Briefing: The Voluntary Nature and Carbon Market and the role of the Department of Conservation and public conservation land

To	Minister of Conservation	**Date submitted**	18 February 2026
Action sought	**Agree** that PCL should be eligible for voluntary nature and carbon credit projects and that DOC can partner with projects where there is significant conservation and carbon benefit **Agree** to forward this to the Associate Minister for the Environment and the Minister of Climate Change, and the Minister of Agriculture and Forestry	**Priority**	Normal
Reference	ADVB – 149	**DocCM**	DOC-10673702
Security level	In Confidence		

Risk assessment	Medium There are growing stakeholder expectations for clear policy direction and guidance on DOC's role and the use of PCL in the VNCM.	**Timeframe**	26 February 2026
Attachments	Attachment 1 – Analysis of DOC's potential roles in the VNCM - their implications for conservation outcomes and market development		

Contacts	
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Executive summary – Whakarāpopoto ā kaiwhakahaere

1. The Government is developing proposals to support a high-integrity Voluntary Nature and Carbon Market (**VNCM**) in New Zealand, with Cabinet decisions expected in April 2026. The Department of Conservation (**DOC**) and the Ministry for the Environment (**MfE**) have worked together to develop advice on the use of public conservation land (**PCL**) and DOC's role in the VNCM.
2. There is strong interest in using PCL or partnering with DOC for voluntary nature and carbon credit projects, including the biodiversity credit pilots, the Afforestation on Crown Land (**AOCL**) programme, s9(2)(f)(iv) [redacted].
3. We recommend making PCL eligible for voluntary nature and carbon credit projects. This is in line with the joint advice you will shortly receive from agencies to make Crown land eligible for credit projects. We recommend enabling DOC to, in limited circumstances, partner with projects where there would be a significant conservation and carbon benefit. These settings would help unlock additional conservation opportunities, attract private investment, and accelerate development of the VNCM.
4. We also recommend that DOC does not directly sell credits for the work it delivers due to the risk of financial liability, of undermining market credibility, and the risk of activities not being perceived as 'additional'. This could be reconsidered once the market matures. We are not aware of any government agency in the world that participates in voluntary nature markets in this way.
5. You will soon receive further advice on integrity principles, standard endorsement, and Crown land participation in a joint Ministers briefing (from MfE and DOC). Decisions in the joint briefing will feed into a Cabinet paper led by the Associate Minister for the Environment, who is taking a paper to Cabinet in April 2026.
6. We will provide you with additional advice on how we intend to manage authorisation of voluntary nature and carbon credit activities on PCL in March 2026.

We recommend that you … (Ngā tohutohu)

		Decision
a)	**Agree** that PCL should be eligible for voluntary nature and carbon credit projects	Yes / No
b)	**Agree** that DOC can partner with voluntary nature and carbon credit projects where there is significant conservation and carbon benefit	Yes / No
c)	**Agree** that DOC will not directly sell credits in the market at this stage, but that this decision will be reviewed as the market matures	Yes / No
d)	**Agree** to forward this paper to the Associate Minister for the Environment, the Minister of Climate Change, and the Minister of Agriculture and Forestry	Yes / No

Date: 18 / 02 / 2026

Peter Galvin
Deputy Director-General, Policy

Date: / /

Hon Tama Potaka
Minister of Conservation

Purpose – Te aronga

1. To seek your agreement on the role of public conservation land (**PCL**) and the Department of Conservation (**DOC**) in the Voluntary Nature and Carbon Market (**VNCM**) in New Zealand.

Background and context – Te horopaki

2. On 6 June 2025, Cabinet agreed in-principle to government's role in the proposed VNCM, subject to a report back and pilot testing [CAB-25-MIN-0187]. Cabinet has not yet decided whether government entities (e.g. DOC) can participate in the market (i.e. trade credits), or on the role of Crown land.

3. Supporting the VNCM could help promote biodiversity outcomes and resilience while unlocking private investment, advancing climate commitments, and generating landowner revenue. However, overall nature credit demand in New Zealand is uncertain. We anticipate that demand for carbon credits will be greater than biodiversity credits, and that carbon credits with biodiversity co-benefits can drive premium prices.

4. In August 2025, we briefed you on the VNCM and the two biodiversity credit pilot projects on PCL (CORM-1678 refers). In December 2025, we briefed you on the potential roles for PCL and DOC in the VNCM and key VNCM context (ADVB-96 refers). This briefing builds on that advice, setting out our analysis and recommendations for what role PCL and DOC should play in the market, subject to Cabinet agreement.

5. You will also shortly receive a joint Ministers briefing seeking broader decisions on the VNCM, including on the standard endorsement process and integrity principles for the market, as well as the role of Crown land.

6. The Carbon Removals Framework, including peatland rewetting proof-of-concept projects, and Afforestation on Crown Land (**AOCL**) are also connected to the development of a voluntary market in New Zealand. This paper does not consider options related to the Emissions Trading Scheme as this is part of the AOCL work programme. Decisions on the role of PCL s9(2)(f)(iv) [redacted].

7. Exploring nature credits is an action in your Revenue Action Plan, DOC's Commercial Strategy, and in the new Biodiversity Strategy Implementation Plan (ADVB-111 refers).

We recommend leveraging PCL and partnerships to deliver improved conservation outcomes

8. There are three key choices on the role of PCL and DOC in the VNCM:
   a) Should VNCM projects be enabled on PCL?
   b) Should DOC be able to partner with or co-fund VNCM projects?
   c) Should DOC be able to directly participate in the VNCM (i.e. create and sell credits)?

9. Each of these roles have different implications for the market and conservation. Further analysis on the implications of each role is set out in **Attachment 1**.

10. Decisions on the role of PCL and DOC could set a precedent for how other Crown land or government support is considered in the market. We are working with other agencies to further assess the broader implications of Crown land and government support.

We recommend that VNCM projects are allowed on PCL to unlock opportunities

11. Making PCL eligible for third-party VNCM projects will enable organisations to create and sell credits for conservation work that DOC cannot otherwise deliver due to funding constraints. It presents opportunities to stimulate investment in conservation outcomes additional to those funded by government.

12. Given PCL covers 30 per cent of the country, decisions on its inclusion should be taken early as it will have a large impact on the potential supply of land for projects. The size of PCL can support demand for large-scale and catchment-wide VNCM projects, offering opportunities that smaller, fragmented private land projects cannot.

13. While allowing VNCM projects on PCL may shift some investment away from private land (e.g. by crowding out private suppliers), it could also demonstrate government confidence in the market and catalyse growth by having 'real skin in the game'.

We recommend that DOC can partner and co-fund projects where there would be a significant conservation and carbon benefit

14. Partnering and co-funding VNCM projects could deliver greater conservation outcomes, grow the market, and address scientific or market gaps. Support could include helping with project delivery, project endorsement, benefit-sharing, in-kind contributions, or seed funding. DOC partnering with third parties could accelerate conservation outcomes beyond simply making PCL available.

15. We recommend enabling partnerships where there would be a significant conservation and carbon benefit and where conservation outcomes could otherwise not be achieved. DOC will develop operational guidance to ensure that only high priority partnerships are considered to deliver the greatest outcomes when weighed against implications for DOC.

16. DOC already partners with many groups to achieve conservation outcomes. Using credits as a funding source should not exclude these groups from partnering with DOC. Partnerships should also not be limited to projects on PCL. DOC already provides in-kind and operational support to non-PCL projects.

17. By supporting some projects over others, DOC would be providing competitive advantages to some players in the market. This risk exists for other agencies and types of government support as well. Further work is needed to develop consistent principles to guide what types of partnerships are appropriate and ensure that the benefits of the partnership outweigh the impact.

18. Having a clear mandate and guardrails for DOC's role is critical to managing and progressing live opportunities, such as the s9(2)(f)(iv) [redacted] and the 9(2)(f)(iv) pilot projects. It ensures that DOC can leverage these opportunities in step with broader government direction. We are working with agencies to develop principles to guide partnerships and co-funding decisions and will update ministers in due course.

We do not recommend that DOC directly participates in the market at this stage, but this could be explored in the future

19. Direct participation could possibly create future revenue opportunities for DOC by generating and selling credits to fund additional conservation work. These opportunities may become more viable as the market matures and once robust cost-benefit analysis confirms the value and feasibility of participation, and whether investors would purchase credits from a government entity.

20. Entering the market now would require establishing new functions in DOC at a time when revenue is uncertain and the market is still developing. It would also be difficult for the Government to demonstrate that credits represent genuinely additional conservation activity (which is a core principle for voluntary projects) and a likely

requirement for investors. The administrative requirements (such as independent verification and validation of credits) could make credit-generating projects more costly than non-credit alternatives.

21. Government participation could also undermine the credibility of the New Zealand market and reduce buyer demand, as purchasers may be reluctant to buy credits for activities perceived as core public responsibilities. No other government in the world currently develops and sells voluntary nature or carbon credits, although some offer credits through market compliance or offsetting schemes (e.g. UK Biodiversity Net Gain, for development offsetting).

22. We recommend reviewing this in three years but will remain agile to be able to respond if the context changes and new opportunities arise. Any future decision to sell credits would need to explore how DOC would manage conflicts of interest between its role in approving credit projects on PCL and selling credits itself.

Careful consideration is needed to ensure risks are mitigated and outcomes are net positive

23. Participating in the VNCM could expose DOC and the Government to broad market risks. These include loss of market credibility, perception of government greenwashing, project failure and liabilities, and the risk of projects not delivering claimed benefits. Some of these risks can be managed through the concession process (e.g. project standard and quality, claims made), and others are addressed through market settings (e.g. integrity principles).

24. As additionality is a key requirement for the market, our advice is that DOC's baseline should not be reduced on the assumption that credit revenue will replace public funding. Cost-shifting would undermine additionality, reduce net conservation gains, and damage the credibility of both the VNCM and the Government.

25. Reprioritising DOC’s work programme to support VNCM projects could be considered if it leads to greater and additional conservation outcomes. DOC should not stop doing high-priority work on the assumption or expectation that it could instead be funded by credit projects as this presents additionality issues and funding risks.

We are developing internal processes for authorising VNCM activities on PCL

26. At this stage, we recommend concessions are used as the primary authorisation for this type of activity. Concessions are the standard regulatory authorising process and allows DOC to set the terms and conditions to mitigate project risks such as liabilities and claims. Concessions also provide a statutory funding framework that would enable DOC to recover costs associated with its involvement.

27. If DOC is considering partnering with a VNCM project, then management agreements may be used. We are developing criteria for when management agreements can be used, such as priority of outcome and level of risk, and will provide a briefing on this in March 2026[1]. That briefing will also cover the settings for cost recovery, activity fees, length of agreements, and implementation timeframes. We will also provide advice on how DOC will prioritise applications and decision-making related to priority projects, which could be informed by tools such as BioInvest.

28. Allowing VNCM projects on PCL could expose DOC to liabilities associated with project failure or permanence requirements. Where projects fail, there are often liabilities in voluntary markets to ensure that outcomes are still delivered or not reversed. These risks will be explored in the authorisations briefing, which will look into the risks of project failure, permanence requirements and concession term lengths, and how authorisations can set terms and conditions to mitigate these risks.

[1] Section 53 of the Conservation Act 1987.

Risk assessment – Aronga tūraru

29. Key risks are:

    a) **Stakeholder expectations** – the pilot projects and [redacted] are actively advancing market proposals and seeking clarity on our concessions approach. Without clear processes, DOC risks being seen as a barrier to innovation, while premature commitments could expose the Crown to risks or unintended consequences. Confirming Cabinet's agreement on the role of DOC and PCL will provide clarity for stakeholder.

    b) **Resourcing constraints –** assessing and granting concessions for market activities on PCL is likely to take a significant amount of time and resourcing given it is a new activity. We will provide you with further advice on this issue in the authorisation briefing in March 2026.

    c) **Precedent setting –** this paper does not explore all the ways government could support market development through partnership or participation. Decisions on PCL and/or DOC involvement may set a precedent for other forms of government engagement. This risk can be mitigated by emphasising that decisions on PCL are based on the scale of the opportunity and current interest, and do not preclude other forms of government involvement in future.

Treaty principles (section 4) – Ngā mātāpono Tiriti (section 4)

30. Enabling PCL use and DOC partnerships in the VNCM is likely to support Te Tiriti Principles, specifically partnership. In addition, through DOC's concession process, it can enable active participation through the implementation of VNCM projects on PCL. We will also need to ensure that VNCM settings do not exacerbate inequities or create barriers to whenua Māori owners or Māori-owned businesses wishing to participate in the VNCM.

31. DOC is aware of a number of Treaty partners, Iwi, Hapū, and whānau that have expressed interest in participating in the VNCM with DOC or on PCL, and some are exploring market opportunities on their whenua.

32. There is a significant amount of whenua Māori adjoining PCL and, to be viable, VNCM projects on some whenua Māori may need to utilise areas of PCL.

Consultation – Kōrero whakawhiti

33. DOC consulted the Ministry of Primary Industries, MfE, Te Puni Kokiri, Land Information New Zealand and The Treasury on this briefing and the underlying policy analysis.

34. Te Puni Kōkiri has raised concerns that:

    - the statutory maximum periods for which concessions can be granted (under section 17Z Conservation Act 1987) could create a barrier to the use of PCL for VNCM projects; and
    - that would particularly impact owners of whenua Māori adjoining PCL who needed to utilise areas of PCL in order to undertake viable VNCM projects on their whenua.

35. DOC's view is that this issue can be addressed within the existing authorisation framework. We will provide more advice in the March authorisation briefing.

36. Te Puni Kōkiri also noted there is a need for further policy work outlined below, which will need to be resolved through broader VNCM settings:

- whether, and if so in what circumstances and out of what funding sources, the Crown should consider co-funding VNCM projects undertaken by third parties wholly or partially on PCL; and
- ways in which the Crown could support VNCM projects undertaken by third parties wholly or partially on PCL through benefit-sharing (particularly benefit-sharing with local communities and tangata whenua groups).

Financial implications – Te hīraunga pūtea

37. Participating in the VNCM presents financial implications for DOC and the Crown. This may include concession processing and resourcing costs and potential liabilities that could arise from project failure. DOC will meet processing costs through cost recovery and baseline spending. There is also potential to generate revenue for Vote Conservation through the collection of concession activity fees.

Next steps – Ngā tāwhaitanga

38. We are working with MfE to develop a joint Ministers paper for you, Minister Hoggard and Minister Watts to take decisions on key VNCM processes including government roles in the VNCM. This will inform the VNCM Cabinet paper. You are likely to receive this paper in late February 2026.
39. Currently, the VNCM Cabinet paper, led by MfE and Minister Hoggard, is planned for early April. We will keep you updated on how this is tracking and the key decisions related to PCL and DOC that may be included.
40. We are planning targeted stakeholder engagement following Cabinet decisions on potential implementation and design of VNCM activities on PCL.
41. We are working through the concessions implications and processes to enable VNCM activities on PCL. This is priority work, driven by the pilot projects' desire to be credit earning, s9(2)(f)(iv) [redacted]. We will brief you on this in March 2026.

ENDS

Attachment 1 – Analysis of DOC's potential roles in the VNCM - their implications for conservation outcomes and market development

Role	Description	Opportunity/impacts
Land supply	Third parties undertake conservation projects on Crown land to earn and sell credits. E.g. Kaimai Mamaku Restoration Project – Biodiversity Credit Pilot Project	**Opportunity** • Supports early market development and de-risks VNCM • Expands ecological coverage and unlocks additional conservation outcomes • More feasible and low risk option for government involvement in market • Can provide large-scale land supply to meet market demand **Impacts** • Could crowd out private landowners/suppliers, impacting market growth • Blurs the governments originally intended role as market steward • Regulatory and concession complexity arising from this novel activity • Government exposure to market risks
Partnerships/co-funding	Government co-invests in projects on PCL, partners with projects or organisations, or establishes other benefit sharing agreements.	**Opportunity** • Leverages funding for greater conservation outcomes • Helps establish new VNCM projects and address market gaps • Signals strong government backing - catalysing early market growth • Helps target Government priorities (AOCL, 2025 Climate Targets) **Impact** • Risk of government 'picking winners' • Requires new crown funding to support co-funding projects • Greater exposure to market risks • High transaction and establishment costs – VNCM projects cost more
DOC direct participation	DOC directly sells credits in the market to fund conservation work.	**Opportunity** • Allows greater control over selection of credit projects (over the other options) • Potential to self-fund projects, and, if the market matures, could generate revenue. **Impact** • High financial and operational costs for DOC to establish market function • Crowding out both supply and demand in the market • High financial risk to DOC while the market and revenue is uncertain • Contradicts the Government's intended role in a private-led market - market credibility risks • Likely to be difficult to meet additionality market criteria