide greater benefits for biodiversity than smaller scale replanting would achieve.

Transpower considers it appropriate to allow biodiversity credits to be used as an offset and agrees with the Discussion Document that the credit would need to satisfy both the BCS and regulatory requirements. The challenge will be to design the BCS in a way that nature-positive claims cannot be made for what would otherwise be required by law or regulation.

Question 13: Have we missed any other important principles? Please list and provide your reasons.

Transpower supports the principles proposed in the Discussion Document. However, for a BCS to work as part of the wider system, consideration needs to be given to the location of planting / nature positive activities, and the protection of critical infrastructure - especially infrastructure that will play a key role in decarbonising the economy and reaching our climate change goals.

As discussed above, there are risks that the system could create perverse incentives if it encourages planting near transmission lines that could compromise the National Grid, particularly where there is a potential for permanent (100+ years) or long-term (25 years) impacts. The risks are greater when planting is left unmanaged, which is increasingly likely with large-scale indigenous vegetation plantations. If planting occurs near our transmission lines, there is a high likelihood that this will be subject to repeated vegetation disturbance (to protect the assets) and unable to realise the full benefits for biodiversity that the BCS is set out to achieve.

Question 15: What do you see as the benefits and risks for a biodiversity credit market not being regulated at all?

The location of vegetation has a direct impact on Transpower's ability to safely maintain, operate and upgrade the National Grid. An unregulated biodiversity credit market could encourage the inappropriate planting of native trees around transmission lines (as is resulting from the ETS).

There are already significant areas of vegetation and forestry under and around the National Grid – ranging from specimen trees, to national parks, to ETS registered forests. Planting and growing trees near transmission lines creates risks to National Grid assets and leads to significant costs in managing these risks. The key risks have been identified in the main part of this submission.

A BCS should incentivise the planting of the right tree(s) in the right place. Our experience is that the current regulations do not provide for adequate protections for electricity lines. Therefore, a co-ordinated and cohesive regulatory regime is required.

Question 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.

The Ministerial Inquiry recommended "a mosaic of sustainable land uses – both protective and productive" in its report Outrage to Optimism.[7] Transpower supports the government directed approach which includes a vision for resilient infrastructure.

Focusing market investment towards particular activities and outcomes could form part of the BCS. Transpower would support this approach where it allows us to contribute to larger biodiversity outcomes for smaller routine works.

Question 23: Should a biodiversity credit system support land-use reform? (Yes/No) (For example, supporting the return of erosion-prone land to permanent native forest, or nature-based solutions for resilient land use).

A BCS should support land-use reform from a resilience perspective. Returning erosion-prone land to permanent native forest, or other nature-based solutions could provide greater resilience for infrastructure if natural hazard risks are minimised.

7 Outrage to Optimism, Report of the Ministerial Inquiry into land uses associated with the mobilisation of woody debris (including forestry slash) and sediment in Tairawhiti/Gisborne District and Wairoa District (May 2023), p19.