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Te Hoiere Project

Towards Sustainable Financing

Final Report

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Executive Summary

This report has examined the role of sustainable finance in supporting the long-term viability of Te Hoiere Project, in response to both an immediate funding shortfall and a broader structural challenge facing the funding of catchment enhancement and restoration in Aotearoa New Zealand.

The analysis confirms that the challenge is not a lack of available mechanisms. A wide range of fiscal, market-based, philanthropic, and community-driven instruments exist, both internationally and domestically. The core issues have been an overreliance on Grant funding as the primary source, and the need to evolve the governance framework to be capable of better marketing the project, strengthening partnerships and aligning monitoring, and capital deployment at the catchment scale.

This finding is consistent with both international evidence and national policy commentary. The Parliamentary Commissioner for the Environment (PCE) has highlighted the limitations of property-scale regulation and the need for catchment-level approaches supported by local governance and coordinated investment. At the same time, the decline of central government funding streams, including the conclusion of Jobs for Nature (JfN), reinforces the need to transition from grant dependency toward more durable, diversified finding systems. Within this context, Te Hoiere represents a compelling case.

To date THP has established a locally driven, multi-agency partnership model, developed an Integrated Catchment Enhancement Plan, and initiated a transition toward whole-of-catchment, ki uta ki tai management. The Project has already demonstrated the ability to mobilise significant investment, exceeding NZD $13 million, and has delivered measurable restoration outcomes across freshwater systems. The Project is also shifting focus to the receiving environment, having recently completed an estuarine management plan, and evolving a sediment management programme which has a downstream lens. These actions give effect to the original project premise which recognised anthropogenically accelerating sedimentation as the key catchment issue, also affecting the downstream marine environment. These attributes position Te Hoiere Project as a mature platform ready to transition into a new phase of financial and institutional development to enable intergenerational catchment enhancement and restoration outcomes at scale.

The work undertaken through this report, has therefore focussed on identifying and prioritising a suite of sustainable finance instruments most suited to the local context, recognising the need to move beyond individual instruments toward an integrated system. It has also broadened the scope beyond sustainable instruments, by summarising the strengths and weaknesses of alternative funding avenues (philanthropic, research, grant and educational) and their complementary roles in a sustainable financing portfolio.

The central conclusion rests on the notion that sustainable finance for Te Hoiere will not be achieved through the adoption of a single mechanism, nor through incremental additions of existing funding streams. It requires the deliberate establishment of an institutional architecture that can:

- Coordinate diverse funding sources,
- Align investment with catchment priorities, and
- Provide transparent, credible verification of outcomes.

Enhancing the existing project partnership, supported by a coordinating Water/Catchment Fund structure and separate Reporting mechanism, with Te Hoiere Kaitiaki Charitable Trust as the coordinating organisation, could provide this necessary architecture.

This proposed structure responds directly to the criteria in the project scope, including alignment with local social, political, and economic context, administrative feasibility, equity, and transparency. It also reflects stakeholder feedback emphasising co-design, governance clarity, and the importance of credible monitoring in securing both public and private investment.

Importantly, this work demonstrates that Te Hoiere is not operating in isolation. The challenges it faces are shared across catchments nationally. The opportunity, therefore, is not only to secure the future of Te Hoiere Project, but to contribute to the development of a replicable model for integrated catchment finance in Aotearoa.

The next phases of this process towards sustainable financing involves progressing from prioritisation to design, testing, and operationalisation. A number of immediate and near-term actions emerge including:

1. Capturing the full historical programme investment including in-kind investment by all project partners, and notably community and iwi voluntary effort (e.g., time, hosting costs) over the lifecycle of the project.
2. Potentially revise the governance structure of THKCT to more clearly separate it from MDC and also enable it to receive a wider range of funding sources. This could include rebranding the Trust… ki uta ki tai…to better recognise the relationship between catchment restoration and benefits to the downstream marine receiving environment (which is linked to monitoring outcomes). Establishing a partnership governance platform for ongoing decision-making. This includes re-confirming roles and representation, and the relationship between the partners. Governance clarity is a prerequisite for all subsequent steps. This requires clarity on the institutional home and coordinating organisation for the project – in the proposed new structure this would be based on Te Hoiere Kaitiaki Charitable Trust.
3. The advancement of a monitoring report card that builds on existing monitoring. This includes confirming indicator frameworks across environmental, cultural, social, and economic domains, aligning existing data sets, and defining independent review processes. Early establishment of a report card will strengthen the credibility of all funding mechanisms and provide a transparent basis for investment decisions. The report card should integrate freshwater and estuarine outcomes in better reflecting ki uta ki tai linkages and thereby expand the scope and opportunities for THP.
4. The development of a new financial structure (i.e. a Water Fund) should proceed alongside these governance and monitoring initiatives. This includes defining the legal and financial structure of the fund, identifying initial capital sources, and establishing allocation criteria linked to the Report Card outcomes. A Water Fund would enable consolidation and coordination of diverse funding streams and provide transparency regarding decision making and financial flows.

With these foundational elements in place, priority mechanisms identified in this report can be progressed into detailed design and feasibility testing. This includes:

- Assessing eligibility and aggregation pathways for carbon, biodiversity, and labour credits, including the potential to recognise historic restoration investment.

- Advancing discussions with Marlborough District Council regarding coastal occupancy fees and their potential structure and revenue allocation.
- Exploring the design of targeted incentives, such as rates rebates, aligned with sediment risk mapping.
- Further investigating the feasibility of more complex instruments, including log levies and sediment discharge pricing, in line with improved data confidence and stakeholder engagement.

Consistent with the phased approach outlined in the project scope, these activities form part of a broader transition toward Phase 2, which would involve detailed feasibility assessment, modelling, governance design refinement, and risk analysis. Subject to the outcomes of Phase 2 work, the final Phase 3 would involve the operationalisation of a suite of instruments, ongoing monitoring, and adaptive management to ensure continued relevance and effectiveness of the instruments.

Te Hoiere occupies a unique position within the national landscape as it sits at the intersection of National programmes, has an established, mature, community-led governance model, and progressed a diversity of restoration, education and research actions. Importantly it has established restoration activity and monitoring infrastructure designed to respond to clearly defined environmental challenges, including sedimentation, with downstream ecological and economic implications.

This combination creates conditions that are rarely present simultaneously. The project therefore represents an opportunity to demonstrate how catchment-scale governance, supported by integrated finance mechanisms, can address complex environmental challenges that extend beyond individual land parcels and sectors.

In doing so, Te Hoiere provides a case study of initial steps towards addressing the funding challenges faced by catchment groups to fulfil their potential to respond to the ongoing biodiversity decline and need to improve climate resilience – collective actions essential for a sustainable and resilient Aotearoa.

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1. Introduction

Te Hoiere Project (THP)[1] is a community led, multi partner initiative which has the vision of "*working together to restore the mauri of Te Hoiere land, waters, and coast which flourish, along with peoples' wellbeing and livelihoods*".

Building on a strong foundation of enhancement and conservation mahi in the catchment, the project was formally initiated in 2019. Support from central Government[2] and the regional council enabled an Integrated Catchment Enhancement Planning (ICEP) process to be undertaken which concluded in 2021. The ICEP[3] includes over 70 actions across nine themes, guided by the vision, objectives and principles established through an authentic process of 'planning by the people for the people'. The robust planning process established a solid platform and governance structure which has underpinned the collaborative partnership in implementing a wide range of the priority actions across the ICEP over the last 5 years.

Like other catchment initiatives across Aotearoa, the work required to restore our natural environment requires an intergenerational view if it is to account for the decline resulting from several generations of often inappropriate anthropogenic land and resource use. This requires sustained funding over and above the inherent voluntary effort of those that live, work and play in these landscapes, including (but not exclusively) support from central and local Government.

The positive progress made by THP over the last five years has been largely built on funding from central Government grants – the bulk coming primarily via the Jobs for Nature (JfN) programme. The Department of Conservation (DOC) Ngā Awa programme has also provided critical consistent funding, and Marlborough District Council (MDC) has provided operational, resourcing and other support. There has also been 'ad-hoc' contributions from other project partners[4]. The core JfN and MfE funding is already scaling down and concludes in June 2026, placing the momentum and future of the project at major risk[5] of *a)* not securing the investment made to date in restoration efforts, predator control etc, nor *b)* achieving sustained progress and upscaling of existing and new projects to make substantive changes at a landscape scale.

The governance component of the ICEP included *Action A2: Investigation, development, and implementation of a self-sustaining funding system* – specifically to deal with the current, predicted scenario faced by the project. The funding issue (at Te Hoiere and national scales) was also emphasized at the annual DOC Ngā Awa programme hui in 2024, which was held in the catchment. In response to these drivers, DOC Ngā Awa programme contracted Morphum Environmental Limited (Morphum) in collaboration with WAI Wanaka, to investigate sustainable funding options with the following overall Project purpose:

Project Purpose - *Prioritise a suite of sustainable finance instruments relevant to the local context, investigate their viability, and identify the operational systems and design requirements needed to take them towards operationalisation.*

This work is being undertaken within a very dynamic period where political and associated policy and legislative reforms, coupled with a tough economic climate, pose various challenges for catchment restoration groups. These challenges are unpacked in the following section 2; the scope of this report and methodology then follows in section 3.

[1]https://www.tehoiere.org.nz/

[2] MfE AT Risk Catchments Programme and DOC Nga Awa Programme. https://www.DOC.govt.nz/our-work/freshwater-restoration/nga-awa/

[3]To view the ICEP, visit https://storymaps.arcgis.com/stories/db492eaf502d40b0a7ae57a9c8b570d6

[4]https://www.tehoiere.org.nz/about/partners

[5]https://www.rnz.co.nz/news/ldr/535121/future-of-marlborough-environment-projects-in-question

2. The Contextual Challenge

This section describes the evolving role of catchment organisations and restoration projects in addressing the ongoing erosion of natural capital in Aotearoa, and the associated governance and funding challenges as context for considering the specific case of THP.

(NZIER, 2024) estimates that the ecosystem services on Public Conservation Land (PCL) generate a gross value of $16.42 billion per year and a net value of $10.90 billion per year. DOC (2020) however, reported that the current state of much of Aotearoa's biodiversity is in a state of ongoing decline across all key ecosystems – thus, so is ecosystem condition, functionality and the value of the associated ecosystem services. This crisis presents a stark juxtaposition with Tourism New Zealand's tagline of "*100% Pure New Zealand*".

There are numerous drivers and pressures cumulatively responsible for this situation. Analysis of the New Zealand Land Cover Database version 5.0 by Manaaki Whenua[6] showed the net loss of 12,900 ha of native forest, scrub, shrubland and grassland between 1997 and 2018, continuing a long-term trend. The analysis showed that most of these losses are due to land-use conversion for forestry, farming, horticulture, and mining. In addition to direct habitat loss, fragmentation and climate change impacts are exacerbating the negative trend. In the case of Te Hoiere, a large proportion of the upper catchment is administered as DOC conservation estate. Outside the protected areas, the steeper sections of the catchment have been converted to commercial plantations, while the valleys are farmed for dairy and dry stock production.

Lack of ecosystem protection is another contributing factor. (Walker, 2008) shows that more than 95% of all native vegetation lost, was on land that was not legally protected. A key aspect of the challenge is therefore that ***a large proportion of our remaining biodiversity is located on private land***, is not protected, and regulatory instruments (notably the Resource Management Act (RMA) have proved inadequate for stemming the loss.

In most catchments there are landowners who are willing to contribute to conservation efforts with no expectation of compensation. (DOC, 2020) reported that the extent of private land containing biodiversity values protected through Queen Elizabeth II Trust covenants rose from 10,000 ha in 1990 to 184,210.8 ha in 2018[7] - many of these are voluntary. A growing number of individuals, communities, NGOs and businesses are undertaking restoration projects and Treaty of Waitangi settlements have empowered iwi to step up their investment in protection and restoration (Ruru et al., 2017).

However, as noted by (Clough, 2000) while some landowners will volunteer sites for conservation with little encouragement or simple reimbursement of additional costs incurred for conservation efforts, the opportunity costs of forgoing income understandably deters others, particularly in an economic downturn such as currently being experienced in Aotearoa. This has not been the case in Te Hoiere. While the project has biodiversity objectives, the focus has been on fencing and planting waterways to improve water quality and reduce sedimentation and so has to date not involved retirement of land or reduction in stock i.e. the support served as benefit. Landowners have participated voluntarily, without expectation of compensation beyond the benefit of the support.

The (PCE, 2024) further notes that under the current system, decisions about land management lie largely in the hands of individual landowners. This limits visibility or control of downstream or otherwise interconnected implications beyond their property and restricts the ability to enforce the polluter pays principal. The PCE further concludes that the regulatory approach to attribution of responsibility for managing effects at the property scale is expensive and can't alone achieve our environmental goals.

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[6]https://lris.scinfo.org.nz/layer/104400-lcdb-v50-land-cover-database-version-50-mainland-new-zealand-deprecated/

[7]https://qeiinationaltrust.org.nz/publications-and-resources/map-of-our-protected-land/

The (PCE, 2024) suggests that most environmental issues that relate to how we use the land – climate adaptation, water quality, water quantity, habitat and biodiversity protection, management of pests and weeds – are best managed at a catchment or sub-catchment level with the input of local communities including land users. The report concludes that management at this scale is appropriate for an integrated approach to land-use change, and that this is best achieved through increased delegation of decision making to hapū, iwi and wider local communities, with increased support from Government in the form of appropriate information at the sub-catchment and property scale.

This delegation of decision making to community scale organisations, builds on Aotearoa's proud history of voluntary effort, often organised around specific ecosystems (local streams or wetlands and associated species) and at variable scales. While local, informal catchment groups have existed for decades, the recent wave represents a shift toward more formal, supported, and regional structures. Catchment communities and collectives in Aotearoa grew significantly in the late 2010s, with key regional and national organizations launching between 2020 and 2024.

Local level governance is a central tenet of the DOC Ngā Awa and former MfE 'At Risk Catchments' programmes. The funding available through these programmes, added impetus in recent years to the inherent strength in restoration and conservation work across Aotearoa that is voluntary community/catchment level action. The programmes funded multiple integrated catchment planning processes and complementary research.

Similarly, the multi-agency JfN programme started to give effect to the PCE vision of catchment level decision making and scaling up of action which has traditionally been limited by reliance on voluntary resourcing. Practically, it has bolstered the growth of what could be termed a 'restoration economy', with for example, new nurseries being set up, and the establishment of local restoration companies to support implementation of restoration action plans. Such organisations are often hapū or iwi owned and resourced, with significant associated positive social and cultural outcomes. Ngā Tai Pūrua, the Ngāti Kuia commercial nursery at Titiraukawa is an example of this, established as part of THP.

The National Science Challenge - Our Land and Water[8] research programme, which had a budget of almost a $100 million dollars over 10 years, was also a major source of applied research for catchment enhancement. The programme took place in parallel with much of the other Government catchment related funding and was a catalyst for elevating the science (much of it interwoven with social and economic outcomes), and tools, developed in practice with emerging catchment collectives and projects.

Some examples of growth in catchment scale projects and organisations over recent years, on the back of the investment described above include:

- **2019: Department of Conservation, Ngā Awa river restoration programme** to restore biodiversity in 12 priority rivers via a catchment to sea approach, founded in partnership with iwi, hapū, community councils and a range of Ministries. The restoration planning is underpinned by sound technical and scientific advice.
- **2020: Thriving Southland** (the first major catchment collective) was launched with support from the NZ Landcare Trust.
- **2019: Te Hoiere Restoration Project** initiated and Integrated Catchment Enhancement Plan delivered in June 2021.
- **2020: Kaipara Moana Remediation** Project Memorandum of Understanding between the Ministry for the Environment (MfE), iwi**,** Northland Regional Council and Auckland Council signed. This project has a similar foundation to THP, focusing on restoration to address the impacts of sediment on the receiving estuarine and marine environment.

[8]https://ourlandandwater.nz/

- **2020: Taranaki Catchment Communities (TCC)** initiated discussions, officially forming as an incorporated society in May 2021.
- **March 2021: Otago Catchment Community (OCC)** became fully operational.
- **2022: Otago Regional Council Integrated Catchment Management programme**[9] rolled out non regulatory support for the development of Integrated Catchment Groups and catchment Action Plans.
- **2024: Catchment Communities Aotearoa** was created as a national body to support catchment groups.
- **June 2024: Wairarapa Catchment Collective** was launched.

The progress described above has hit a sharp downturn in the last couple of years. Central Government agencies are expected to spend approximately $2.65 billion on the environment in the 2025/26 fiscal year - a significant reduction of $1 billion, or 25%, from the previous year (PCE). It is also worth noting that this year's environmental spending constitutes only 1.4% of total national budget expenditure.

Access to financial resources was noted by the PCE as key barrier for landowners, catchment groups, hapū and iwi, and regional Councils trying to effect land use change. Particularly challenging was an over reliance on public funding, which is prone to the ebbs and flows in political and economic drivers. This issue is being borne out with the conclusion of the JfN in June 2025, the Our Land and Water programme, combined with the decline in funding for management of the public conservation assets by DOC[10], and the decline in funding[11] available for QEII Trust, which has administered Aotearoa's key programme for enabling stewardship and conservation on private land.

WAI Wānaka is another example of an organisation that has flourished in recent times and has since navigated funding challenges. It had its origins[12] in the Lake Wanaka Trust in 2016, and through a series of amalgamations emerged in 2020 rebranded as a Catchment Collective. It was one of the first recipients of JfN funding and was involved in several Our Land and Water National Science Challenge projects. As such it was also one of the first catchment groups to lose JfN funding, and to sustain momentum, has pivoted its governance and funding options to become a registered Trust, able to receive and manage funding from more diverse sources. The organisation has also hired additional staff, including marketing experts.

In summary, the significant progress made in the last decade, recognising and enabling catchment restoration programmes and organisations, and in effect growing a 'restoration economy' that provides genuine economic, environmental and social benefits, is at risk. There is a critical need to develop alternative funding solutions to Public Grants, that will:

- Secure the investment made in catchment enhancement work, notably over the last 5 -10 years across Aotearoa.
- Enable the scaling-up, coordination, and sustaining of catchment level enhancement, restoration and conservation and,
- Incentivise land-use change and improved management on properties where there may be a requirement to offset lost opportunity costs (e.g., reduced grazing area due to transition from pasture to forest).

[9] https://www.orc.govt.nz/environment/water-care/integrated-catchment-management/
[10]https://newsroom.co.nz/2024/07/22/stretched-DOC-delivers-bitter-financial-pill-to-minister/
[11]https://www.interest.co.nz/rural-news/131814/farmers-watch-their-conservation-partner-qeii-national-trust-faces-strained
[12]https://waiwanaka.nz/about/history/

This report focuses on sustainable finance instruments as a solution to this challenge for THP. As described above, this is also a national challenge. As such, THP has much to learn from other catchment organisations who are grappling with the same issues and who have made changes to diversify their funding streams, like WAI Wānaka. Similarly, this work has the potential to inform catchment enhancement beyond Te Hoiere.

3. Project Scope and Method

The effectiveness of a financial instrument at sustaining restoration efforts, and incentivising improved environmental management, is not only determined by the value of the finance it generates. There are several other factors that will also influence the effectiveness of an instrument, including the:

- Extent to which the instrument matches or complements the social, political and economic contexts.
- Extent to which the instrument incentivises an intervention that corresponds with the environmental challenge at hand.
- Extent to which the incentive is recognised as meaningful or worthwhile, and matching the needs of the target individuals and groups.

Other criteria that are also important to consider when selecting appropriate economic instruments include: cost-effectiveness; administrative feasibility; equity; consistency with other development objectives, and flexibility and transparency. These considerations relate to the governance structures as well as financial and institutional systems and supporting tools, which enable the quantification of the value (such as biodiversity credits) and enable the flow of money.

It is therefore important that a conscious selection process is undertaken to ensure that the economic instruments selected are a good fit to the context. Ensuring this requires a staged approach, involving the following three broad phases.

- **Phase 1 - Investigate and Prioritise Instruments for Testing**

Scope: Establish a prioritised shortlist of instruments based on analysis of existing instruments and an understanding of the local context and need. Tried and tested instruments ready for application may emerge and steps identified to fast-track their application to meet the short-term need. Additional actions to enable longer term options may also be identified.

- **Phase 2 – Test and Initiate Refinement/Development of Priority Instruments**

Indicative scope: shortlisted options are likely to require further testing and subsequent design/adaptation of systems to fully match the local context and prove viable/fit for purpose in achieving the project objectives.

- **Phase 3 – Operationalise Suite of Instruments and Monitor** or organisations whose behaviour or management approach may need to change.

Indicative scope: This would involve operationalising instruments to generate flow of income to sustain the catchment enhancement work over time – as well as monitoring to ensure the instruments individually and collectively remain relevant and viable. This would also involve consideration of new options that may emerge.

The scope of this report focuses on phase 1. The following method was applied in understanding the specific catchment context for THP and identifying a set of likely instruments which could benefit Te Hoiere.

3.1 Project Initiation

The project was kicked off in May 2025 with a presentation to members of THP governance and working groups, to explain the purpose of this first phase in working towards sustainable financing solutions for the Project. The process to be followed and projected outcomes were presented, with an emphasis on the engagement required to ensure the shortlisted instruments align to the local context.

3.2 Initial screening

The UNDP led Biodiversity Finance Initiative (Biofin) which ran over a decade, developed a catalogue[13] of more than 60 sustainable finance instruments drawn from a global survey. In practice, there are multiple derivatives of these developed for specific contexts across the world. Given the urgency to plug the impending funding gap, this step sought to quickly narrow down a shortlist of instruments to prioritise in line with THP context.

The team drew on their international experience, along with key national references including the review by (Perrin Ag Consultants Ltd & GHG, 2023) and the Pollination (2022) investigation of biodiversity markets and biodiversity credits to scale financing of nature-based solutions prepared for MfE[14]. There has also been recent work by others, including the development of a restoration case for the broader Marlborough Sounds ((Peart, 2024) with a marine focus, that suggested sustainable financing options. It was important to consider this in light of THP's shift into strengthening the marine focus and connections via flow of services and benefits to the catchment restoration effort. The Nature Conservancy (TNC) is undertaking sustainable financing work globally, and in New Zealand is initiating a project in a neighbouring catchment that includes a financing component.

The screening for the THP involved engaging with these role players to understand their work, opportunities for complementarity, and to undertake initial testing of ideas with relevant sector role-players.

Criterion for shortlisting the instruments include those that:

- Are tried and tested in Aotearoa, and are relevant to the local context.
- Have 'simple' system requirements, and with as many of these already in place, as possible.
- Have limited barriers/risks to implementation.
- Provide a strong match between demand and supply.
- Show strong alignment with project principles and goals.

This initial screening generated a working shortlist of 20 instruments.

3.3 Stakeholder Engagement

The following range of stakeholders was engaged via one-on-one meetings. The organisations canvassed were identified in collaboration with the project team and were selected to ensure that relevant sectors across the catchment were engaged.

Engagement also included conversations with organisations involved in the development of sustainable instruments in Aotearoa i.e. MfE, and the PCE who are driving increased devolution of decision-making to catchment groups, to understand a) how this is unfolding and b) any potential support it may generate for financing of catchment groups. Catchment organisations working to implement sustainable instruments, such as Whakamana te Waituna Charitable Trust, who are establishing an ecological baseline to support a biodiversity credit system, were also consulted. The list inevitably grew and the engagement ran through June-August 2025, to include:

[13]https://www.biofin.org/finance-solutions

[14]https://www.beehive.govt.nz/release/Government-backs-voluntary-nature-credits

- MDC Science team
- Destination Marlborough
- Top of South Wood Council
- Kotahitanga mō te Taiao Alliance
- The Nature Conservancy
- Environmental Defence Society
- Ministry for Primary Industries (MPI)
- Marine Farming Association
- Parliamentary Commissioner for the Environment (PCE)
- Fonterra – catchment and corporate representatives.
- Whakamana te Waituna Charitable Trust
- Beef & Lamb farmer
- Ekos
- My Native Forest
- Toha
- MfE Biodiversity Credits Programme
- Port Marlborough

These engagements were semi-formal conversations that were structured around the following questions:

a. What is the size and current state of the sector generally and in the catchment?
    i. This included enquiry regarding current drivers and pressures (political, economic, social) that have established a need for improved environmental performance, or
    ii. May have reduced the ability of a sector to invest in nature, e.g., environmental certification required by the market; and the current economic climate.
b. What are the connections/linkages with the natural environment and how is the state of the natural environment influencing social, cultural, and economic wellbeing?
c. What initiatives/instruments are in place to incentivise and reward improved land-use management practice?
d. What would represent an incentive to invest in restoration and or improve/change land use or land management?
e. What value is placed on the natural environment and what is the willingness to pay for securing and enhancing that value?

The outcome of this process was a shortlist of 10 instruments. In addition to the initial prioritisation, the instruments were adapted to have a local flavour, in terms of terminology and structure.

3.4 Prioritisation Workshop

An online workshop was held on 6 August 2025 with selected members of THP Governance and working groups, to further prioritise the 10 shortlisted instruments. This discussion was structured around the prioritisation matrix provided in Appendix 1. The objectives of the workshop were to:

a. Summarize the process to that point.
b. Present the shortlist and process, and ensure there were no obvious omissions.
c. Present and adapt the prioritisation criteria and weighting.
d. Apply the matrix to prioritise the short-listed instruments.

The process and material proved too complex to undertake online in a 2-hour process. The team therefore developed a summarised 1-pager for the shortlisted instruments and shared these and the matrix with a request for feedback. This similarly didn't achieve the level of input required.

An in-person working session was therefore held in Marlborough on 5 November 2025. A different approach was taken, and proved more successful in providing understanding and generating discussion that supported refinement and prioritisation of instruments. The session focussed on:

- The need to optimise the full range of funding avenues -philanthropic, research, grants etc.
- Enabling environment – documenting what has been invested and what future requirements are, governance structure, how to 'tell and sell' the catchment story, and establishing monitoring and reporting instruments.
- Priority instruments – a summary of the instruments emerging as closest to being ready for application, and some relevant principles e.g., favouring incentives over subsidies.
- Blending instruments – the need to develop a blended mix of instruments, explained via examples.

This in-person session proved more effective in consolidating understanding and generating confidence in, and support for, the emerging instruments and how they are packaged.

3.5 Further Engagement

The workshop also generated the need for further engagement with key stakeholders related to certain instruments and investigation of associated information. These additional meetings took place in late 2025 and early 2026.

This report consolidates the process, findings and recommendations for taking forward the priority instruments.

4. Funding Landscape

4.1 Broad Suite of Funding Options

Catchment organisations in Aotearoa operate at the intersection of science, community action, and the environment, all contributing to a level of fundamental wellbeing that underpin a resilient society. Their effectiveness is shaped as much by funding structure as by technical capability.

There is a suite of funding options available for catchment groups in New Zealand. These funding categories ultimately operate in differing contexts, produce different programme outcomes, and as such require different approaches and programme positioning to attract funding. These are summarised in Figure 1.

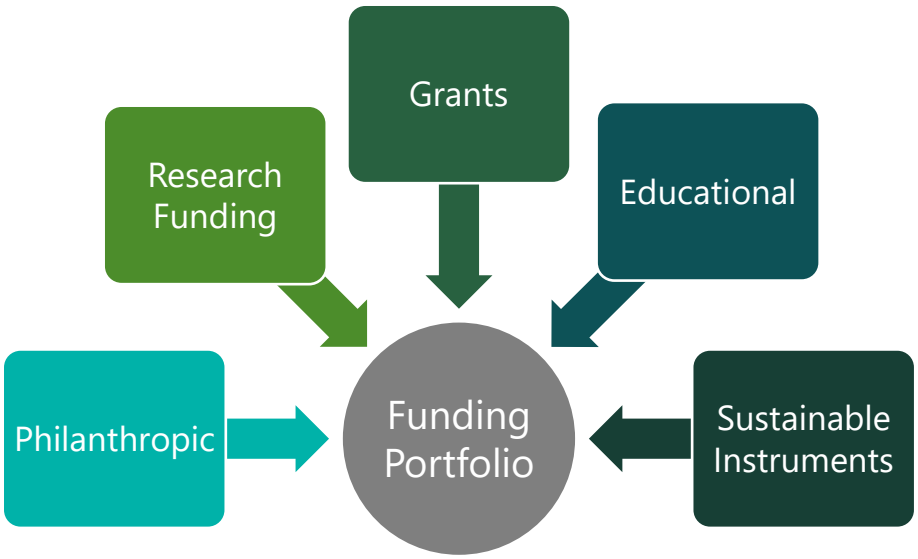


Figure 1. Funding sources to be blended in establishing a resilient funding portfolio.

No single funding avenue is sufficient to support the full lifecycle of a catchment enhancement programme. Instead, resilient initiatives draw on a mix of philanthropic funding, research commissioning, grants, and emerging market instruments such as carbon and biodiversity credits, each playing a distinct role at different stages of programme development. Understanding the purpose, constraints, and appropriate sequencing of these funding avenues is critical to designing catchment enhancement programmes that are credible, scalable, and durable over time.

It is also important to recognise that many of the enabling conditions for sustainable financing instruments support attracting finance from these other sources. So, while this work focuses on sustainable finance instruments, the scope has been expanded to consider these other avenues in the interests of providing the project with the basis for establishing as resilient a funding portfolio as possible, across its stages of maturity.

4.1.1. Philanthropic

Philanthropic funding involves families, individuals, trusts or corporations making funding available via grants for public good, with no direct profit agenda. Some of the most relevant organisations in Aotearoa include:

- **Philanthropy New Zealand**[15] is the primary national body for philanthropic trusts, foundations, and individual donors in Aotearoa. While it does not provide funding directly, it plays a critical enabling role by improving visibility of funding opportunities, setting good practice standards, and strengthening the capability of both funders and grant applicants. For catchment groups and environmental organisations, Philanthropy New Zealand is a key gateway to understanding the philanthropic landscape, aligning project proposals with funder expectations, and building long-term relationships with trusts whose priorities include environmental restoration, community wellbeing, and place-based resilience. Engagement with Philanthropy New Zealand supports more strategic, coordinated, and credible funding approaches across the sector.
- The **Tindall Foundation**[16] is one of the largest private philanthropic funders in Aotearoa, with a strong focus on environmental protection, climate action, and community-led change. Its funding priorities align closely with catchment-scale initiatives that integrate ecological restoration, freshwater health, biodiversity outcomes, and community engagement. Catchment groups are well positioned to access Tindall Foundation support where projects demonstrate measurable environmental outcomes, strong governance, collaboration with mana whenua and local stakeholders, and potential for scalable or replicable impact. The Foundation tends to favour initiatives that move beyond short-term remediation toward systemic change, making it particularly relevant for integrated catchment management programmes.
- **Climate Action Aotearoa** is a philanthropic initiative dedicated to supporting organisations that deliver tangible emissions reductions and climate resilience outcomes in Aotearoa. Its funding is particularly relevant to catchment groups where environmental programmes can demonstrate clear climate co-benefits alongside freshwater and biodiversity outcomes, such as wetland restoration, native afforestation, or land-use change that reduces both carbon and water quality risks. For environmental organisations, Climate Action Aotearoa funding can help bridge the gap between climate objectives and catchment-scale implementation, supporting projects that link local environmental action to national climate goals and reporting frameworks.

  The NEXT Foundation is a philanthropic foundation seeking to transform New Zealand's environment. The organisation was one of the first pioneers of strategic philanthropy in New Zealand when it launched in 2014, applying robust business practices to giving. It was established based on a generous donation from the Plowman family. They donated $100m to be spent in NEXT's first 10 years and have now committed a further $150m to be spent in the next 10 years, commencing in 2025. NEXT invests in transformational projects with multi-year commitments and large aspirational goals, and collaborate

  with communities, central and local government, iwi, business, and other philanthropists.

Not for profit Resource[17] notes several challenges – notably that charities and trusts frequently battle to cover operating and administrative costs. Donors are increasingly wanting to see evidence that their money is meeting its purpose, making it difficult for charitable trusts to secure grants for less visible but important operating and admin costs. This situation increases the motivation for effective monitoring that confirms delivery of outcomes – in this case improved environmental health and where possible the associated benefits in terms of social, cultural and economic wellbeing. Like most of these funding options, securing ongoing finance in the long term is unlikely. Nevertheless, this remains an important

[15]https://www.philanthropy.org.nz/
[16]https://tindall.org.nz/
[17]https://not-for-profit.org.nz/nz-charities-at-risk/

avenue of funding, especially as private sources that are more likely to support funding can be nimbler and more responsive to emerging local needs, and fund innovative projects.

4.1.2. Research

Research funding is typically time-bound, contestable, and problem-specific. Its primary function is to generate evidence, test interventions, evaluate outcomes, and inform policy or investment decisions. It is well suited to baseline monitoring, pilots, modelling, and learning-oriented activities, but it is rarely designed to support long-term coordination, governance, or on-the-ground maintenance.

By contrast, **delivery funding** supports the sustained implementation of environmental actions, including restoration works, landowner engagement, programme management, and adaptive management over multiple years. While research funding can play a catalytic role by de-risking decisions and demonstrating effectiveness, relying on it to underpin ongoing catchment operations creates structural fragility. Robust catchment programmes therefore treat research funding as a complementary input, not a substitute, and deliberately pair it with more durable funding instruments that can sustain delivery once the evidence base is established.

As described in Section 2 the historical, relatively healthy science research funding landscape in Aotearoa is in a significant negative downturn, encapsulated in the conclusion of the National Sciences Challenge in 2024, which included the Our Land and Water programme.

The THP has importantly drawn on various existing research - notably NIWA reports describing the sedimentation issues in the Marlborough sounds. The project has built on this understanding, through funding available through the DOC Ngā Awa research fund which included a geomorphological evaluation of three of the programme's focus river systems (Tunnicliffe, 2021). Marlborough District Council (MDC) has also worked with the Forestry sector through the Top of the South Wood Council on a range of projects[18] which have included projects focused on: Measuring sediment in an unharvested stream, investigating methodologies for establishing riparian vegetation, and understanding the impact of ungulates on native vegetation. GIS based erosion susceptibility layers have been developed separately to this work. A land transition study that considers alternatives to forestry, pathways to these and implications for the sector has recently been completed (Forbes A and Patterson-Green J, 2025).

There will always be a need for research to enhance understanding of landscape processes and response to restoration efforts, especially as monitoring prompts further questions. The reduction in research funding highlights the need for strong relationships with universities who provide a conduit to research funding. Strengthening existing and developing new academic partnerships will be supported by having a structured research framework in place that defines the research focus areas, research questions and projects under each, including costs that can be taken to partners and funders.

Local Government are among the most consistent sources of research and monitoring funding for catchment groups in Aotearoa. Councils fund research to meet statutory obligations, inform planning and investment decisions, and evaluate the effectiveness of environmental interventions at the catchment and sub-catchment scale. Catchment groups are well positioned to access this funding where they can deliver credible, decision-relevant data on freshwater quality, biodiversity condition, land-use impacts, or community outcomes. Council-funded research often prioritises applied, place-based evidence that directly supports policy implementation, infrastructure investment, and adaptive management. THP is an example of a positive relationship with MDC, whose scientists have collaborated with the project partners

[18]https://www.tehoiere.org.nz/about/catchment-actions/forestry

in much of the research. There is therefore a strong base to build on in terms of continued, collaborative research.

4.1.3. Grants

The country's economic challenges and change in political focus have been the primary factor in the reduction of grant funding available at a national scale. The recent amalgamation of several Ministries, including MfE, has further altered the avenue for grant funding and its focus.

MfE historically played a central role in commissioning and administering environmental research that supported national policy development, regulatory reform, and system-wide environmental outcomes. While it does not typically fund community groups directly on an ongoing basis, the At-Risk Catchments programme provided the catalyst funding for developing Te Hoiere ICEP and JfN was channelled through MfE. Further support was provided through the Access to Experts Panel (A2E) panel.

The recent amalgamation of several Ministries, including MfE in creating the new Ministry of Cities, Environment, Regions and Transport (MCERT) will further influence the grant funding landscape[19]. Funding, including the final amounts from the JfN programme for catchment support have shifted from MfE to MPI, with a new allocation of $36 million. This funding is being directed to 'farmer led' catchment collectives is focussed at a regional scale and has to some degree been allocated[20]. As it is not classified as 'farmer led', THP is unlikely to benefit from this core Government grant funding -emphasising the shortcomings of grant funding for landscape scale restoration projects in the current economic and political climate.

While not exhaustive, other grant funding options include those below, noting the increasing competition for these given the overall decline in funding for charities and catchment programmes.

- **WWF community conservation fund** - The WWF New Zealand Community Conservation Fund provides small to medium grants to support locally led conservation initiatives that deliver tangible biodiversity and ecosystem outcomes. The fund is well aligned with catchment groups undertaking freshwater restoration, habitat protection, riparian planting, and community engagement activities that contribute to wider conservation objectives. Funding typically supports discrete projects rather than long-term operations, making it most appropriate for pilot initiatives, targeted restoration actions, or capacity-building activities that demonstrate clear environmental benefit and community involvement.
- **Predator Free NZ Trust** - The Predator Free NZ Trust provides funding to support predator control and biodiversity restoration initiatives aligned with the Predator Free 2050 goals for Aotearoa. For catchment groups, this funding is relevant where pest management is a critical enabler of freshwater and terrestrial ecosystem health, particularly in headwater catchments, riparian margins, and connected landscapes. Funding is generally outcome-focused and supports on-the-ground delivery, often in partnership with community groups, iwi, Councils, or landowners. It is best suited to well-defined projects with clear ecological targets and monitoring plans.

[19]https://www.mpi.govt.nz/agriculture/farm-management-the-environment-and-land-use/on-farm-support/supporting-catchment-groups-for-farmers
[20]https://www.beehive.govt.nz/release/36-million-commitment-local-catchment-groups

- **Lottery Environment and Heritage Fund** - The Lottery Environment and Heritage Fund is a significant source of grant funding for environmental protection, restoration, and heritage projects across Aotearoa. Catchment groups commonly access this fund to support capital works, restoration activities, equipment, and community-led initiatives that protect natural and cultural values. While the fund can support relatively substantial one-off investments, it is not designed to underwrite ongoing programme delivery or long-term staffing. Successful applications tend to demonstrate strong community benefit, clear environmental outcomes, and alignment with regional or national priorities.
- **Community Trusts (Marlborough)** - Community trusts are a significant and often strategically important source of grant funding for catchment groups in Te Tau Ihu | Nelson–Marlborough region, particularly where projects deliver clear local environmental, social, and intergenerational benefits. Key examples include Rātā Foundation, which supports community and environmental initiatives across the South Island, including Marlborough, and Nelson City Council Community Grants and Marlborough District Council Community Grants, which provide locally targeted funding for environmental and community-led projects.

  For catchment groups, these trusts are most relevant where programmes are strongly place-based, demonstrate visible outcomes for local communities, and align with regional priorities such as freshwater quality, coastal and estuarine health, biodiversity protection, and climate resilience. Community trust funding in this region is particularly effective for enabling discrete restoration projects, community engagement, and capability-building, but it is typically not designed to sustain long-term catchment governance or ongoing operational delivery. As such, it works best when positioned as complementary funding within a broader, diversified funding model.
- **Harcourts Foundation** - The Harcourts Foundation is a corporate philanthropic fund that supports community and environmental initiatives, often with a focus on practical, visible outcomes. While funding levels are generally modest, the Foundation can be a useful contributor to specific restoration activities, community engagement projects, or co-funding arrangements within a catchment programme. For catchment groups, Harcourts Foundation grants are best positioned as supplementary funding that complements larger funding sources rather than as a primary funding pillar.

4.1.4. Environmental Social Governance

Environmental, Social and Governance (ESG) reporting is no longer a discretionary branding exercise (or a 'nice to have'); it is fast becoming mandatory in some sectors and a licence to operate that must be earned and maintained. Large corporates and export-exposed industries are facing tightening disclosure requirements through climate reporting, emerging biodiversity standards and frameworks such as the Global Reporting Initiative (GRI) and Taskforce for Nature-related Financial Disclosures (TNFD). Locally, Port Marlborough has already signalled alignment with GRI and TNFD processes, while corporate supply chains such as dairy are linking incentives to carbon and environmental performance reporting.

This shift creates a material opportunity for catchment restoration funds. If restoration outcomes are monitored, verified and transparently reported, they can provide corporates with credible Scope 3[21] reductions, nature-positive claims and measurable community and environmental impact. In effect, robust impact reporting converts sediment reduction, habitat restoration and flood resilience into reportable

[21]Scope 3 emissions are all the indirect greenhouse gases produced in a company's supply chain (and not owned or controlled by the company) both upstream (e.g. raw material acquisition) and downstream (e.g., transport of product to buyer). They exclude purchased electricity which is classed as a Scope 2 emission.

ESG performance, unlocking corporate contributions that are not framed as philanthropy but as strategic risk management and value protection. The critical requirement is disciplined monitoring, clear metrics and compelling storytelling that connects upstream land interventions to downstream economic and ecological outcomes, giving investors and governance boards the confidence that their capital delivers measurable environmental returns.

4.1.5. Educational Funding

Environmental education funding sits in an awkward gap. It is widely recognised as essential for long term behaviour change and social licence, yet it is rarely treated as core infrastructure. In Te Hoiere, stakeholders repeatedly emphasised that monitoring and storytelling are critical to attract investment, and that there is currently no dedicated entity resourcing school and community programmes at scale to participate in this. *That is not a funding problem alone, it is also a governance problem.*

If governance structures are designed to ring fence education as a formal workstream, with clear outcomes, metrics and reporting lines, they become investable. Philanthropic trusts, Corporate Social Responsibility (CSR) budgets, industry good funds and even tourism operators are far more likely to contribute when education is positioned as capacity building that underpins environmental performance, workforce development and community resilience. Structured properly, education funding can stack with restoration and monitoring budgets, providing the narrative bridge between on the ground action and measurable impact. In short, governance that treats environmental education as strategic infrastructure rather than a discretionary add-on, opens access to blended funding streams and creates a durable pipeline of community stewardship that reduces long term compliance and remediation costs.

Key limitations of the finance options above are their durability and contestability of the funding. This supports the reasoning for investigation into the sustainable finance instruments which are explained in the following section.

4.2 Sustainable Finance

4.2.1 Introduction to Sustainable Finance Instruments

Sustainable finance instruments can be defined as "*instruments and strategies that generate, manage, and deploy financial resources and align incentives to achieve sustainable nature conservation outcomes*" (Conservation Strategy Fund, 2025). Many sustainable finance instruments are born out of environmental economics, where the instruments look to connect environmental values and impact with economic tools and policy. An example of such an instrument can be seen in Carbon Markets and emissions-trading schemes world-wide. Governments wish to reduce the amount of atmospheric carbon in the environment (the environmental value) and so have introduced policies that reward or incentivise people for removing carbon from the atmosphere, and tax people who add carbon pollution (the economic tools/policies).

The main goals of sustainable finance instruments fall under two broad categories: *money*, and *behaviour*, with the goal being to deliver better outcomes for both. For money, the goals of sustainable finance are to optimise resource efficiencies and increase capital for conservation. For behaviour, the goals are to discourage environmentally harmful actions, and to incentivise environmentally positive actions. The relationship between the elements in delivering better environmental and associated societal outcomes are summarised in Figure 2.



Figure 2. Sustainable finance intervention outcomes.

Within a finance solution or instrument, there are elements that define what type of economic instrument is deployed as a solution, and to whom the instrument is targeted at. Ultimately, there are four elements that constitute a finance solution for environmental restoration:

- Finance source
- Intermediary
- Benefactor/recipient
- Environmental restoration/conservation results

Sitting in-between each of these elements are the economic instruments or policies that help lubricate the flow of revenue between parties and build a pool of resources that can be used to enable catchment restoration actions. When it comes to which economic model is implemented, there is no one "silver bullet" that is universal. Each situation and context is different, and the economic tools implemented should reflect the regional needs both in terms of funding, as well as environmental and social requirements (this includes local industries as well as cultural needs). An example of elements for a sustainable finance instrument in the tourism sector is provided in Figure 3.

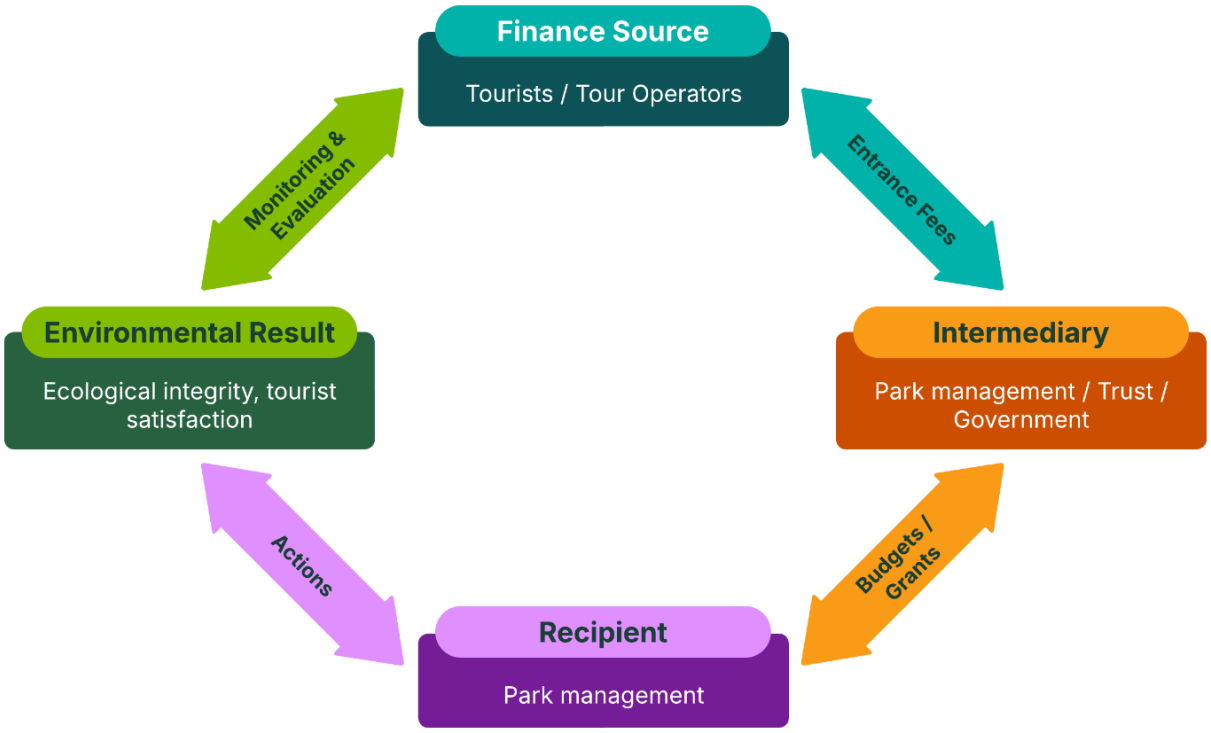


Figure 3. Example of economic model for sustainable finance instrument in the tourism sector.

The example highlights the financial source as tourists, or tourism operators providing some form of financial contribution, either as entry fees (or a portion thereof), or direct levies imposed on tourists themselves. The funds are then directed to an intermediary which acts as a governing body for the funding. In the example above, this could be the parks management team, a trust or registered charity, Council, or the Government agency. The intermediary then offers funding avenues through various grants or budgets to which recipients can either apply or receive funding through an agreement. A recipient could be an individual landowner, catchment group, environmental not-for-profit, or any entity looking to engage in scheduled and agreed upon environmental actions by use of the funding source. This then funds actions on the ground that aim to address ecological integrity, delivering a positive environmental result.

Following this, there is a necessary element of Monitoring and Evaluation (M&E) to provide credibility and impact evaluation. This is necessary for both tracking of environmental intervention impact (i.e. how successful the intervention has been at addressing the desired environmental challenge), as well as providing reporting instruments and transparency around where the financial resources have been allocated. This helps build credibility and legitimacy around the financing instrument, and in-turn provides quantifiable data that ultimately enhances the longevity and sustainability of the finance source(s). Furthermore, it builds and provides long-term data sets that track and manage environmental and economic flows over time and space – making it a useful tool for future analysis and reporting.

4.2.2 International Sustainable Finance Context

Internationally, the concept of sustainable finance has been discussed in literature at length for over a decade (eg. Fatemi & Foolaid, 2013; Rammiah & Gregoriou, 2015; Cunha, Meira & Orsato, 2021; Singhania, Chadha & Prasad, 2024). Of note internationally, are three major players in sustainable finance

research and implementation. This list is a very limited sample of what is an extensive and growing area of research and practice globally. It is provided to highlight some of the key international entities engaging in sustainable finance research and interventions with references provided for readers with further interest.

- **The Conservation Strategy Fund**[22] - "*The Conservation Strategy Fund is an international non-profit organisation that provides strategic insights, information, and tools to fuel sustainable development. We use the power of economics to support environmental conservation by integrating the economic value of natural resources and human well-being into development and policy decisions*"
- **Stanford University Natural Capital Alliance**[23] - "*The Natural Capital Alliance (formerly the Natural Capital Project) aims to improve the well-being of all by motivating greater investment in natural capital. With our global hub at Stanford University, NatCap is a collaboration between interdisciplinary researchers, professionals, and leaders around the world. Together, we help people, Governments, and corporations incorporate the value of nature into decision-making*."
- **Biofin**[24] - *"BIOFIN is a global initiative of the United Nations Development Programme, launched in 2012 and now active in more than 130 countries. It tackles the challenge of financing biodiversity conservation by providing technical support to develop and implement effective biodiversity finance strategies. BIOFIN helps countries assess financial needs, identify inefficiencies in spending, and mobilize additional resources*."

What is evident from the initiatives listed above, is that natural capital financing has been evolving globally for some time. Engagement in this field has been somewhat slower in Aotearoa. As discussed, below, this is changing, largely in response to the need outlined in section 2.

4.2.3 Sustainable Finance Context in Aotearoa

Within Aotearoa, sustainable finance instruments are still a new and emerging market. The extent of international research and case studies presents an opportunity for the field in Aotearoa to "piggy-back" off the learnings, frameworks, and markets that already exist internationally. Some of the headway currently being made in terms of valuing our natural capital and establishing the enabling frameworks to support sustainable financing include the following.

Valuing our Natural Capital

An important building block underpinning sustainable financing is understanding the value of natural capital beyond its intrinsic biodiversity value, i.e. the ecosystem goods and services that provide resilience in our landscapes, food for our people, carbon sequestration, and clean water, with different ecosystems generating these goods and services at varying levels. These are commonly known as Ecosystem Services (ES), defined below, or more recently considered as, 'nature's contributions to people'. The categories of ES are defined below and in Figure 4:

[22]https://www.conservation-strategy.org/
[23]https://naturalcapitalalliance.stanford.edu/about
[24]https://www.biofin.org/

> *"... the benefits people obtain from ecosystems. These include provisioning services such as food and water; regulating services such as flood and disease control; cultural services such as spiritual, recreational, and cultural benefits; and supporting services, such as nutrient cycling, that maintain the conditions for life on Earth"* (Millennium Ecosystem Assessment, 2005)

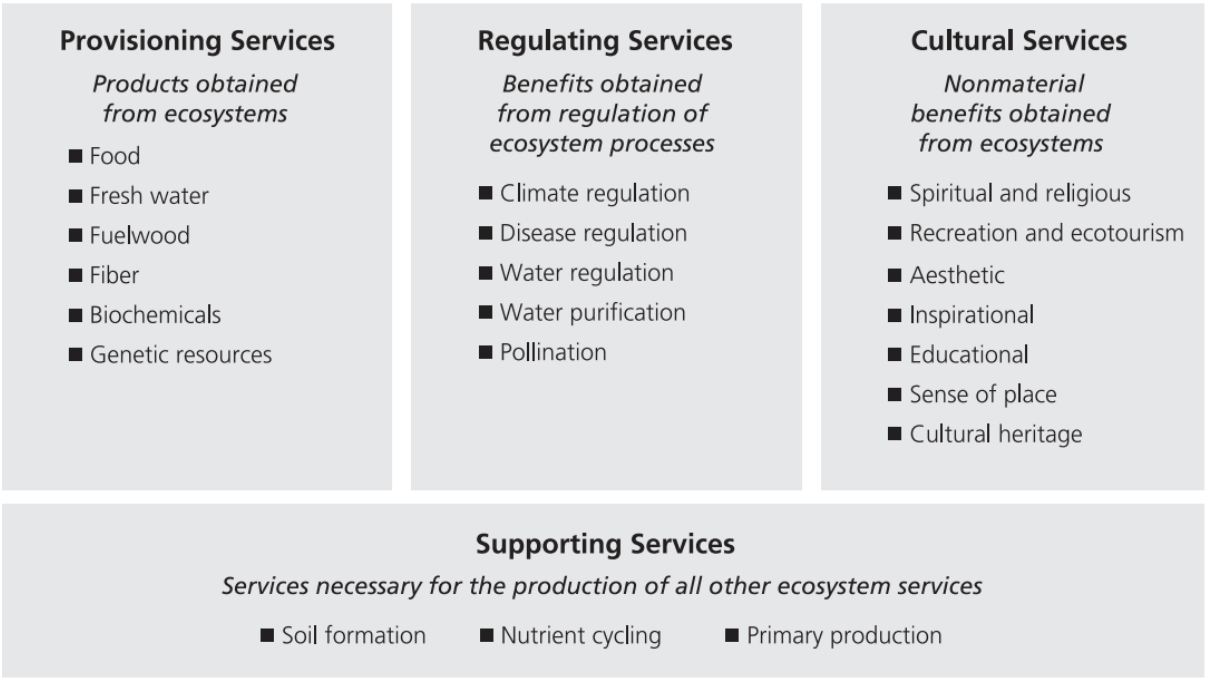


Figure 4 Ecosystem Service classification and categories. (Millennium Ecosystem Assessment, 2005)

In acknowledging the value of ES in Aotearoa, and as underpinning our tourism industry, DOC have estimated the value of ES within the Public Conservation Land (PCL) estate[25]. In turn, central Government have initiated an International Visitors Levy on international tourists as a component of their visitor's visa to sustain infrastructure and manage the natural assets within the PCL network.

The PCE recently commissioned an update of the National Ecosystem Services valuation (last undertaken in 2013). Values generated are required to interface with the Cost Benefit Analysis (CBAx) database maintained by the New Zealand Treasury, which provides the most comprehensive and accessible range of nationally specific monetary values for natural capital and ecosystem service valuation, albeit still an incomplete profile of Aotearoa ES values, with not all ES measured and subsequently valued. This tool is used to inform cost benefit analyses and evaluate trade-offs from decision-making in land use change and policy construction.

At an organisational scale, Pāmu (Landcorp Farming Limited), Aotearoa's state-owned farm management entity, are valuing biodiversity[26] across their landholdings to assist in securing funding to incentivize farmers to secure and restore native ecosystems. Pāmu is also building natural capital accounting into integrated reporting.

[25]www.DOC.govt.nz/globalassets/Documents/about-DOC/role/managing-conservation/assessing-the-value-of-pcl/the-value-of-public-conservation-land.pdf
[26]https://www.pamunewzealand.com/news/putting-a-value-on-our-native-ecosystems

The TNFD[27] framework which is modelled on the Taskforce for Climate-related Financial Disclosures (TCFD) framework is now being applied on a voluntary basis in Aotearoa, with Lyttleton Port[28] being one of the first companies to do so. Should this become a mandatory requirement, as for the TCFD, this will act as a driver for companies to measure and report their climate impact, or in the case of the TNFD, their impact on nature or the natural world – another potential source of funding for restoration efforts.

Another recent piece of work worth noting was the launch of a Natural Infrastructure Plan[29] (NIP), by the Aotearoa Circle on the 4th of March 2026. The NIP seeks to "*embed, maintain and enhance our natural infrastructure to achieve economic prosperity for Aotearoa"*. 'Natural infrastructure' is described as the physical structures existing in wetlands, native forests, rivers and flood plains – which provide flood mitigation, water filtration and other key ES. The concept largely revolves around using Nature-based solutions to address infrastructure challenges. This plan represents a collaborative effort involving private sector industry, national and local Government and research bodies.

Establishing the Enabling Framework and Systems

The following progress is being made across a range of private and public sector organisations, and partner organisations which importantly coordinate input. Despite political and economic challenges, sustainable finance is emerging in Aotearoa, with Ekos and My Native Forest having developed voluntary biodiversity and premium native carbon credit markets. These will be discussed further in Section 6 on sustainable finance instruments.

The Centre for Sustainable Finance[30] is, in partnership with the Central Government, developing a sustainable finance taxonomy for priority sectors. A sustainable finance taxonomy is a standardised framework for classifying economic activities according to their environmental performance. This classification system provides investors with the confidence to identify and invest in green and transition activities. Developing a robust taxonomy framework, aligned with those already in place in our international trading partner's economies, will help to attract more international capital into Aotearoa.

MfE has for several years been investigating the potential for establishing a voluntary biodiversity credit system in Aotearoa. The 2023 public consultation on the biodiversity credit markets showed strong support for such a system. This has led to a formal commitment by Government to taking this forward via six pilot projects[31] through which the potential role of Government in the market will be tested. At present, there is no formal biodiversity credit scheme that is centrally led by Government, nor is it mandated or a requirement for a licence to operate, in terms of activities such as off-setting land use change decisions and trade-offs for biodiversity values impacted by such decisions required through regulatory processes (as in the case of the State of Victoria, Australia).[32] At present the Government indicates a preference for supporting but not taking a lead role in such initiatives.

A biodiversity credit scheme requires a third-party audit system or framework for valuing credits and establishing the systems or frameworks for their trade. In Aotearoa, in the absence of a centrally-led directive, various companies are fulfilling this role from a voluntary market-based approach, and in the case of Ekos - enabling the bundling or stacking of Biodiversity and Carbon credits to optimise the

[27]https://tnfd.global/

[28]https://www.lpc.co.nz/nature-champion-lpc-leads-nz-for-biodiversity/

[29]https://www.theaotearoacircle.nz/focus-areas/natural-capital-restoration/natural-infrastructure-plan

[30]https://sustainablefinance.nz/

[31]https://environment.govt.nz/what-Government-is-doing/areas-of-work/biodiversity/voluntary-nature-credits-market-in-new-zealand/#pilot-projects

[32]https://www.environment.vic.gov.au/native-vegetation/native-vegetation-removal-regulations/offsets-for-the-removal-of-native-vegetation

incentive. Other organisations operating in this space are My Native Forest[33] and Toha[34], who take a slightly different approach. Due to the inherent challenges of valuing biodiversity credits, Toha have established a system where contributors report verifiable data on project costs and labour requirements to the network about their actions and outcomes for nature. These "*Mahi*" credits can then be purchased based on verifiable data.

While some of these credit systems are in pilot stage, Ekos for example has received international accreditation and is selling local credits. Several catchment initiatives have initiated a process to document their biodiversity credits via this system.

In summary, while progress in Aotearoa has lagged somewhat in comparison to international initiatives - the Government is still looking to understand what role they can play in enabling sustainable finance instruments - they are supporting various initiatives and working with businesses and thought leaders like Aotearoa Circle. The private sector is pushing ahead, and the reality is that catchment groups can start registering restoration efforts as credits, even whilst government-led directives are still in development.

The above context establishes a basis and reasoning for unpacking the various types of sustainable finance instruments that will be introduced below. What follows is a non-exhaustive list of instruments, however, given the above context, it is considered that the instruments discussed below appropriately reflect the socio-economic and political climate in Aotearoa at present for Te Hoiere Project.

4.3 Typology of Sustainable Finance Instruments

Sustainable finance instruments generally fall under three broad categories which define the type and nature of the economic tool or policy that is implemented (Figure 5). Under each category is a list of economic tools that can be utilised to address sustainable financing needs. What is mutually shared between the tools under each category is the funding source or general mechanism by which the funds are procured and administered. For example, fiscal tools are administered by government; market based tools are administered through voluntary private market structures and participants. This ultimately determines whether the funding source is public, private, or community affiliated and provides context for the types of outcomes and reporting structures necessary.

[33]www.mynativeforest.com/
[34]https://toha.network

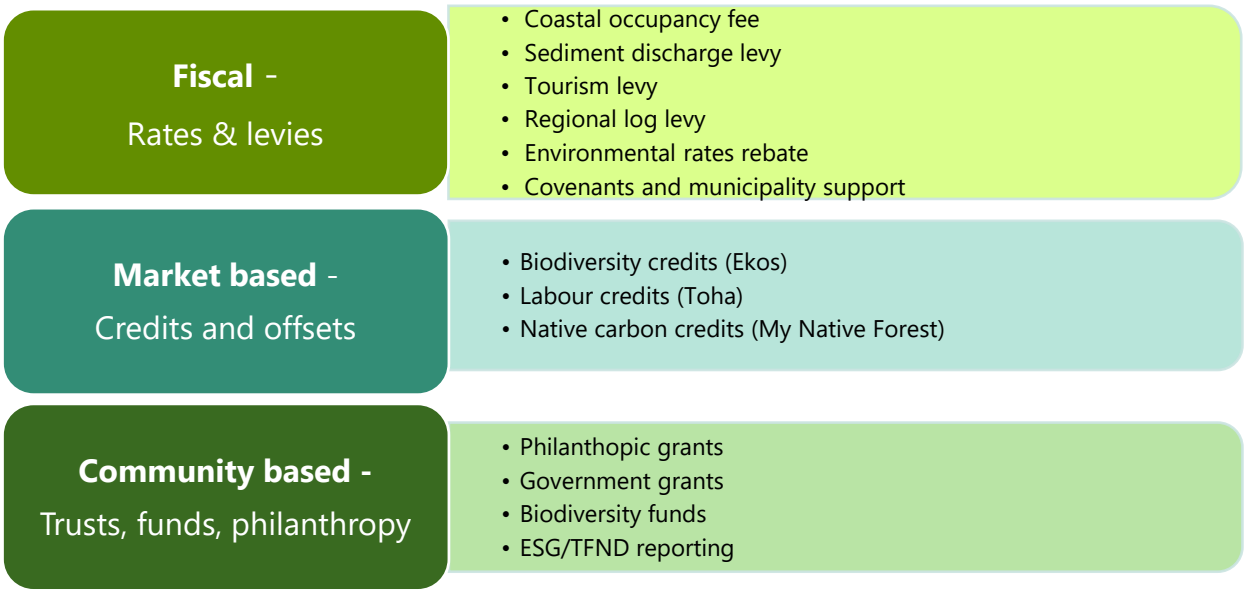


Figure 5. Typology of financial instruments.

4.3.1 Fiscal (Rates and Levies)

Fiscal instruments are compulsory, rule-based instruments imposed by public authorities to internalise environmental externalities and generate predictable revenue for environmental management (Pigou, 1920; Parry et al., 2014). Common examples include targeted rates for catchment restoration, stormwater levies to fund urban water infrastructure, landfill levies to discourage waste disposal, fertiliser or nutrient levies to reduce diffuse pollution, and tourism or coastal occupancy charges earmarked for ecosystem protection (OECD, 2019). These instruments are particularly effective at funding baseline public goods such as monitoring, maintenance, and long-term restoration programmes, where reliance on voluntary contributions would underprovide outcomes. Evidence shows their effectiveness depends heavily on transparency and hypothecation[35]. When revenues are visibly reinvested into environmental outcomes, public acceptance and behavioural change increases (Parry & Small, 2005).

Often, fiscal instruments may provide relief as an incentive for a desirable behaviour or activity. In some instances, this may take the form of a rates relief for environmental restoration on private land. Whilst this relief may be marginal (i.e. $50 - $1000 per annum), it acts as a signal to other potential funders or investors that the project or environmental activity has local Government support and so there is added investor confidence in the legitimacy of the environmental project.

4.3.2 Market-based (Credits and Offsets)

Market-based instruments create tradable units of environmental performance, allowing capital to flow toward the lowest-cost providers of ecological improvement under clearly defined rules (Coase, 1960;

[35]Hypothecation is a legal and financial practice that occurs when an asset is pledged as collateral to secure a loan. The owner of the asset doesn't relinquish title, possession, or ownership rights such as income generated from the asset (property), however the lender can seize the asset if the terms of agreement are not met. Think of it as another form of a mortgage.

Stavins, 2003). Examples include carbon credit markets, biodiversity credit and offset schemes, nutrient trading programmes, water quality trading, and habitat banking systems.

These instruments can mobilise private investment and align environmental outcomes with corporate compliance, ESG, or TNFD reporting obligations (Calel & Dechezleprêtre, 2016). However, empirical studies highlight persistent risks around weak baselines, poor additionality, and questionable ecological equivalence, particularly in biodiversity offset markets, where credits may substitute rather than supplement real conservation (Salzman et al., 2018). As a result, market-based instruments perform best when embedded within strong regulatory frameworks rather than operating as standalone voluntary tools.

4.3.3 Community-based (Trusts, funds, philanthropy)

Community-based instruments pool capital through locally governed institutions such as environmental trusts, catchment funds, iwi or community investment vehicles, philanthropic foundations, and grant programmes. These instruments draw on collective-action theory and emphasise trust, legitimacy, and long-term stewardship over short-term efficiency (Ostrom, 1990). Examples include catchment restoration trusts, community biodiversity funds, philanthropic freshwater grants, and place-based conservation endowments. Research shows these approaches are particularly effective for early-stage innovation, education, relationship-building, and stewardship activities that are poorly served by markets or fiscal tools alone (Bennett et al., 2018). Their primary limitation is durability: funding is often episodic and donor-driven, meaning long-term environmental outcomes typically require supplementation from fiscal or market-based revenue streams (Ezzine-de-Blas et al., 2016).

4.4 Mapping funding avenues across a catchment enhancement programme lifecycle

Catchment enhancement programmes evolve through distinct stages, each with different risk profiles, evidence needs, and funding suitability. No single funding source performs well across all stages. Durable programmes deliberately sequence funding types rather than blending them indiscriminately.

Blended models intentionally combine fiscal, market-based, and community instruments to share risk, attract private capital, and stabilise long-term funding for environmental outcomes (OECD, 2018). Examples include water funds supported by targeted rates and private investment, Environmental Impact Bonds (EIBs) linking public payments to verified outcomes[36], regional biodiversity partnerships combining levies with credit sales [37], and regenerative tourism models where visitor charges are tied to independently verified ecological performance[38]. These structures address the weaknesses of single-instrument approaches by diversifying revenue sources and aligning incentives across Government, community, and industry (Ghosh & Mahajan, 2014). Recent literature identifies blended finance as essential for scaling restoration and Nature-based Solutions, provided governance, monitoring, and outcome accountability are robust and transparent (Salzman et al., 2022).

[36]Environmental Impact Bonds are a financial bond linked to environmental impact where dividend payouts are linked to the performance of the environmental intervention. This is introduced further in *Section 6.3.10*.
[37]These structures are introduced and discussed in *Sections 6.3.4– 6.3.7*.
[38]Rather than just charging tourist levies and not linking them explicitly to verified improved environmental outcomes.

Taken together, this typology makes clear that sustainable finance is not about finding a single "best" instrument, but about matching financial tools to the nature of the environmental problem being addressed. Fiscal (government finance) instruments provide stability and universality, market-based instruments offer efficiency and capital mobilisation, and community-based instruments deliver legitimacy, trust, and place-based stewardship. Blended models are therefore not a hybrid for its own sake, but a pragmatic response to complexity: they combine the strengths of each category to overcome their individual limitations. In practice, durable environmental outcomes are most likely to emerge where these instruments are intentionally aligned around clear outcomes, credible measurement, and transparent governance, rather than deployed in isolation or driven by financial novelty alone.

Catchment programmes are necessarily dynamic and can be categorised in stages of maturity or evolution (Figure 6). Each of these stages lend themselves to be better poised for certain types of funding, based on programme outcomes across the short, medium, and long-term. It is key that programme outcomes are supported by the right financial tool or funding avenue to ensure credibility and stability across both funding and overall programme requirements as the programme evolves and shifts over its lifetime. Later stages of programme evolution (stages 4 & 5) lend themselves to mature advocacy and enabling broader system change as opposed to solely functioning as traditional catchment programmes and workstreams. Catchment programmes at this level of maturity often have a sphere of influence far outside of their local catchment, and are positioned as examples of how to address national, and perhaps in some cases international, systemic issues and structural change.

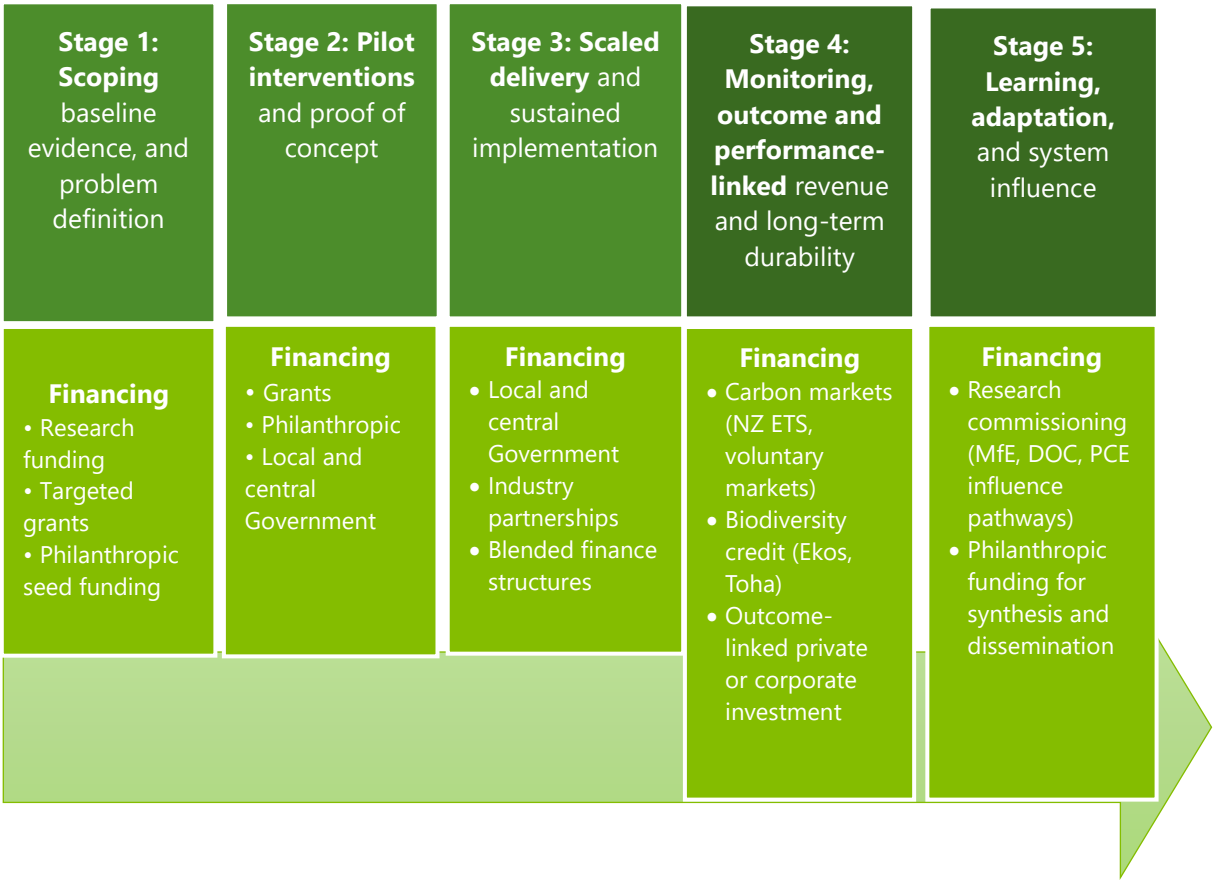


Figure 6. General mix of financing options over the life cycle of catchment programmes.

Stage 1: Scoping, baseline evidence, and problem definition

Purpose: Define the catchment opportunities and issues, establish monitoring baselines, test assumptions, and build a credible evidence-base for action.

Best-fit funding sources:

- Research funding (MfE, DOC, local and central Government commissioning)
- Targeted grants (WWF Community Conservation Fund, Lottery Environment and Heritage Fund)
- Philanthropic seed funding (Tindall Foundation, WEAVE)

Why this works: These funding sources tolerate uncertainty and learning. They are designed to answer questions, not guarantee outcomes. This stage is about credibility, not scale.

Key constraint: These funds are time-limited and unsuitable for ongoing coordination or delivery.

Stage 2: Pilot interventions and proof-of-concept

Purpose: Test interventions on the ground, demonstrate effectiveness, and refine delivery models informed by on-going monitoring.

Best-fit funding sources:

- Grants (WWF, Predator Free NZ Trust, community trusts)
- Philanthropy (particularly flexible or catalytic funders)
- Local/Central Government co-funding

Why this works: Grant and philanthropic funding can support visible action while still accommodating iteration. Funders expect learning, provided outcomes are credible.

Key constraint: Success at this stage often creates false confidence about scalability if funding durability is not addressed early.

Stage 3: Scaled delivery and sustained implementation

Purpose: Deliver restoration, land-use change, and management actions consistently across the catchment. Evaluation of programmes and outcomes informed by established monitoring and evidence base.

Best-fit funding sources:

- Local Government operational funding
- Industry partnerships
- Blended finance structures

Why this works: At scale, programmes need predictable cashflow, governance stability, and accountability. Episodic grants are no longer fit for purpose.

Key constraint: This stage is where many catchment initiatives fail due to over-reliance on short-term grants.

Stage 4: Monitoring, outcome and performance-linked revenue and long-term durability

Purpose:
Create ongoing revenue to fund enhancement and management work long-term, tied to verified environmental outcomes through evidence-based intervention, monitoring and reporting.

Best-fit funding sources:

- Carbon markets (NZ ETS, voluntary markets)
- Biodiversity credit instruments (Ekos, Toha)
- Outcome-linked private or corporate investment

Why this works:
Credits and outcome-based instruments reward performance rather than activity. They can support long-term maintenance and stewardship when governance and monitoring are robust.

Key constraint:
Markets value what they can measure. Poor baselines or weak governance undermine credibility quickly.

Stage 5: Learning, adaptation, and system influence

Purpose: Feed evidence back into policy, investment, and future programme design.

Best-fit funding sources:

- Research commissioning (MfE, DOC, PCE influence pathways)
- Philanthropic funding for synthesis and dissemination

Why this works: This stage closes the loop. It is where catchment programmes influence system settings beyond their boundaries.

Key constraint: This work is often underfunded because it is less visible, despite being strategically critical.

Well-designed catchment programmes do not ask one funding source to do multiple jobs. Research funding builds credibility. Grants enable action. Philanthropy accelerates learning. Markets reward performance. Government underwrites continuity. Blended models only work when each component is doing what it is structurally good at.

The following section summarises the progress and state of THP over the last five years, which allows for an assessment of where it is in relation to the five broad stages of program maturity summarised above.

5. Te Hoiere Project – Current State

This section documents the current state of the project and what has been achieved over the last five years, since the ICEP was finalised. This is important understanding for plotting where the project finds itself in terms of the stages of maturity and associated funding support summarised in Figure 6. The project's **strengths and weaknesses are highlighted** as basis for the recommendations in Section 7, as to how these are harnessed and addressed to:

- evolve to a more resilient funding portfolio,
- and the governance systems required to enable the shift.

5.1 Governance

The approach to developing Te Hoiere ICEP was founded on the byline "*planning by the people for the people*". It was a community-led process that was highly collaborative with a well-structured and active governance and working group with representatives across all sectors, Iwi, community and Council. They took ownership for crafting the vision, objectives, and guiding principles. The strong governance structure established in the ICEP process evolved into the current structure shown in Figure 7.

The local ownership and collaborative approach were cemented in the establishment of Te Hoiere Kaitiaki Charitable Trust (TKCT). The Trust was formed in 2022 and has five trustees representing the community, Marlborough District Council, Ngāti Kuia and Rangitāne, and providing leadership and guidance. Representatives from DOC and MfE act as special advisors to the Trust. A MOU signed in 2022 between the Trust and MDC established the Council as the fund holder on behalf of the project, which enabled a quick set up for operationalising the project.

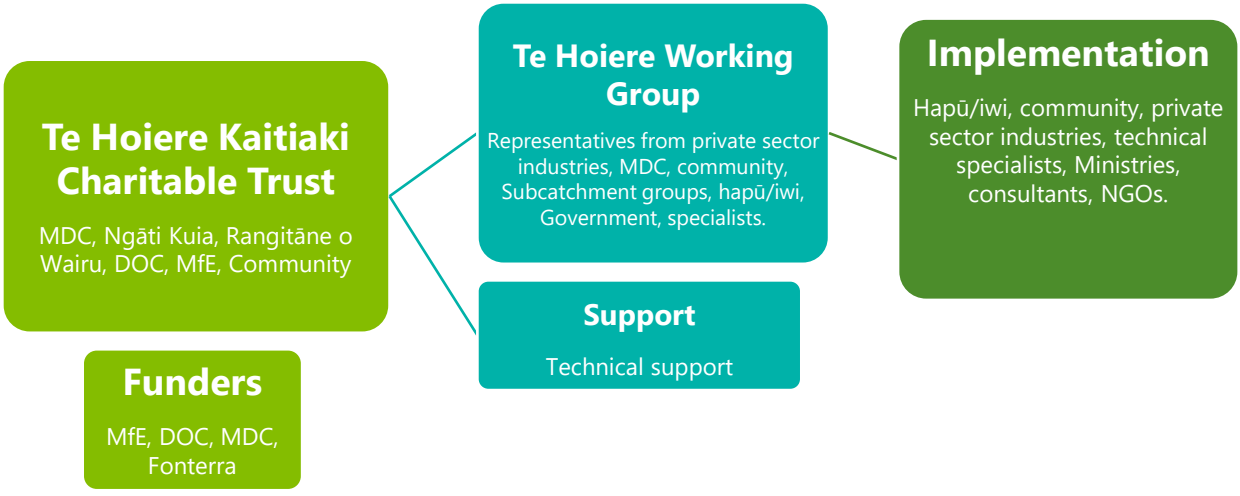


Figure 7 Te Hoiere Project governance structure.

The wider project team provides effective representation across Government, private sector, Iwi and community. They are supported in project work by technical specialists from again – a diverse range of private and public sector organisations, as dictated by the nature of the work.

The TKCT trustees are importantly also represented on the regionally focused Kotahitanga mō te Taiao Alliance[39], for which the project is one of several cornerstone initiatives. This provides for additional profile and potential efficiencies and alignment across funding opportunities.

The maturity of the project governance is reflected in the strategic review initiated in 2025. Various alternatives are being considered, including another organisation housing the project management and operational role currently held by MDC. This would overcome the reported perception that, because the project is housed in MDC, it is viewed as a Council and not a community-led project. This has negative implications given Council is also responsible for regulatory and compliance mandates, meaning landowners sometimes have a challenge differentiating between these and THP.

The primary option considered however, is for the Trust board to register as a charity and take on responsibility for the employing staff and operational costs. This change would allow the Trust to file annual returns, among other requirements. This does have benefits in terms of accessing other funding, notably philanthropic and ESG funding, which funders would be able to claim as tax deduction.

At the time of drafting this report, the decision has been to maintain the current structure – with the financial risk implications of TKCT becoming independent, being a major consideration in the absence of secure funding.

It is worth noting that WAI Wānaka[40], who are a few years ahead of THP in terms of completion of JfN and other Central Government grant funding programmes such as Our Land and Water National Science Challenge and the Freshwater Improvement Fund, have deliberately: a) transitioned to a charitable organisation and b) employed a marketing/communications team as it evolved and started to grapple with long-term funding challenges and uncertainties. This ultimately enabled WAI Wānaka to shift their funding focus away from central-government led grants and toward community and local government, philanthropic, and environmental education income streams.[41] This transition required strong governance and mature processes to deal with the shift in funding structures and required programme outcomes that come with it.

An example of this shift can be highlighted through the evolution of WAI Wānaka's core programmes. Having a strong focus on evidence-based management, WAI Wānaka has always had a science and research programme that underpins the action-orientated philosophy of the organisation. They have an active environmental monitoring and water quality programme to which they work with rural catchment groups to help inform and understand farm and catchment systems. This monitoring and catchment group support, along with riparian planting and pest management formed a large part of the organisations activities through the Freshwater Improvement Fund and JfN programme. Clear and central funding that had defined deliverables and reporting structures. The ending of the JfN programme saw the organisation's employee numbers drop from over 30 to 14 as the programme had to consolidate its focus to core environmental monitoring, lakes research, and catchment group support.

[39]https://www.nature.org/en-us/about-us/where-we-work/asia-pacific/new-zealand/stories-in-new-zealand/new-zealand-alliance/

[40]https://waiwanaka.nz/

[41]'Environmental education' was identified as a local opportunity that suited WAI Wānaka and required investment in a marketing and communications team to support the development of a local programme that now receives multi-year funding from a number of different funders.

Introducing an education programme to the organisation meant opening up opportunities to work with the local schools and community. This meant funding avenues specific to education (such as community grants and philanthropic partnerships) were made available, avenues that would have otherwise been unavailable under the previous environmental funding streams. These education funding streams can come from multiple funders to deliver different community and school programmes[42]. What comes with a more diversified funding portfolio is an increase in reporting structures and mechanisms to various funders – each with their own deliverables and outcomes. This matters in the sense of reflecting the challenges and decisions that will need to be made by THP and other catchment groups/collectives faced with the same inevitable fate of changing from reliance on central government funding to more diversified income streams.

5.2 Investment

A high-level summary of the funding allocation across the THP actions to date is provided in **Error! R eference source not found.**. The entire approximately $13 million dollars invested to this point, has been grant funding, with JfN being the primary source. The reliance on grant funding is a clear weakness and the basis for this investigation into sustainable financing.

The sum presented in Table 1 does not however tell the whole story. There is additional investment not accounted for in the form of:

- **Voluntary community effort -** For some projects, community members including landowners, have contributed time and effort/equipment for fencing and planting projects. They have also been involved with meetings and workshops etc. There is also the less tangible, but no less significant 'investment' of the community to 'buy-in' to the co-developed THP vision and goals, and its underpinning relationships – a process that costs in terms of future morale and engagement if THP 'winds-down' or fails.
- **MDC investment -** Funding from MDC contributed to the catchment condition surveys in the initial stages of the project, and co-funded project manager and project coordinator roles with DOC. There has also been in-kind support through access to scientists, the environmental monitoring team, GIS experts and in particular, a freshwater scientist who has worked exclusively for THP on fish passage and wetland projects for the last three years. While much of this work falls within the MDC mandate and is aligned with their work programmes, the contribution is important to understand and document.
- **Ngāti Kuia** - – Provided support for and managed the development of the nursery, hosted the Kaitiaki Ranger which has included overhead costs, enabled cultural and freshwater surveys, and supported advice on cultural matters across project activities.
- **DOC –** has co-funded project manager and project coordinator roles with MDC, hosted a Ngā Awa Ranger, provided funding for communication and engagement, on top of an overall allocation of $100,000 per annum since 2019 (for a suite of activities including, surveys, planting and fencing). Through the Ngā Awa fund there is ongoing access to support from their technical, communications and engagement teams. The Ngā Awa research budget has also funded important research – notably the initial geomorphological analysis of Te Hoiere catchment and this investigation into sustainable finance instruments.

[42]https://waiwanaka.nz/education/

- **Fonterra –** funded a portion of the Ruapaka Wetland restoration project with separate support from The Nature Conservancy via KMTT.

The additional funding listed above that is not reflected in the total investment to date is a weakness as it sells the Project short in terms of existing credits that can be used to leverage additional funding and direct investment in some market-based instruments such as via the Toha model and platform, or historical carbon credit registration, which is based on documenting restoration effort. This will be expanded on further in Section 6.

A further gap is detailing the ongoing finance required to secure current investment and upscale the restoration effort to achieve landscape-scale targets (i.e., what additional fencing, riparian planting and maintenance, ongoing pest species management, and so on is required). This understanding is critical to knowing what quantum of finance is required in the short, medium and long term across different project types – which then informs the funding strategy as different funding instruments are better suited to different catchment actions and interventions. Similarly, different funders will be interested in different single or cumulative outcomes (e.g., biodiversity, cultural, social).

Table 1. Te Hoiere Project budget allocation (as of May 2025)

	Project/Actions	Value	Deliverables /Outputs
1	Planting and fencing survey (Catchment Condition Survey)	$140,000	Survey completed 9,700 Ha
2	Planting (public and private land)	$ 2,529,000	211,000 plants planted
3	Fencing (public and private land)	$ 930,000	77 km of fencing
4	Dung beetle project	$ 26,000	17 farm packs established
5	Ruapaka wetland restoration	$ 550,000	13 Ha site restoration
6	Bat recovery project	$ 1,376,000	Monitoring reports; Pest & weed control at 4 PCL sites
7	Fish migration barriers	$ 510,000	152 barriers assessed, 3 remediated, 36 planned
8	Cultural monitoring/other mātauranga Māori	$100,000	Report
9	Water quality monitoring - pre project monitoring (MDC)	*	Report
	Mitigation effectiveness monitoring	$ 25,000	Report
	Water quality study - Linkwater	$300,000	Report
	Fish survey/eDNA	$ 29,000	Report
	Whio habitat assessments	*	Report
10	Sediment monitoring	$ 155,000	Report
	Forestry projects (sediment monitoring, ungulate exclusion, riparian planting, land transition, access accord)	$ 600,000	Reports
	Education programme incl. workshops/field days	$ 100,000	Support for schools, events, resources; 21 workshops completed.
	Native nursery	$ 2,998,189	Nga Tai Purua nursery establishment
	Kaitiaki Ranger (hosted by Ngāti Kuia)	$ 180,000	

	Project/Actions	Value	Deliverables /Outputs
	Ngā Awa river ranger (hosted DOC)	$ 111,000	
	Catchment Coordinators	$ 110,000	4 coordinators engaged
	Communications	$ 160,000	Website, newsletter, social media, other comms
	Other science (geospatial layers, plan development…)	$ 300,000	GIS layers, reports
	Iwi support	$ 105,000	
Project Governance & Coordination			
1	Governance	$ 40,000	
2	Project management & co-ordination	$ 1,900,000	
3	Disbursements (operating costs)	*	
	Total	**$ 13,004,189**	

NOTE: costs provided by THP project manager are high level initial summary, * noting gaps are where costs are internal to MDC as hosting organisation and/or not extracted.

5.3 Projects

The ICEP[43] included over 70 projects across nine categories of actions. Implementation of these is presented on the Project website[44]. There are several notable strengths in considering what has been achieved, including:

- **Diversity of projects** – the work has covered a range of projects that underpin achievement of the carefully crafted objectives under the communities' similarly well-constructed themes in the ICEP. They cut across cultural, biodiversity, economic and environmental improvement (water quality) themes, and environmental quality (addressing sedimentation and water quality).
- **Biodiversity** (species) - projects to support keystone species, notably the long-tailed bats and whio.
- **Biodiversity** (ecosystems) - wetland restoration which also included addressing cultural values and aspirations in the case of Ruapaka Wetland.
- **Physical works** focussed on addressing sedimentation via riparian planting and fencing.
- **Water quality** – evidenced in the use of dung beetles to address water quality issues from dairy production.
- **Economic opportunity** – establishment of the Tītiraukawa native nursery by Ngāti Kuia to grow the locally-sourced (i.e., most suitable) native plants and trees required to support long term restoration, and includes employing and training local staff.
- **Research and scientific rigour** – the project has drawn on existing research (Swales, 2021), and commissioned further work (Tunnicliffe, 2021), to understand the drivers of key issues, notably sedimentation and river geomorphology to inform nature-based restoration efforts.

[43] https://storymaps.arcgis.com/stories/db492eaf502d40b0a7ae57a9c8b570d6
[44] https://www.tehoiere.org.nz/about/catchment-actions

- **Governance** – Effective coordination is essential for a partnership project of this nature and there has been appropriate allocation to the project management roles and ensuring regular meetings of the governance and working groups.
- **Education** – Catchment restoration is by nature intergenerational. Long term success is therefore contingent on fostering passion for and equipping the youth to take the work forward. The Trust has strongly advocated for this programme and see the benefits of the connection between youth and our programme. The project's education programme is currently funded through MfE's At Risk Catchment fund with extra budget in 2026 provided from DOC's Nga Awa programme. An educator, engaged via Ngāti Kuia has developed a range programmes to meet the needs of local and wider schools and groups. This includes a series of outdoor, fun events that immerse Tamariki in nature across the catchment and teach them a range of skills. Given the value placed on education and youth, the project aim is to continue this programme. The project also aspires to broaden the education programme to include citizen science (bioblitz, bird counts, photo points etc). Alternative funding to existing avenues will be required to enable deliver on this objective. Community education via workshops and field days are likely to continue through the support of partners, notably especially Landcare Trust and MDC but also Top of the South Forestry and others.

5.4 Monitoring

Being able to demonstrate and prove outcomes is an important requirement for most types of funding – not only sustainable instruments, whilst being mindful that the accuracy and nature of the proof varies across funding avenues. The project monitoring is a strength and has covered a broad range of aspects including:

- Te Hoiere Monitoring and Evaluation Programme
- Landowner survey
- Strategic planning
- Mitigation effectiveness monitoring
- Flora and fauna of Te Hoiere
  - Freshwater fish
  - Kākahi | Freshwater mussels
  - Kanakana | Lamprey
  - Improving fish passage
  - Pekapeka | Long-tailed bat
- Cultural monitoring
- Sediment monitoring
- Forestry projects

Importantly the breadth of the monitoring tells a rich story that cuts across biodiversity, environmental quality and cultural values. Different outcomes will appeal to different funders. So having a broad monitoring programme that reflects on actions and outcomes across the various themes is important for attracting revenue from a diversity of funding sources. While there are likely gaps and improvements to be made, the current monitoring provides a good base.

5.5 Communication and Marketing

This has primarily occurred through the project website and newsletter. What is lacking is an up-to-date spatial overlay of this work that spatially references the work needed in the catchment against the work that has been undertaken, to understand for example, erosion risk, fish passage, and at-risk biodiversity and cultural assets. The ICEP website currently hosts a preliminary map of restoration activities, and other specialised maps (e.g., about erosion connectivity etc), but the map has not been updated since inception.

The ICEP was presented in an ESRI StoryMap which is a flexible format that is suited to providing spatial overlays, representation of community values, and comparing catchment issues against actions. This assists in presenting the story – the response of the project to the community's values, and the drivers and pressures that are undermining these values, the ecological health and associated social, economic and cultural wellbeing issues and developments.

5.6 Spatial focus - Mountains to Sea

As mentioned, the underlying rationale for prioritising this catchment was the sedimentation issues impacting Te Hoiere Pelorus Sound, and *"Ki uta, ki tai - From Mountains to the sea",* is a founding principle of the ICEP. The majority of the actions to date have focussed materially on the freshwater catchment rather than the marine space.

A key strength of the work to date is the focus given to this core issue. The focus on understanding the drivers (research and modelling), taking action (planting and fencing) and targeted sediment monitoring plan is an essential combination of information and understanding required to strengthen the foundational storyline in this catchment and make clear the linkages between the catchment and the estuarine and marine environment.

This is critical to optimising the range of financial instruments – notably those such as payment for ecosystem services, e.g., coastal users paying for catchment restoration to reduce impact of sediment on harbour use (maintenance dredging costs) and system health and productivity in terms of recreational fishing and aquaculture. The other key linkages are to those levies potentially achieved through charges on the use of the Port to various sectors (e.g., recreational fishing, aquaculture), that benefit from their location in the catchment and the access to these natural resources.

5.7 Summary of Current State

In summary, the Project has some notable strengths including the diversity of projects, strong governance base grounded in community and Iwi ownership and involvement, and multi sector action. The breadth of baseline monitoring and proposed improvements – notably of sediment monitoring are also a major positive.

The current deficiencies relate clearly to the very narrow funding sources relied on to date and associated with that the need for expanded marketing and storytelling.

The Project funding essentially finds itself at stage 1 in the process documented in section 4 outcomes (Figure 6), but the material progress made is at stage 2-3 in the catchment program lifecycle. This means the funding structures now need to catch-up. The project outcomes and direction now call for funding

avenues and financing that share the same pace, outcomes and direction poised to be realised in Te Hoiere with a ready, informed and willing catchment community.

The following, Section 6 summarises the sustainable and other financial instruments that have emerged as priorities for advancing into more detailed feasibility and design, and the highest priorities among these. The prioritisation of funding options is supported by an understanding of the state of, role and relationship with the various sectors in the catchment. This understanding supports recommendations for alternative governance structures that would enable an increased suite of project partners, notably more role-players in the marine environment, and importantly improved monitoring, reporting and implementation of the priority instruments.

The final Section 7 consolidates the overall actions to take this work into Phase 2, which is to materially evaluate the feasibility of a prioritised set of sustainable finance instruments, and position THP for Phase 3 – the implementation of a blended pool of finance that ultimately is sustainable in nature, for the long-term (intergenerational) life of the project.

6. Toward Sustainable Finance in Te Hoiere

As recognised in the introduction, the sustainability of the financial instruments is dependent on a clear line of sight between the various sectors that benefit from being within the catchment, the use of the ecosystem goods and services, and the instruments. This section summarises the nature and status of the various sectors, incentive schemes they have in place and importantly, which instruments link into their relationship with the catchment and enable a flow of funds.

6.1 Sector Profiles

This section reflects structured engagement with representatives across forestry, pastoral farming, dairy supply chains, aquaculture, marine infrastructure, tourism, Council, iwi-linked initiatives, central Government agencies, and conservation finance organisations.

Engagement revealed three consistent realities.

i. Fiscal and administrative capacity across sectors is constrained. Industry margins are tight. Council resources are stretched. National funding streams are uncertain. Any instrument perceived as disproportionate, punitive, or sector-specific is unlikely to gain traction.

ii. Sediment is the shared 'system risk' linking land use to harbour condition. Port operators, marine farmers, land managers and regulators all acknowledged this interdependency. While perspectives differ on responsibility and scale, there is no dispute that catchment performance drives marine outcomes.

iii. There is cautious openness to blended, shared approaches. Stakeholders consistently indicated that smaller contributions distributed equitably across sectors are more viable than large levies targeted at individual industries.

Te Hoiere sector profiles below reflect these themes.

6.1.1 Forestry

Sector Role - Plantation forestry occupies significant upper and mid-catchment land. The sector includes estate owners, harvest contractors, roading operators and log exporters linked to the regional port. Forestry is episodic in impact but large in scale during harvest cycles. It is export-oriented and infrastructure-dependent.

Economic and Operational Significance - Forestry underpins regional freight flows and port throughput. Harvest scheduling directly influences road use, sediment mobilisation risk and dredging projections downstream.

Port representatives noted that sediment modelling increasingly informs dredging programmes. This tightens the economic link between forest harvest management and marine operational cost.

Sustainability and Regulatory Context - The sector operates under the National Environmental Standards for Plantation Forestry and international certification frameworks such as Forest Stewardship Council and Programme for the Endorsement of Forest Certification.

Industry engagement highlighted:

- Increased focus on slash management
- Sediment controls during harvest
- Recognition of reputational exposure.

At the same time, stakeholders cautioned against isolating forestry as the sole driver of sediment risk. This position is supported by the research findings into sediment referenced throughout the report. It is acknowledged that further work is required to understand sediment issues in Te Hoiere, which is basis for the various research projects underway and the development of a sediment management programme with a strong focus on monitoring.

There is sensitivity around sector-specific levies, including discussion of log-based contributions.

Strategic Implications - Forestry is structurally linked to sediment pulses during harvest and extreme rainfall. Its scale means participation in catchment-scale mitigation is essential. However, any financial instrument must be positioned within a shared responsibility framework rather than a single-sector burden model. It is important to note that sector has contributed positively through the Top of the South Wood Council to understanding sedimentation, through five projects[45]. One of these includes a land transition study which reflects the sectors appreciation of the need to not only mitigate impacts of current business but also consider transitioning over time.

6.1.2 Farming (Sheep, Beef and Dairy)

Sector Role - Pastoral farming spans much of the catchment footprint. Hill country erosion, riparian management and flood resilience are central issues. Dairy presence within Te Hoiere is smaller than in other regions. It is however significant at the catchment scale, as the third highest land use in Te Hoiere[46] after forestry and native forest and remains relevant through supply chain linkages.

Economic and **Structural Context -** Drystock operators described tight margins and limited capacity for large additional costs. Rates rebates were viewed as symbolically useful but financially modest.

Dairy supply chain representatives outlined structured environmental incentive systems, including tiered payments linked to carbon accounting, farm planning and environmental performance. Cooperative payment differentials and carbon insetting[47] arrangements already influence behaviour.

This distinction is important. Dairy operates within a formalised reporting and incentive architecture. Dry stock largely does not.

Sustainability and Policy Environment - Farm systems are shaped by the National Policy Statement for Freshwater Management and MPI-supported farm planning frameworks. Farmers acknowledged erosion challenges and sediment contribution, particularly in hill country. However, several emphasised that restoration must operate at meaningful scale to materially reduce loads.

[45]https://www.tehoiere.org.nz/about/catchment-actions/forestry
[46]It represents 7% of total land use (7,600Ha) compared with forestry at 14,000Ha
[47]Carbon insetting is where a company or industry invests in carbon reduction or removal projects directly within its own value chain.

Strategic Implications - Given its spatial footprint, farming participation is critical for sediment reduction. Cluster or collective models were viewed more favourably than fragmented, property-by-property approaches. Equity across landowners and alignment with existing farm planning systems will determine feasibility. The collective approach emphasises the role of a catchment organisation that can organise and promote the value of any restoration effort across individual landowners and create efficiencies in transaction and administration costs that come with establishing an instrument such as biodiversity credits.

A common challenge faced in most catchment-scale restoration projects is that restoration is often undertaken on properties where landowners are farming, and actions are reliant on landowner willingness. It is however often the case that this 'willingness' may be lacking on properties where there is greater sedimentation risk and/or high biodiversity value. This is because there are direct costs (fencing, establishing reticulated stock water access etc.) and opportunity costs (reduced production) associated with retiring land/reducing herd size. Securing these landowners participation requires establishing an alternative income stream equal to, or greater than, the costs of restoring/protecting portions of their property. This is where 'stacking' financial instruments is required (e.g., stacking marginal returns from rates rebates for retired productive land, with increased income from biodiversity and carbon credits). This can help tilt the scales of the costs and benefits associated with such land use decisions, in favour of the benefits.

6.1.3 Viticulture and Wine

Sector Role - Viticulture is concentrated in valley systems and is a significant regional export industry. While not the dominant land use within Te Hoiere itself, it influences broader Marlborough economic and political dynamics.

Economic Context- The sector is highly brand-sensitive and export-oriented. International reporting requirements and carbon expectations are increasing, particularly in European markets. Industry discussions noted economic headwinds in global wine markets. This constrains appetite for new financial burdens but strengthens interest in instruments that protect environmental reputation.

Sustainability Architecture - The sector operates within established certification systems led by Sustainable Winegrowing New Zealand under the umbrella of New Zealand Winegrowers. These systems provide structured reporting pathways that could interface with catchment-level outcome reporting.

Strategic Implications - Viticulture's economic leverage lies in branding and supply chain access. Alignment with catchment outcomes may be feasible if linked to certification and reputational benefit rather than framed as an additional compliance cost.

6.1.4 Aquaculture

Sector Role - Marine farming, particularly mussel production, operates directly within the receiving environment. Water quality is not an externality. It is a production input. The sector is well represented via the Marine Farming Association[48] (MFA), a regional industry body representing aquaculture interests in Te Tau Ihu.

Economic Exposure - Industry representatives highlighted vulnerability to rainfall-driven closures, coliform levels and sediment pulses. Spat survival challenges and climate variability compound economic

[48]https://www.marinefarming.co.nz/

pressure. There is frustration within the sector at being perceived as an environmental burden rather than an ecosystem service provider. Mussel farming is described by operators as contributing filtration and habitat structure as positive ecosystem services.

Financial and Regulatory Context - Aquaculture is entering a new phase of coastal occupation charging. Discussions suggest approximately $1 million per annum regionally may be generated through these charges. Industry sentiment indicates willingness to contribute to restoration if:

- Contributions are shared equitably across all harbour users
- Governance is transparent
- Funds are demonstrably linked to improved marine outcomes.

There is limited appetite to fund ecosystem services the sector believes it already provides, such as water quality and purification, and habitat ecosystem services.

Strategic Implications - Aquaculture is economically exposed to catchment performance yet lacks control over upstream sediment drivers. This asymmetry creates both tension and opportunity. Cross-sector funding models must explicitly address fairness between source and receptor sectors.

6.1.5 Tourism

Sector Role - Tourism in Te Hoiere is smaller in scale than in other Marlborough locations but is closely tied to landscape quality and marine experience. The sector includes marine charters, accommodation providers, event organisers and regional promotion entities. Destination Marlborough[49] has recently become a unit with the Marlborough District Council. The organisation's Destination Management Plan[50] includes a focus on Regenerative Tourism, with objectives to "*Partner – With local iwi, communities, and DOC to explore localised valley based regenerative tourism experience developments – wrapping around natural environment, flora, and fauna opportunities– e.g., long tail bat visitor experience in Te Hoiere*".

Economic Context - Te Hoiere accounts for a modest share of regional visitor activity. Cruise visitation fluctuates. Domestic tourism dominates. Operators indicated limited appetite for broad-based levies in the current climate. However, there is interest in stewardship positioning, project sponsorship and visitor-linked contributions where outcomes are visible and story-driven.

Structural Realities - Unlike primary sectors, tourism lacks a strong built-in environmental compliance architecture. Destination management frameworks exist but are under-resourced. National visitor levies are not perceived as flowing meaningfully back to local restoration.

Strategic Implications - Tourism levy instruments are politically sensitive. Incremental, project-linked or sponsorship-style contributions may be more viable than universal charges.

The sector's comparative advantage lies in storytelling, stewardship branding and visitor engagement.

[49]https://marlboroughnz.com/
[50]https://marlboroughnz.com/media/tmcpafca/marlborough_destination_management_plan_summary.pdf

6.1.6 Port and Maritime Logistics

Sector Role - The port and maritime interface connect forestry, aquaculture and tourism to export markets and marine infrastructure. Maintenance dredging is both an economic necessity and an environmental indicator. Port Marlborough[51] is engaged in funding various community and biodiversity projects and has supported THP in developing the Estuarine Management Plan. (Solucom and Salt Ecology, 2026) (They also generate annual sustainability reporting and report cards.

Economic and Operational Linkages - Sediment accumulation directly influences dredging frequency and cost. Port representatives noted interest in aligning sediment monitoring with operational planning as it gears up for upgrades of Havelock Harbour, which will require both capital and maintenance dredging. There is awareness that future cost increases for marine access may need to be justified through broader harbour benefit. I.e. If it costs more to use and access the port, then that additional charge will need to be explicitly linked to improved harbour *and* environmental outcomes.

Financial Context - Discussions explored whether user-based increases in harbour or berthage fees could partially support restoration if transparently structured. However, sensitivity exists around regional/national competitiveness, particularly in relation to cruise and ferry operations which could operate from other locations if necessary.

Strategic Implications - The port represents a strategic conduit for shared contributions. Its position at the economic interface of multiple sectors makes it a potential anchor participant in blended models.

6.1.7 Public Sector and Community Services

Sector Role - This sector includes Council, DOC, central Government agencies, iwi authorities and catchment groups. It provides regulatory backbone, land management, stewardship, monitoring and convening capacity. Iwi leadership in the marine space is an emerging and important governance dimension.

Fiscal and Governance Context

Stakeholders consistently identified:

- Limited administrative capacity
- Fragmented funding streams
- Need for core operational funding.

Environmental grant schemes and biodiversity strategies exist, but they are insufficient to fund catchment-scale sediment reduction alone. There is caution about creating additional governance layers or charitable entities without clear cost-benefit justification.

Strategic Implications - Public sector participation is foundational but cannot be the sole funding source. Core funding to support coordination, monitoring and reporting is critical. Without this enabling layer, revenue instruments will struggle to deliver. The public sector may be able to provide this support in the early stages of a catchment restoration programme but it is prudent to plan for deliberately transitioning to other funding sources as a project matures.

[51] https://portmarlborough.co.nz/

6.2 Cross-Sector Synthesis

Engagement across these seven sectors reveals a system defined less by disagreement over environmental decline and more by tension over responsibility, scale and feasibility.

Four structural realities emerge:

1. Sediment is the Converging System Risk

Across forestry, farming, aquaculture, port operations and tourism, sediment is the common denominator.

- Land-based sectors influence sediment generation.
- Marine sectors bear sediment impacts.
- The port incurs dredging costs associated with accumulated loads.
- Tourism depends on water clarity and amenity.

No single sector fully controls the system, yet all are exposed to its performance. Stakeholders repeatedly acknowledged that current restoration activity, while valuable, may not yet operate at sufficient spatial or financial scale to materially reduce sediment inputs across the catchment.

This creates a scale gap. The economic system of Te Hoiere depends on harbour condition. Harbour condition depends on catchment performance. Catchment performance requires coordinated investment beyond isolated property-level action.

Furthermore, sedimentation drivers in the catchment are primarily due to anthropogenic land use decisions and changes, however in the context of climate change – adverse weather events are increasing in frequency and intensity which ultimately exacerbate the already pressured catchment ecosystems. Recent flooding and heavy rainfall events highlight the realities of a complex system exposed to hillside and riverine erosion that have negative compounding effects on downstream receiving environments. This is as much a climate adaption narrative as it is a scale and sedimentation discussion. With climate adaption comes a consideration of equity in decision making and accountability.

2. The Equity Constraint

The most consistent tension expressed during engagement relates to fairness.

Upstream sectors resist being positioned as sole contributors to harbour degradation. Downstream sectors resist paying for impacts they do not generate. Public agencies lack fiscal capacity to underwrite the entire solution.

There is limited tolerance for:

- Single-sector levies
- Large new charges
- Instruments perceived as politically targeted.

However, there is cautious openness to:

- Smaller contributions distributed broadly
- User-based instruments where all benefit
- Transparent allocation of funds
- Governance structures that minimise administrative overhead.

The principle that "everyone contributes something" received more support than any model that isolates a single industry.

Equity is therefore not an ethical footnote. It is a design constraint.

3. Existing Incentive Architectures Provide Entry Points

Several sectors already operate within structured environmental systems:

- Dairy has tiered supply incentives and carbon insetting models.
- Viticulture operates under formal sustainability certification.
- Forestry is regulated under national standards and international certification.
- Aquaculture is entering a formalised coastal occupation charging regime.
- Council administers environmental grants and biodiversity strategies.
- Port Marlborough release a sustainability and environmental impact report annually.

These architectures reduce the need to build instruments from scratch. However, layering additional complexity without integration risks fatigue and disengagement. Phase 2 must prioritise alignment with these existing systems rather than parallel instrument development.

4. The Governance Gap

There is currently no single framework connecting:

- Upstream sediment mitigation
- Marine restoration
- Port operational exposure
- Tourism stewardship positioning
- Council regulatory and monitoring systems.

Funding streams are fragmented. Monitoring and storytelling functions are under-resourced. Administrative capacity is constrained. Multiple stakeholders stressed that revenue instruments without governance clarity will fail. A core funding layer to support coordination, monitoring, reporting and communication is not optional. *It is foundational.*

Given fiscal constraints and equity sensitivities, reliance on a single large instrument is neither politically realistic nor economically prudent. A **blended finance model is a structural necessity** as distributes risk, contribution and benefit.

In practical terms, this may involve:

- Modest marine user-based contributions
- Alignment with coastal occupation charges
- Targeted fiscal incentives in erosion-prone areas
- Supply chain-linked incentives where feasible
- Philanthropic or impact capital for catalytic projects
- Core public funding to enable governance and reporting.

By this notion, stacking funding is not innovation for its own sake. It is a response to system complexity.

A recurring challenge raised during consultation is whether current interventions operate at sufficient scale to materially reduce sediment loads.

There is recognition that:

- Property-level fencing and planting are necessary but insufficient alone.
- Managing harvest-cycle forestry risk requires system-wide planning.
- Wetland reinstatement and hill-country erosion control may offer higher leverage per dollar invested.
- Marine restoration without upstream sediment reduction will underperform.

Phase 2 of this project must therefore move beyond instrument identification toward quantified scale modelling:

- What sediment reduction is required to shift harbour condition?
- What spatial footprint must interventions cover?
- What annual investment envelope is realistically needed?

Without clarity on scale, funding debates risk becoming symbolic rather than outcome-driven.

6.3 Priority Instruments Identified

The instruments outlined below translate the funding typology and lifecycle framing (Figure 6) in Section 4.4 into concrete options for Te Hoiere. They are presented as a catalogue to preserve technical detail and to show the enabling conditions required for implementation. They are summarised in Table 2. Summary of the sustainable financial instruments identified as relevant to Te Hoiere Project and their priority rating for development and implementationTable 2, which maintains links between the typology of instruments established in the previous section and the sectors, while also providing an indication of the implementation horizon and funding potential. A more detailed view is provided for each. There is also an indication of priority instruments i.e. those that meet one of more of the following:

- Generate high return,
- Have high applicability across industries/sectors, and
- Have a short implementation horizon.

Importantly, these instruments were refined through stakeholder discussions and are intended to operate as an integrated system rather than as standalone tools. The prioritisation and sequencing rationale are set out later in section **Error! Reference source not found.**.

Table 2. Summary of the sustainable financial instruments identified as relevant to Te Hoiere Project and their priority rating for development and implementation. EIBs = Environmental Impact Bonds; PES = Payment for Ecosystem Services (see section 6.3.3).

Category	Financial Instrument	Instrument Function	Relevant Industries	Industry Breadth	Implementation Horizon	Funding Potential	Priority
Fiscal Rebates	Regional Rates Rebates	Incentive	Agriculture, Forestry, Lifestyle landowners	Med	Short	Low	Med
	QEII Covenant + MDC Support	Incentive	Agriculture, Forestry	Med	Short	Low	Med
Fiscal Levies	Coastal Occupancy Charges	Revenue	Aquaculture, Ports, Marinas, Moorings	High	Short	Med	**High**
	Cruise Liner Levy	Revenue	Cruise tourism, Port operators	Med	Med	Med	Med
	Ferry Levy	Revenue	Ferry operators, Ports	Med	Med	Med	Med
	Tourism Levy (Bed tax / visitor levy)	Revenue	Tourism operators, Accommodation, Hospitality	High	Short	High	Med
	Log Levy	Revenue	Forestry, Port logistics	Med	Med	High	**High**
	Log Export Levy	Revenue	Forestry exporters, Ports	Med	Med	High	**High**
	Sediment Discharge Levy	Revenue	Forestry, Agriculture	Med	Med	Med	Med
Market-Based	PES – Sediment Retention	Incentive	Agriculture, Forestry	Med	Med	Med	Med
	Native Carbon Credits	Incentive / Revenue	Forestry, Agriculture	Med	Med	Med	**High**
	Biodiversity Credits	Incentive / Revenue	Agriculture, Forestry, Conservation sector	Med	Long	Med	Med
	Blue Carbon Credits	Incentive / Revenue	Aquaculture, Marine restoration	Low	Long	Med	Low
	Labour Credits (Toha model)	Enabling / Incentive	Corporate sector, Tourism sector	Med	Med	Low	**High**

Category	Financial Instrument	Instrument Function	Relevant Industries	Industry Breadth	Implementation Horizon	Funding Potential	Priority
	Corporate ESG Contributions	Revenue	Corporate sector, Supply chains	High	Med	Med	**High**
Bonds / Debt Financing	Te Hoiere Water Fund	Capital Financing	Multi-sector	High	Med	High	**High**
	EIBs	Capital Financing	Government, Institutional investors	Med	Long	High	Low
	Green / Forest Bonds	Capital Financing	Forestry, Institutional investors	Med	Med	High	Med
Blended Finance	Philanthropic Catchment Funding	Capital Financing	Philanthropy, NGOs	Med	Short	Med	**High**
	Corporate Sponsorship of Restoration	Revenue	Tourism, Corporate sector	Med	Short	Med	Med
	Regenerative Tourism Contributions	Revenue	Tourism operators, Visitors	High	Med	Med	Med

6.3.1 Biodiversity Credits

What the instrument is - Biodiversity credits are a market-based, outcome-focused instrument that quantify and monetise measurable gains in biodiversity condition, including habitat quality, native vegetation extent, species richness, and ecological connectivity. In a catchment context such as Te Hoiere, biodiversity credits can incentivise land-use change and restoration activities that also support sediment reduction, freshwater improvement, and landscape resilience. Credits may be purchased voluntarily by the private sector to meet ESG or emerging nature-positive commitments or potentially used in offset or compensation contexts where regulatory settings allow.

How the instrument works in practice - In Aotearoa, biodiversity credit systems are still emerging and are being developed cautiously to protect environmental integrity. Practitioners such as Ekos demonstrate how biodiversity outcomes can be verified and linked to investable credits using robust baselines, third-party verification, and long-term land protection instruments. At a system level, ongoing work led by MfE on voluntary nature and biodiversity credit frameworks signals growing policy interest, but not yet a guaranteed or regulated demand base.

Stakeholder discussions reinforce that early application is most credible where biodiversity credits are treated as voluntary, high-integrity instruments, clearly separated from regulatory compliance, and applied through aggregated, catchment-scale schemes rather than individual land parcels. International proxies and standards may inform design, but local ecological metrics and governance are critical for legitimacy.

Benefits in a catchment context - The primary benefit of biodiversity credits is that they reward measured ecological outcomes rather than activities. Where well designed, they can direct private capital toward native reforestation, riparian and wetland restoration, and protection of ecologically strategic or erosion-prone land. In Te Hoiere, this creates a multi-benefit proposition: biodiversity enhancement alongside sediment control, carbon co-benefits, improved catchment function, and climate resilience.

For Councils and regulators, biodiversity credits offer a complementary tool that can reduce reliance on grants while supporting environmental outcomes aligned with planning objectives. For the private sector, they provide a credible pathway to respond to rising disclosure and reporting expectations, particularly as nature-related financial risk and impact frameworks mature, such as ESG or wider TNFD reporting.

Key barriers and risks - Stakeholder engagement highlights several material constraints. Demand remains uncertain while biodiversity credits are voluntary, and premature scaling risks over-crediting or symbolic outcomes if metrics are weak. Transaction and compliance costs can exclude smaller landholders unless aggregation and technical support are provided. There are also cultural risks if biodiversity is treated as a tradable commodity without explicit co-design and recognition of mātauranga Māori, particularly where ecosystems hold whakapapa or tikanga significance.

Importantly, multiple stakeholders cautioned against positioning biodiversity credits as a near-term funding solution for large-scale sediment reduction. The credits contribution is real but indirect, with their value and credibility depending on restraint as much as ambition. At this point in the development of a biodiversity credit market in New Zealand, careful attention needs to be put towards ensuring the environmental impact and benefits (value) of New Zealand biodiversity credits are not overstated. Verification of biodiversity impacts is critical for a credibile credit value and market.

Enabling conditions and institutional roles - Effective biodiversity credit systems require standardised assessment methodologies, independent verification, transparent registries, and legally robust landowner agreements that secure additionality and permanence. Local and regional Councils play a critical enabling

role by aligning credits with planning, consenting, and offset frameworks, while avoiding regulatory shortcuts that undermine trust.

THP project governance is well positioned to act as an intermediary and aggregator, coordinating monitoring, maintaining narrative coherence, and reducing transaction costs for landholders. The private sector supplies capital where credits meet integrity thresholds, often through partnerships with specialist intermediaries (e.g., Toha or Ekos). Under these conditions, biodiversity credits function best as one component of a broader, blended catchment finance system, rather than a standalone solution.

6.3.2 Coastal Occupancy Fees

What the instrument is - A coastal occupancy fee is a regulatory, user-pays instrument applied to activities that occupy or benefit from coastal and marine space. In the Marlborough Sounds and Te Hoiere context, it functions as a form of coastal resource rental, recognising that marine space is finite and that its use creates management and environmental costs. Revenue is ring-fenced for harbour restoration, sediment mitigation, and marine ecosystem health, explicitly linking coastal use with stewardship of the ecosystems that underpin economic and cultural value.

How the instrument works in practice - In Aotearoa, coastal occupancy fees are enabled through regional coastal plans and consenting frameworks under the Resource Management Act. Precedents exist, including Auckland Council's coastal occupation charges and similar approaches used by other regional Councils. In Marlborough, Council discussions indicate that all consent holders using coastal space could be captured, with fees linked to the consented activity, not ownership of assets.

Stakeholder discussions suggest a tiered model is critical, with charges differentiated by activity type, scale, and intensity. Likely contributors include aquaculture operations, marina and mooring users, ports, charter and tourism vessels, and potentially cruise ships and ferries, although this is less likely. Importantly, Council appetite appears strongest where the instrument is framed as improving equity between users and ratepayers, and where revenue is clearly directed toward sustainable management of the marine area rather than absorbed into general Council budgets.

Benefits in a catchment context - The core strength of a coastal occupancy fee is durability. Unlike grants or philanthropy, it creates a recurring funding stream linked to ongoing use of the harbour. For Te Hoiere, this broadens the funding base beyond land-based sectors and forestry, recognising that sediment and water quality outcomes are felt most acutely in nearshore and estuarine environments.

The instrument also reinforces a beneficiary-pays logic at the land–sea interface. When revenue is directed toward sediment monitoring, estuary restoration, and interventions that protect shellfish health and nearshore habitats, the fee becomes a defensible tool for aligning marine industry resilience with catchment management objectives. Stakeholder discussions indicate that support increases materially where users can see a clear line between what they pay and what improves.

Key barriers and risks - The political sensitivity of this instrument should not be underestimated. Marine and aquaculture sectors are under financial pressure and have limited tolerance for additional costs, particularly where they perceive they already provide ecosystem services such as filtration. There is also a high risk of resistance if the fee is seen as double-charging alongside rates or existing compliance costs.

Social licence depends heavily on design. Uniform or blunt fees risk inequity, particularly for smaller operators and local users. Cultural risk is significant if customary use or access is not explicitly protected through partnership and co-design. Finally, environmental credibility is lost quickly if revenue is not visibly reinvested in sediment-related and marine outcomes that matter to users.

Enabling conditions and institutional roles - Successful implementation depends on clear legal authority, tiered fee design, and transparent governance. Marlborough District Council plays a central role in establishing the instrument through planning instruments, collecting fees, and ensuring revenue is ring-fenced for marine and estuarine management rather than general expenditure.

THP governance is well positioned to act as a trusted intermediary, helping prioritise investment, integrate science and monitoring, and maintain a clear narrative linking catchment actions to harbour outcomes. Industry participation, particularly from aquaculture and port users, is critical and is most likely where revenue supports interventions that directly protect production resilience. Under these conditions, a coastal occupancy fee can function as a politically sensitive but structurally strong component of a broader catchment finance system.

6.3.3 Payment for Ecosystem Services (Sediment Retention)

What the instrument is - Payment for Ecosystem Services (PES) for sediment retention is a performance-based instrument that compensates landowners for actions that measurably reduce sediment entering waterways. In Te Hoiere catchment, this includes erosion control on steep land, managed native regeneration, wetland restoration, riparian buffers, and changes to forestry harvest and roading practices. Payments are linked to the service delivered (sediment avoided or retained) rather than the activity itself, directly aligning incentives with catchment and harbour health outcomes.

How the instrument works in practice - PES schemes rely on biophysical modelling to estimate sediment loads under different land-use scenarios, supported by baseline data, land-use mapping, and verification through remote sensing or targeted field checks. Payments can be structured per hectare treated or per tonne of sediment avoided and administered through fixed-term contracts. Those that demonstrate sediment reductions are paid by the beneficiaries downstream such as council, port and marine users as they now benefit from less sediment in the system.

Stakeholder discussions indicate that PES is most credible where it builds on existing tools and precedents rather than creating new systems from scratch. In Aotearoa, instruments such as the Hill Country Erosion Fund and Sustainable Land Use Incentive (SLUI) programmes already operate as de facto PES schemes, albeit funded publicly rather than by beneficiaries. In Te Hoiere, there is clear interest in extending this logic to include co-financing by downstream beneficiaries, particularly where sediment directly affects port operations, shellfish health, and estuarine ecosystems.

Benefits in a catchment context - The principal strength of sediment-focused PES is causal clarity. It directly targets the dominant pressure identified across stakeholders: excess sediment from land use change, forestry harvest, and erosion-prone landscapes. Unlike biodiversity or carbon credits, the link between intervention and outcome is immediate and intelligible to both funders and landowners.

PES is also flexible. It can be applied across forestry, pastoral farming, lifestyle blocks, and Council-owned land, and can be stacked with other instruments such as carbon payments, biodiversity incentives, or QEII covenants. For Te Hoiere, PES offers a practical way to translate harbour and estuary impacts into upstream action, improving fairness by compensating those who bear the cost of land-use change for delivering public and private benefits.

Key barriers and risks - The main risks are economic and administrative rather than conceptual. Payment levels must be high enough to reflect opportunity costs and effort, particularly in forestry contexts where sediment risk is episodic but severe. Verification and administration costs can be significant, especially if schemes are fragmented or poorly coordinated.

Equity is a further concern. Without aggregation and technical support, PES schemes tend to favour larger or more capable landowners. Cultural risk arises if sediment retention is treated purely as a commodity, rather than as part of a broader kaitiakitanga framework. Stakeholders also cautioned against overselling precision: sediment models are powerful decision tools, but not perfect measurement devices, and should be used proportionately.

Enabling conditions and institutional roles - Effective PES requires strong data, credible modelling, and a trusted governance platform. Local and regional Councils play a key enabling role by providing baseline data, aligning PES with planning and compliance frameworks, and co-funding payments where public benefit is clear. The port and aquaculture sectors are natural private co-beneficiaries, particularly where sediment reduction lowers dredging costs, protects shellfish health, or improves operational resilience.

Te Hoiere governance is well positioned to act as the intermediary, coordinating modelling, aggregating landowners, administering contracts, and ensuring transparency in payment flows and outcomes. This intermediary role is critical to reducing transaction costs and maintaining trust. Under these conditions, PES for sediment retention functions as a highly targeted, outcome-driven instrument that can anchor a broader catchment finance portfolio.

6.3.4 Log Levies (forestry exports)

What the instrument is - A log levy is a targeted environmental charge applied to forestry logs exported through Havelock Harbour, typically calculated on a per–cubic metre basis. In Te Hoiere catchment, it functions as a industry-pays instrument that links commercial forestry activity, particularly clear-fell harvest and haulage, to the downstream sediment and infrastructure impacts experienced in waterways, estuaries, and the harbour. Revenue is ring-fenced for catchment restoration, sediment mitigation, and supporting infrastructure, directly tying land-use pressure to environmental response.

How the instrument works in practice - In practice, a log levy would be enabled through a Council bylaw or regulatory instrument under existing local Government or resource management powers, with collection occurring at a natural control point such as the port. Stakeholder discussions indicate that Port Marlborough would be a logical collection interface, provided the instrument is administratively simple and clearly external to port operational decisions.

Pricing is typically volume-based, with scope to differentiate charges by environmental risk profile, such as slope, soil type, or harvest timing. International precedents show that modest levies can generate meaningful revenue without materially distorting export markets[52] [53]. In the Marlborough context, indicative volumes suggest the levy could generate several hundred thousand dollars annually, creating a stable funding base for sediment-focused interventions.

Benefits in a catchment context - The primary benefit of a log levy is causal alignment. Forestry harvest has been repeatedly identified by stakeholders and evidenced as a major driver of sediment loads, particularly during and after harvest cycles. A levy internalises a portion of this cost, converting diffuse environmental harm into a predictable funding stream for remediation.

Unlike voluntary instruments, a levy provides durability and scale. It can underpin long-term investments such as haul-road upgrades, slope stabilisation, wetland restoration, and native reversion on erosion-prone land. It also improves fairness by reducing reliance on ratepayers and non-forestry sectors to fund

[52]https://www2.gov.bc.ca/gov/content/taxes/natural-resource-taxes/forestry/stumpage
[53]https://www.oregon.gov/dor/programs/property/pages/timber-harvest-taxes.aspx

the consequences of forestry activity. When paired with PES or transition support, a log levy can actively nudge forestry toward lower-impact practices rather than acting as a blunt penalty.

Key barriers and risks - This is a politically hard instrument. Forestry operators are likely to resist additional costs, particularly where margins are tight or where charges are perceived to be passed down to smaller landowners. There is a real risk of legal challenge if the levy is poorly designed or lacks a clear statutory basis.

Equity considerations are significant. Iwi-owned forestry assets and long-rotation landowners must not be inadvertently penalised relative to short-term or speculative harvest. Stakeholders also cautioned that revenue credibility is fragile; if funds are not clearly reinvested in forestry-relevant sediment solutions, industry opposition will harden quickly. Finally, a levy alone does not change behaviour unless it is paired with visible alternatives and support.

Enabling conditions and institutional roles - Successful implementation depends on strong legal design, transparent governance, and clear reinvestment logic. Marlborough District Council would play the central role in establishing the levy, setting rates, and ensuring funds are ring-fenced and defensible. Port Marlborough's role is primarily administrative, providing a practical collection point rather than policy leadership.

Te Hoiere governance is well positioned to guide investment priorities, ensuring levy revenue is directed toward interventions that demonstrably reduce sediment risk in forestry-dominated sub-catchments. Forestry sector participation is essential, particularly in co-designing how levy revenue is recycled into transition pathways, such as improved harvest practices or retirement of high-risk land. Under these conditions, a log levy becomes a strong but demanding instrument: high impact, high scrutiny, and only viable when paired with trust and transparency. There could be an opportunity for THP to begin exploring and testing the co-development of a log levy in the catchment to help MDC advance this initiative.

6.3.5 QEII Covenant

What the instrument is - QEII covenants are a legal protection instrument that permanently protects ecologically significant or erosion-prone land on private property through a voluntary agreement registered on the land title. In Te Hoiere catchment, QEII covenants are typically paired with local Government landowner support programmes to secure long-term biodiversity protection and sediment reduction outcomes, particularly on steep hill country, gullies, wetlands, and retired forestry land. While not a revenue-generating instrument, QEII covenants create durable environmental outcomes that justify ongoing public and philanthropic investment.

How the instrument works in practice - Covenants are administered nationally by the QEII National Trust, which undertakes ecological assessment, legal agreement, and long-term oversight. In Marlborough, this is commonly complemented by Marlborough District Council landowner assistance, including fencing subsidies, technical advice, and limited grant support. Together, these instruments reduce the upfront cost barrier for landowners and increase uptake.

Stakeholder discussions indicate that QEII covenants are well understood and broadly accepted, particularly where they align with existing land use constraints or low-productivity areas. They are most effective where sediment reduction is an explicit objective of site selection and management, rather than an assumed co-benefit of biodiversity protection.

Benefits in a catchment context - The primary strength of QEII covenants is permanence. By locking in land protection across ownership changes, covenants provide long-term certainty that erosion-prone

areas will not revert to sediment-generating land uses. This is particularly valuable in catchments like Te Hoiere, where sediment impacts are cumulative and long-lived.

Covenants also offer strong legitimacy. They are familiar to Councils, landowners, and funders, and provide a clear legal basis for public investment in fencing, restoration, and monitoring. In a broader finance portfolio, QEII covenants function as a stabilising backbone, underpinning more flexible or performance-based instruments such as PES or biodiversity credits.

Key barriers and risks - QEII covenants do not generate cash income for landowners and involve significant upfront costs, particularly for fencing and legal work. As a result, uptake is skewed toward landowners with sufficient capacity or motivation, raising equity concerns. From a sediment perspective, there is a risk that covenants prioritise biodiversity values without sufficiently targeting the highest sediment-risk areas.

Cultural considerations are also material. Permanent legal instruments can conflict with Māori land tenure arrangements or kaitiakitanga aspirations if not carefully co-designed. Stakeholders cautioned against assuming QEII is universally appropriate, particularly on Māori land or where adaptive management may be required under climate change.

Enabling conditions and institutional roles - Effective use of QEII covenants for sediment reduction depends on strategic targeting, adequate co-funding, and strong relationships. The QEII National Trust provides the legal and ecological foundation, while Marlborough District Council plays a critical enabling role by lowering participation barriers through grants, advice, and integration with catchment priorities.

Te Hoiere governance can add value by identifying priority areas for covenanting based on sediment risk modelling, coordinating complementary interventions upstream and downstream, and ensuring covenants are embedded within a wider catchment strategy rather than treated as standalone wins. Under these conditions, QEII covenants are a conservative but powerful instrument: low controversy, high durability, and essential for long-term sediment and biodiversity outcomes, albeit limited in scale without additional incentives.

6.3.6 Native carbon credits (private market providers)

What the instrument is - Native carbon credits are a market-based instrument that enable landowners to generate verified carbon units through native forest regeneration or afforestation on eligible land. Credits are issued under voluntary or compliance frameworks and sold to buyers seeking high-integrity, nature-positive carbon offsets. In Te Hoiere catchment, native carbon credits are particularly relevant for erosion-prone land, post-forestry transition areas, and marginal hill country where native regeneration delivers both long-term carbon sequestration and sediment reduction.

How the instrument works in practice - Landowners register eligible post-1989 native forest or afforestation projects with a verified provider such as My Native Forest [54], or under the New Zealand Emissions Trading Scheme where appropriate. Projects require permanent or long-term land-use change commitments, remote sensing and field verification, and ongoing monitoring. Credits are issued based on carbon growth modelling and sold either into compliance markets or to voluntary buyers seeking premium native credits.

Stakeholder discussions indicate that native carbon projects are most viable where administrative burden is reduced through aggregation. Individual landowners often lack the capital, technical knowledge, or

[54]https://www.mynativeforest.com/

appetite to navigate registration and verification alone. Collective schemes or intermediary models are therefore critical, particularly in catchments dominated by smaller or mixed landholdings.

Benefits in a catchment context - The principal benefit of native carbon credits is co-financing. While carbon is the primary commodity, native regeneration on steep or erosion-prone land delivers strong sediment retention outcomes through slope stabilisation, root network development, and canopy cover. This aligns well with long-term sediment reduction goals in Te Hoiere.

Native carbon credits also respond to rising corporate reporting and disclosure requirements, particularly under emerging nature-related financial frameworks such as ESG or TNFD. Premium voluntary credits that demonstrate biodiversity and catchment co-benefits can command higher prices, strengthening the economic case for permanent land-use transition. When paired with PES or covenants, carbon revenue can assist in offsetting the opportunity cost of retiring high-risk land.

Key barriers and risks - Native carbon credits are not a rapid funding solution. Early-year sequestration rates are modest, and revenue typically scales over 5–10 years. Market volatility is material; credit prices depend on buyer preference for native credits relative to exotic forestry units. Upfront costs for fencing, planting, registration, and verification can be significant, and commission fees reduce net returns.

There are also cultural and governance risks. Permanent land-use lock-in can conflict with future land flexibility or tikanga Māori perspectives if not co-designed. Stakeholders cautioned against positioning carbon as a primary sediment solution; and while synergistic, carbon markets respond to carbon value first and environmental co-benefits second.

Furthermore, there are potential risks of "double-counting" wider ecosystem service values if stacked with other instruments such as PES for sediment reduction or biodiversity credits. If native carbon credits command a premium price due to wider co-benefits, then careful structuring of other instruments addressing these co-benefits directly must take place to ensure the same values, benefits, or services are not counted twice, effectively overvaluing the environmental activity and therefore financial returns.

Enabling conditions and institutional roles - Effective implementation requires clear eligibility, credible verification, and access to buyers. Providers such as My Native Forest supply technical capability, modelling, and market access. Marlborough District Council plays an enabling role by aligning native regeneration with catchment priorities and potentially co-funding establishment costs on erosion-prone land.

Te Hoiere governance is well positioned to act as an aggregator and intermediary, bundling multiple properties into a catchment-scale scheme, reducing transaction costs, and aligning carbon projects with sediment risk modelling. Under these conditions, native carbon credits function as a strong co-financing instrument within a broader portfolio, supporting long-term land-use transition rather than acting as a standalone solution. THP should consider incentivising/funding an initial project in the catchment to develop local knowledge and capability.

6.3.7 Labour credits (Toha network)

What the instrument is - Labour credits are an alternative environmental currency that rewards verified on-the-ground restoration work rather than ecosystem outcomes alone. Through digital platforms such as Toha Network, landowners and community groups earn tradable credits for activities including riparian fencing, native planting, road decommissioning, and slope stabilisation. These credits are sold to buyers seeking transparent, auditable environmental impact, effectively monetising practical restoration effort without relying solely on carbon or biodiversity markets.

How the instrument works in practice - Projects are logged and verified through a digital impact ledger, where specific actions are recorded, assigned a value, and issued as credits. Buyers, typically corporates, Government agencies, or philanthropic funders, purchase credits to demonstrate measurable environmental contribution. Unlike carbon markets, which monetise long-term sequestration, labour credits monetise the work itself, provided that quality assurance and verification standards are met.

Stakeholder discussions indicate that this instrument is most credible when embedded within an existing governance structure that ensures quality control, equity, and alignment with catchment priorities. Digital infrastructure and transparent tracking are central to its integrity. Without these safeguards, the instrument risks being perceived as activity-based funding without durable environmental outcomes.

Benefits in a catchment context - The primary strength of labour credits is immediacy and inclusivity. They directly reward the types of sediment-reducing activities required in Te Hoiere, including fencing waterways, stabilising slopes, decommissioning high-risk forestry roads, and restoring wetlands. This makes the causal link between action and sediment reduction clear and tangible.

Labour credits also mobilise underutilised community capacity. They provide a pathway for smaller landholders, community groups, and iwi-led initiatives to participate in restoration without navigating complex carbon or biodiversity registration processes. In this sense, they fill a structural gap in catchment finance portfolios by monetising effort and engagement alongside environmental performance.

Key barriers and risks - The most significant risk is credibility. If credits are issued based on activity alone without robust quality control, buyers may question their environmental value. Early-stage demand is uncertain, and the instrument depends on sustained buyer confidence in the integrity of the platform.

Digital access and literacy may present participation barriers for rural landowners or community groups. There is also cultural risk if labour credits reduce kaitiakitanga or customary stewardship to transactional units without co-design and governance involvement. Stakeholders have emphasised the need for transparency and equity to avoid perceptions of greenwashing or administrative overhead dominating actual restoration spend.

Enabling conditions and institutional roles - Successful implementation requires strong governance, verification standards, and buyer relationships. The Toha platform provides digital infrastructure and registry functionality, but local institutional oversight is essential. Marlborough District Council can play an enabling role by recognising labour credits as complementary to existing grant or landowner support schemes. In the Kaipara Moana Remediation Programme (KMR's) contractors, including fencers and nurseries are offered accreditation if they meet standards that align with KMR's established criteria. The accreditation process also sets expectations for contractors to support achievement of KMR's remediation goals in a broad sense (e.g., sharing knowledge, collaborating with others especially Kaipara Uri, and seeking opportunities for staff and volunteer training). A similar process could be established by THP that aligns with Toha.

Te Hoiere governance is particularly well suited to act as the coordinating intermediary, aggregating projects, ensuring alignment with sediment risk modelling, and maintaining transparency across credit issuance and revenue distribution. When embedded within a broader portfolio that includes PES, covenants, and carbon instruments, labour credits function as a flexible mobilisation tool that accelerates action and strengthens community buy-in.

6.3.8 Sediment discharge levy (with cap-and-trade option)

What the instrument is - A sediment discharge levy is a regulatory pricing instrument that charges land users for sediment generated beyond an agreed baseline or threshold. Charges can be calculated per

tonne of sediment or through risk-weighted proxies linked to land use, slope, soil type, and harvest intensity. An advanced version introduces a cap-and-trade system, where a total sediment cap is set at catchment level and discharge permits can be traded between land users.

In Te Hoiere context, the levy internalises sediment as an explicit economic cost, directly linking land-use practices to downstream environmental impacts and restoration funding.

How the instrument works in practice - Implementation requires robust baseline sediment modelling by sub-catchment and land-use type, supported by monitoring tools such as remote sensing, turbidity loggers, and risk-based land audits. Charges may initially apply to the highest-risk activities, particularly steep-slope forestry harvesting, infrastructure earthworks, or poorly managed roading.

If cap-and-trade is introduced, permits are allocated based on a defined methodology and recorded in a registry similar in concept to the New Zealand Emissions Trading Scheme. Landowners who reduce sediment below their allocation can sell surplus allowances; those exceeding limits must purchase permits or pay higher levies. An example is the nitrogen cap-and-trade scheme established for Lake Taupo in the Waikato [55].

Stakeholder discussions indicate that while the economic logic is strong, institutional appetite for a full cap-and-trade system is currently limited. Council capacity constraints and political risk suggest that, if pursued, a simple levy on clearly defined high-risk activities would be more feasible than immediate trading.

Benefits in a catchment context - The primary strength of a sediment discharge levy is direct accountability. It addresses sediment at source rather than relying on voluntary or indirect incentives. Unlike biodiversity or carbon credits, the causal pathway is immediate: higher-risk practices incur higher cost.

A levy creates a continuous incentive for innovation in erosion control, harvest timing, slope stabilisation, and road design. It also generates a predictable revenue stream that can be ring-fenced for catchment restoration, modelling improvements, and targeted mitigation projects. In theory, a cap-and-trade model increases efficiency by ensuring sediment reductions occur where they are cheapest to achieve.

Key barriers and risks - This is a high-complexity, high-political-capital instrument. Sediment modelling uncertainty poses environmental risk if thresholds are poorly calibrated or mispriced. Economic impacts may be concentrated on productive sectors, particularly forestry, creating strong resistance if mitigation options are limited or found to be ineffective.

Social and equity concerns are significant. Small landholders may struggle with compliance costs and transaction complexity. Cultural risk is particularly sensitive where regulatory instruments intersect with whenua Māori; co-design is essential to avoid undermining tino rangatiratanga.

Stakeholder signals suggest that, while the logic is acknowledged, institutional readiness for a full trading scheme is currently low. Without strong modelling, legal clarity, and administrative capacity, the instrument risks being contested or diluted.

Enabling conditions and institutional roles - Successful implementation depends on credible sediment baselines, legal authority under resource management legislation, and strong enforcement capability. Marlborough District Council would be the primary regulatory authority, responsible for threshold setting, levy design, and revenue ring-fencing.

[55]https://www.waikatoregion.govt.nz/assets/WRC/WRC-2019/TR201334.pdf

Te Hoiere governance can support by providing modelling insight, coordinating stakeholder engagement, and ensuring transparency in how revenue is reinvested. Sector participation, particularly from forestry and infrastructure operators, is essential to maintain legitimacy. A phased approach is advisable: begin with a targeted levy on clearly defined high-risk activities and only explore trading once institutional capacity and trust are established.

6.3.9 Rates rebate (environmental stewardship)

What the instrument is - A rates rebate is a local Government fiscal incentive that reduces property rates in exchange for verified environmental actions that deliver public benefit. In Te Hoiere catchment, rebates can be tied to sediment-reducing practices such as riparian fencing and planting, wetland protection, steep land retirement, and erosion control works. The instrument shifts some of the cost of catchment stewardship away from individual landowners by recognising that sediment reduction generates community-wide benefits downstream.

How the instrument works in practice - Rates rebates are enabled through local Government rating powers, typically implemented as targeted or policy-based rebates with defined eligibility criteria. Landowners apply by documenting completed works against an approved list of actions. Verification can be light-touch (self-assessment with audits) or more formal (site inspections or third-party review), depending on administrative capacity and risk of gaming.

Meeting signals from Councils suggest the strongest pathway is to keep the scheme administratively simple and aligned with existing Council programmes, avoiding bespoke systems that require new staffing. Rebates can also be structured to complement existing tools such as QEII covenants or landowner assistance programmes, effectively creating a coherent incentive ladder rather than a disconnected one-off scheme.

Benefits in a catchment context - The main benefit of rates rebates is feasibility and reach. They are locally controlled, understandable to landowners, and comparatively quick to implement relative to market-based instruments. Rebates can be targeted to high-risk sediment zones, improving efficiency by directing incentives where they matter most.

Rates rebates also have an important behavioural function. They create an entry-level incentive that encourages landowners to engage, build trust, and start documenting environmental works. In a portfolio sense, they act as a bridge instrument that can feed landowners into higher-value instruments later, such as PES (sediment retention), native carbon schemes, or biodiversity credits. This highlights that whilst the financial contributions may be marginal, rates rebates act as a market signal to other investment as it shows local Government support, enhancing the structural legitimacy of the environmental initiatives.

Key barriers and risks - The primary constraint is fiscal. Rebates reduce Council revenue and therefore require clear budget trade-offs or reallocation from existing environmental budgets. Environmental effectiveness depends on targeting and verification. Poorly designed schemes can incentivise low-impact actions or strategic compliance without meaningful sediment reduction.

Equity is also a live issue. Larger landowners, or those with better information and upfront capital, may capture disproportionate benefits unless outreach and support is provided for smaller landholders and collectives. Cultural risk arises if kaitiakitanga-aligned practices are not recognised within eligibility criteria, particularly where stewardship outcomes do not fit conventional "countable" actions.

Enabling conditions and institutional roles - Successful rebates require clear eligibility rules, practical verification, and a communication strategy that makes the scheme easy to access. Marlborough District

Council is the key enabling institution, responsible for scheme design, administration, and aligning rebates with catchment priorities and planning frameworks.

Te Hoiere governance can strengthen effectiveness by linking rebate eligibility to sediment risk mapping and by providing a trusted pathway for landowners to participate. The private sector has a limited direct role but can complement the scheme through co-funding or sponsorship where rebates are paired with visible catchment projects. In this configuration, rates rebates are best viewed as a near-term, politically durable instrument that builds landowner participation and supports sediment outcomes, even if it does not deliver large revenue flows on its own.

6.3.10 Green bonds and environmental impact bonds

What the instrument is - Green bonds and EIBs are structured finance instruments that raise upfront capital for environmental projects, with repayment over time. Both mobilise private investment into catchment-scale interventions such as native afforestation, erosion control, forestry road retirement, and sediment mitigation.

A green bond is a 'thematic debt instrument'[56] where repayment is typically backed by a Council, iwi entity, water fund, or revenue stream such as carbon or PES contracts. An Environmental Impact Bond is outcome-based: investors are repaid only if predefined ecological performance targets are achieved, shifting delivery risk away from the public sector.

In Te Hoiere context, both instruments aim to bridge the capital gap required for large-scale sediment reduction and permanent land-use change.

How the instrument works in practice - Green bonds require a credible issuer with sufficient creditworthiness, a pipeline of measurable projects, and certification under recognised standards such as the ICMA Green Bond Principles. Capital is raised from institutional or impact investors and deployed into defined environmental activities. Repayment is supported by predictable revenue streams, Council backing, or blended finance arrangements.

EIBs are more complex. They require clearly defined, independently verifiable outcome metrics, such as tonnes of sediment reduced or turbidity thresholds met. Investors provide capital upfront, and repayment by an outcome payer, such as Marlborough District Council, central Government, or a philanthropic trust, occurs only if agreed ecological results are achieved.

Stakeholder signals indicate that while capital market interest exists, institutional readiness at local level remains limited. Structuring costs, legal complexity, and monitoring requirements are material barriers unless the intervention scale justifies them.

Benefits in a catchment context - The primary benefit of both instruments is scale. They would allow Te Hoiere to finance multi-million-dollar restoration and land transition programmes without waiting for incremental grants or levies to accumulate.

Green bonds provide relatively predictable capital for large-scale native regeneration and erosion-prone land retirement. EIBs introduce strong accountability, linking repayment directly to sediment reduction

[56]Thematic bonds offer financial and non-financial benefits linked to the environmental benefits they address. For example they offer higher visibility and reputational advantage for companies issuing bonds, signalling their commitment to environmental sustainability. Offering thematic bonds can reach new and diverse, socially and environmentally responsible investors, and also mobilise private capital otherwise relatively inaccessible to environmental projects.

performance. This shifts financial risk from the public sector to investors and creates disciplined delivery incentives.

Both instruments align well with investor appetite for nature-based solutions and climate-aligned assets, particularly where projects generate layered revenue from carbon credits, PES contracts, or levies.

Key barriers and risks - Complexity is the dominant constraint. International case studies indicate that structuring costs for EIBs can exceed NZD $200,000, reflecting legal, financial modelling, and independent verification requirements. These costs mean EIBs are typically only viable at sufficient project scale. Monitoring and verification must be robust; weak sediment metrics undermine credibility.

Green bonds introduce repayment risk if projected carbon or PES revenue underperforms. EIBs risk oversimplifying ecosystem outcomes into narrow performance triggers. Both carry social and cultural risks if land-use change is financed in a top-down manner without iwi partnership and co-design.

Stakeholder discussions reinforce that institutional capacity, not capital availability, is currently the binding constraint.

Enabling conditions and institutional roles - Successful deployment requires a credible issuer and clearly defined revenue stack. Marlborough District Council could act as issuer or outcome payer, though this would require political commitment and balance sheet confidence. Alternatively, an iwi trust, public–private water fund, or partnership vehicle could issue with Council backing.

Te Hoiere governance would provide the integrative platform: defining sediment baselines, coordinating delivery partners, and ensuring transparency in reporting. The private sector participates as investors, not payers, and requires clear ESG metrics and governance assurance. Carbon, PES, or levy revenues can underpin repayment in green bond models, while EIBs rely on verified ecological performance.

Under the right conditions, these instruments enable transformational scale. Without institutional discipline and co-design, they become expensive financial architecture layered onto fragile governance. Given that THP is incentivised to develop stronger governance for other reasons, this offers an opportunity to also enable bonds and more effectively target diverse private capital.

6.3.11 Water fund (Te-Hoiere Pelorus Water Fund)

What the instrument is - A water fund is a regional blended finance vehicle that pools capital from public, private, and philanthropic sources to invest in catchment-scale environmental outcomes. In Te Hoiere context, the Pelorus Water Fund could function as a dedicated, multi-stakeholder platform to finance sediment reduction, restoration, and long-term catchment resilience. Rather than being a funding source itself, it operates as a coordinating financial structure that aggregates diverse revenue streams and channels them into prioritised, outcome-driven interventions.

How the instrument works in practice - Water funds typically involve founding partners such as regional or district Councils, mana whenua, key water users, and philanthropic actors. Capital may include Government seed funding, private sector contributions, levies, credit revenues, or impact investment. The fund is structured as a legal entity with fiduciary[57] governance, an agreed investment plan, and a transparent monitoring framework.

International water funds demonstrate that pooled, place-based investment platforms are most effective where there is clear co-governance, technical prioritisation of projects, and long-term commitment from anchor institutions. In the Marlborough context, the fund would integrate multiple instruments already

[57]Fiduciary – a person or entity legally and ethically obligated to act in another party's best interest.

discussed, including PES, levies, carbon revenues, and philanthropic grants, creating a stable financial architecture rather than relying on episodic funding rounds.

Benefits in a catchment context - The primary benefit of a water fund is institutional coherence. It reduces fragmentation by providing a single platform through which capital is received, managed, and deployed against an agreed catchment investment plan. This shifts the model from short-term project funding toward long-term portfolio management.

A water fund also enhances leverage. Government seed funding can attract/leverage private and philanthropic capital. Levies and credit revenues can be ring-fenced and transparently reinvested. Investors and donors gain confidence from structured governance and measurable outcomes. For Te Hoiere, this would create the ability to finance sediment mitigation, restoration, road retirement, riparian planting, and adaptive management at meaningful scale.

Key barriers and risks -The greatest risks are governance and capitalisation. Without clear founding partners and recurring revenue sources, a water fund risks becoming an undercapitalised coordination body rather than a genuine financial vehicle. Poor project selection driven by politics rather than sediment modelling can undermine credibility.

There are also social and cultural risks. Governance fatigue, power imbalances, or weak partnership with mana whenua can erode legitimacy. If the fund appears to centralise control without transparent benefit-sharing, trust will deteriorate quickly. Stakeholder discussions reinforce that role clarity between Council, Te Hoiere governance, and the fund entity must be explicit from the outset.

Enabling conditions and institutional roles - Successful implementation requires strong co-governance, a defined catchment investment strategy, and the capacity to accept and manage multiple capital types. Marlborough District Council plays a foundational role as regulator, potential seed funder, and anchor partner. Mana whenua participation must be embedded structurally, not advisory.

Te Hoiere governance provides the natural backbone for investment prioritisation, science integration, and stakeholder alignment. The private sector, including aquaculture, port, forestry, and tourism operators, participates as contributors and beneficiaries, particularly where sediment reduction supports operational resilience. Under these conditions, the water fund becomes the institutional spine of the catchment finance system, converting levies, credits, grants, and impact capital into coordinated, long-term sediment and biodiversity enhancement outcomes.

Strategically, this instrument sits at the portfolio integration end of the spectrum. It does not replace the other instruments; it organises them. Without it, the instruments remain discrete tools. With it, they become a system.

7 Strategic Direction and Actions for Phase 2

Te Hoiere's economic system is tightly coupled to its ecological condition. Forestry exports, pastoral production, aquaculture viability, port access and tourism experience all depend on catchment and harbour health. The consultation process confirms that stakeholders understand this interdependence. The challenge is not awareness. It is alignment, equity and scale.

The next phase must convert this shared recognition into a focused, implementable funding architecture that is:

- Economically proportionate
- Politically realistic
- Governance-ready
- Scientifically defensible.

Only then can catchment-scale restoration move from aspiration to durable financing. This Phase 1 work does not recommend immediate deployment of all identified instruments. Instead, it establishes the following priorities and associated actions for Phase 2, categorised as:

- **Enabling Governance actions** – these are the governance arrangements required to develop THP to a point where the Project is able to attract, allocate and report on the outcomes of restoration actions. This includes the institutional entity, partnerships, and marketing material to sell the story, and the financial and reporting systems to provide transparency that supports ongoing confidence and reinforces the partnerships that sustain funding.
- **Sustainable Finance Instrument actions** – required to test the feasibility of the priority instruments, define and refine the system needs to operationalise them. This process will also firm up understanding of the likely revenue available through the instruments.

Success in Phase 2 will require time and space with engagement and 'buy in' from environmental and economic sectors, community and Iwi to achieve the requirements of a successful funding architecture.

7.1 Enabling Governance Actions

The following steps detail the recommended enabling governance actions for THP to progress towards sustainable financing and sustained action.

7.1.1 Clarify investment to date

The Project investment to date is a basis for leveraging additional funding. More specifically, the proportion of existing investment dedicated to restoration works may qualify as labour credits through the Toha system. As discussed in Section 5.2, not all the restoration investment to date is accounted for. Capturing this cost to date and maintaining the balance sheet is therefore **a priority, and immediate action**. Compartmentalising these costs in the form of CAPEX and OPEX will offer further advantages by clarifying project needs and costs going forward. By doing so, this will help position THP in a manner that is transparent.

It would be useful to portray investment required against the project objectives and across a matrix of social, economic, cultural, biodiversity and economic outcomes as different funders will be interested in different aspects of the project. This will further help to highlight aspects of the project that are applicable for corporate ESG reporting requirements and categories – further opening the window of funding opportunities. As mentioned earlier, some funders will find different aspects of THP more appealing to fund than others and so by compartmentalising and categorising various projects and associated costs, Te Hoiere will be positioned well for a blend of funding opportunities.

Where it is not possible to report expenditure against a project objective, this signals a gap to be addressed going forward.

7.1.2 Clarify the scale of intervention and investment required

Knowing how much funding is required over the short, medium and long term is necessary for developing the funding portfolio (i.e., how much funding, what type and when it is required, and what type of funding is best suited to meet the range of needs).

It was reported that a stocktake, revision and prioritisation of the ICEP actions was required as part of confirming funding requirements going forward. The governance review process has established project management and coordination costs going forward. However, while in process through the development of a sediment management and biodiversity programme, costs for securing finance to scale up enhancement, restoration and other conservation efforts need to be developed.

Confirming the future revenue need requires quantifying, for example, sediment reduction targets, the actions required to achieve them (kilometres of planting and fencing, wetland areas to be restored, pest species control and so on) – and the associated costs of these actions. The recently initiated sediment programme business plan is an example of what is required, for all project themes i.e. biodiversity, education, cultural aspects, monitoring and so on, including securing sustainable financing. This is a **priority and immediate action.**

7.1.3 Enhance the storytelling – market the project

Given the diminishing pool and competitive nature of the funding landscape at present, catchment organisations that are able to best sell their story will be more attractive to a broader suite of funders across the range of funding types – philanthropic, grants, research and so on. Some practical actions for storytelling include:

- **Enhancing the spatial representation of the project**. The ICEP storymap[58] included spatial and graphic representation of stakeholder values and connections to the catchment. It also provided a spatial depiction of actions with supporting graphics, which could be updated to incorporate action completed since the release of the ICEP. This component of the THP website would also benefit from an established update schedule, method and task delegation. The Waikato River Authority projects map[59] is another example of how funders can track progress of projects.

  Spatially depicting the foundational work done by MDC to identify sedimentation risk, combined with a suite of geomorphological analyses also demonstrates 'due diligence' undertaken to inform restoration planning and improves confidence for funders.

[58]https://storymaps.arcgis.com/stories/db492eaf502d40b0a7ae57a9c8b570d6
[59]https://waikatoriver.org.nz/funded-projects/

- **Optimise monitoring and reporting** by developing summary scorecards and complementary maps that show evidence of outcomes across social, cultural, environmental and economic well-beings, and publishing these online. Evidence is a requirement across all funding types and building it for all aspects (social, cultural, environmental, economic) will attract a broader range of funding. For the purposes of this report, this has been named *Te Hoiere Healthy Harbour Report* Card. A deeper analysis and example structure can be found in Appendix 2.

Port Marlborough already produces annual sustainability reporting. Marlborough District Council, MPI, ESNZ (NIWA), and iwi maintain monitoring datasets. THP has invested more than $13 million NZD in biodiversity restoration, erosion risk mapping, bat recovery, and nursery capacity. There are several national monitoring frameworks that could be considered in generating an integrated monitoring framework and report card, including freshwater (Clapcott et al., 2018, Clapcott et al., 2019, MfE, 2024), and estuarine (Stevens LM, 2025) references.

A Healthy Harbour Report Card expands and aligns existing reporting into a unified, independently reviewed framework that grades environmental, cultural, social, and economic health at catchment scale. It becomes the shared evidence base. This should also be represented spatially.

In summary, a coordinated geospatial platform that spatially references, values, actions, research and monitoring activities with accompanying videos and photos will provide rich storytelling and serve as an important marketing tool. Including the monitoring outcomes via report cards and links to supporting reports provides the evidence base and transparency required by funders – particularly when considering and evaluating the environmental impact of the funded intervention or action. The content is mostly available in reports, newsletters and the monitoring reports. Pulling it together in an appropriate platform (GIS Storymap linked to the project website or similar) should be a **short term and priority action.**

7.1.4 Design a governance architecture to enable a sustainable funding portfolio

This report has highlighted the importance of the governance structures for securing a diverse and sustainable funding portfolio across the funding avenues presented in Section 4.1. These include, the nature of the host organisation, and the resources and systems for coordination, marketing and communication required to operationalise them. The THP strategic review has culminated in a decision at this point to stay with a model where MDC continues to host the project. This decision is largely informed by a lack of funding and the financial efficiencies of Council hosting the project. An alternative structure is presented in Figure 8.

This architecture requires the Trust to register as a charitable entity under Charities Services**.** The costs and benefits of this option are documented in the Project strategic review. Challenges included increased costs and responsibilities for staff, financial reporting, and associated organisational requirements (policies etc), and for the trust to take responsibility for project managing and hosting. However, benefits include investment from the broader range of funding and enabling sustainable funding mechanisms.

As this report suggests, discussions with various stakeholders indicate a challenge is the perception that THP is nestled under the umbrella of MDC, which has hindered project uptake, outreach and scalability on the ground. An independent structure for THP is presented below to mitigate these perceptions. The proposed architecture rests on three interdependent pillars:

- **Te Hoiere Partnership** – the co-governed strategic oversight body.
- **Healthy Harbour Report Card** – the integrated monitoring and public accountability platform.
- **Te Hoiere Water Fund** – the blended finance vehicle that aggregates and allocates capital.

This architecture is not trying to replace existing efforts. It attempts to consolidate and enhance them.

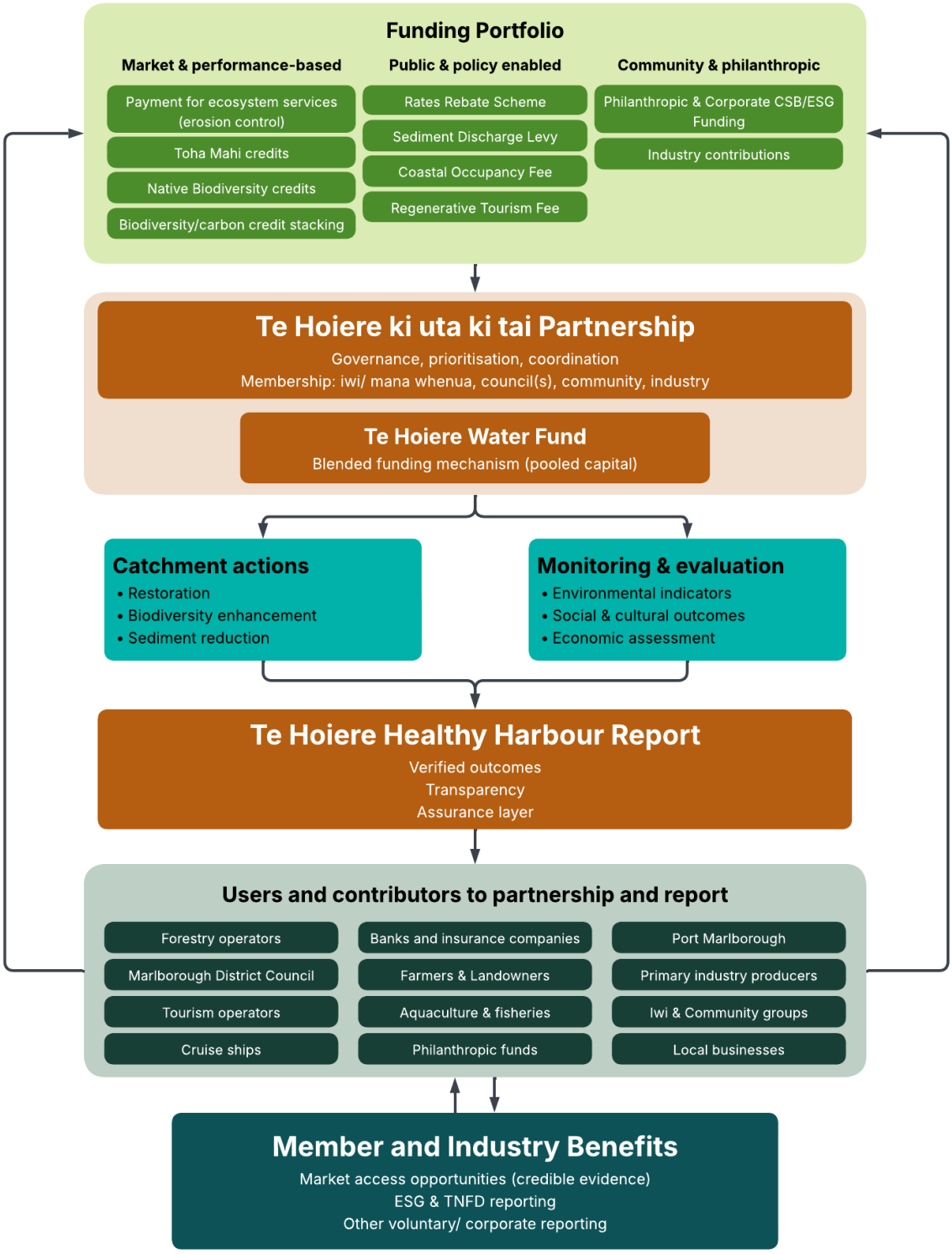


Figure 8 Alternative project governance architecture to unlock multiple funding streams and enable sustainable finance instruments

How the System Functions

The proposed Te Hoiere finance model operates as an integrated, closed-loop system linking funding, governance, action, and verified outcomes.

1. Funding Mechanisms: Multiple Entry Points, Single Direction

At the top of the system sits diverse funding mechanisms. These include public and policy-enabled instruments, market and performance-based tools, and community and philanthropic contributions.

Each mechanism reflects a different entry point into the system:

- Policy-enabled tools such as sediment-related levies or ecosystem service payments.
- Market-aligned mechanisms including carbon and biodiversity credits.
- Structured fiscal instruments such as rates rebates and occupancy fees.
- Philanthropic and corporate ESG contributions.
- Industry co-financing agreements.

While the funding sources differ in origin and rationale, they converge through a common channel rather than operating independently. This convergence is deliberate as fragmented funding can lead to fragmented outcomes. The model pools capital before deployment.

2. Governance and Prioritisation: The Partnership Layer

All funding flows to the Te Hoiere ki uta ki tai Partnership. This body is responsible for:

- Strategic prioritisation.
- Ensuring co-governance with iwi and council.
- Coordinating across sectors.
- Aligning investments with long-term catchment objectives.

The Partnership does not hold funds informally. Capital is directed into Te Hoiere Water Fund, a structured blended finance vehicle that pools contributions and allocates them transparently.

This separation of governance and pooled capital management ensures:

- Decision-making discipline.
- Clear accountability.
- Avoidance of duplication across agencies.

3. Pooled Capital Deployment: Catchment Actions

From the Water Fund, pooled capital is deployed into priority catchment actions as directed by Partnership governance . These include:

- Sediment reduction and erosion mitigation.
- Restoration and biodiversity enhancement.
- Community engagement and education initiatives.

Importantly, projects are not funded opportunistically. They are prioritised according to system-wide performance signals generated by the Healthy Harbour Report Card.

4. Monitoring and Evaluation: System Feedback

Parallel to project delivery, environmental, cultural, social, and economic indicators are monitored.
This monitoring is integrated rather than siloed and includes:

- Sediment and water quality metrics.

- Habitat condition and biodiversity measures.
- Cultural indicators.
- Social perception and access metrics.
- Harbour-dependent economic performance.

Monitoring informs the annual Healthy Harbour Report Card, which independently grades system performance.

5. Assurance and Verification: The Healthy Harbour Report Card

The Healthy Harbour Report Card sits at the base of the system as the assurance layer.
It performs three core functions:

- Verifies outcomes.
- Provides transparent public reporting.
- Creates defensible evidence for contributors and investors.

It closes the loop. Verified results flow back to users and contributors. Contributors can then see how their capital influenced measurable system improvements. This in turn strengthens governance credibility. Market access improves, and ESG and TNFD reporting becomes evidence-based rather than narrative-based. This assurance layer differentiates the model from conventional grant allocation systems. Monitoring efficiencies are constantly sought and created by operating an integrated system.

6. Users, Contributors, and Benefits

At the base of the diagram sit the system's contributors and beneficiaries:

- Iwi.
- Catchment groups and community.
- Forestry operators.
- Farmers and landowners.
- Aquaculture and fisheries.
- Port Marlborough.
- Tourism operators.
- Local businesses.
- Banks and insurers.
- Philanthropic funds.
- Marlborough District Council and central agencies.

Their financial contributions feed into the system. In return, they receive:

- Credible evidence of environmental improvement.
- ESG and TNFD-aligned reporting capability.
- Reduced regulatory uncertainty through transparent monitoring.
- Enhanced market access opportunities.
- Strengthened social licence.

The system therefore creates reciprocal value, and the architecture is intentionally cyclical: Funding → Governance → Pooled Investment → Action → Monitoring → Verified Outcomes → Credibility → Renewed Funding.

This is not a simple linear grant model as it acts as a reinforcing feedback system. The Healthy Harbour Report Card ensures that funding is evidence driven. The Partnership ensures that decisions are co-governed and strategic. The Water Fund ensures that capital is aggregated and deployed efficiently.

Together, they transform multiple disconnected funding streams into a coordinated, accountable catchment finance platform.

The key features and benefits of this architecture are summarised as follows:

- The trust would be responsible for hosting Te Hoiere/Pelorus Trust, which could potentially be rebranded as "Te Hoiere ki uta ki tai Partnership" to emphasise a shift to better recognise the catchment's relationship to, and influence on, the marine receiving environment. Several of the sustainable instruments relate to this expanded focus (e.g., blue carbon credits, coastal occupancy fees, cruise-liner levy). Furthermore, the Partnership structure ensures co-design, cultural integrity, transparency, and institutional discipline. It prevents duplication and ensures that finance mechanisms reinforce rather than fragment the system. This architecture must be established at the outset. Without it, revenue instruments risk operating in isolation. With it, Te Hoiere Project becomes investment-ready.

- The membership fees from Partners who sign-up to be a member of the partnership (as in the case of Australia's Gladstone Harbour example) provides core funding to cover the organisational coordination, monitoring, marketing and communication costs. In return, Partners get access to reporting mechanisms and opportunities that capture the interventions and actions, and their outcomes through various monitoring initiatives. This helps provide material value for partners and offers incentives for joining the Partnership.

- The funding from other avenues (research, sustainable instruments, grants) covers project actions including the securing and upscaling of restoration actions, incentivising land-use change, as well as underpinning research to keep improving.

- The structure enables integrated monitoring and reporting through Te Hoiere Healthy Harbour Report that provides transparency and demonstrates the performance and impact required to secure investor confidence and long term buy-in. This formalises Governance and decision-making processes as well as monitoring, evaluation and reporting.

- The structure can support coordinated involvement by sectors by giving effect to sector objectives. For example, enabling the regenerative component of the Regional Tourism Strategy – via both membership of the partnership and/or enabling a sustainable instrument like a regional tourism bed tax. Certain instruments will require coordination across partners and sectors (e.g., a cruise liner levy would require involvement of Destination Marlborough and Port Marlborough). The Partnership model creates the enabling environment for the required engagement and helps build equity across sectors to ensure the administration and reporting burden is not disproportionately affecting one single sector or industry activity.

- Te Hoiere Water Fund would provide the financial aggregation mechanism through which carbon revenue, levies, philanthropic capital, and industry contributions are pooled and allocated in response to report card priorities.

The above structure strengthens the project's links with the Marlborough Sounds which is central to enabling those instruments that build on the sediment mitigation and management related instruments. The current development of the 'sediment business case' along with the publication of the Estuary Management Plan and Port Marlborough's upcoming Havelock Harbour project suggests the timing is appropriate.

It is recommended that the governance review is revisited to include the additional options emerging from this work, given the substantial potential benefits for funding and the impending shortfall unless this issue is addressed. Testing this structure with the various sectors and potential partners will be an important action to establish appetite for the partnership model and key aspects like membership fee structure., if fees are something that the partnership buy into.

7.2 Sustainable Funding Portfolio Recommendations

The report has noted the need for THP to expand the range of funding types it draws on to shift towards a sustainable funding portfolio. The following recommendations are proposed for each of the funding types discussed.

7.2.1 Philanthropic Funding

The report notes several local Philanthropic funding sources. An initial action would be to engage with Philanthropy NZ to understand the full suite of these funding organisations, identify those most relevant to the Project actions and develop a database to start matching with project needs.

7.2.2 Grant Funding

The range of grant funding drawn on to date by the project has been limited. This should be expanded by building on the funding database. An immediate action would be to engage with MPI, to whom a new allocation of $36 million for support to catchment groups has been allocated – noting that this funding is being directed to 'farmer-led' catchment collectives. Further, it would be advantageous to engage with MPI's 'On-farm Environmental Support Programme' as this programme has been framed up to help transition JfN programmes to an on-farm support fund and structure. This, however, may only be relevant to certain aspects or individual on-farm actions highlighted in THP.

7.2.3 Educational Funding

The report has documented the Project's strong focus on and existing education programme covering both Tamariki and community. Ambitions to sustain and expand these, is dependent on sourcing additional funding from alternative sources. As with other funding types, **developing a database of educational funding sources will be useful immediate action.**

Education can also rest with engagement with tertiary institutions and universities in the case of offering internships and research opportunities for tertiary students. Framing up research questions and outcomes specific to THP will be a first step to then have a conversation with universities around offering projects that have shared outcomes with some students academically. This is a common approach to brokering research projects in a tight funding context and can often be multi-stakeholder inclusive (i.e. MDC and THP may have a joint research outcome that could be supported and co-developed for presentation or proposal to universities or other research institutes).

Further, education does not necessitate youth education and can involve wider community education and capacity building programmes including native planting days, pest trapping education and up-skilling, rural education programmes and so on. This is a tangible avenue for THP going forward and presents an opportunity to continue delivering on desired environmental intervention and of community engagement, education and upskilling.

7.2.4 Research Funding

A key first action for securing research funding is to develop a research framework that documents key research questions, unpacks these into research projects, establishes high level costs and identifies likely research partners.

To date, the project has drawn on research provided by organisations such as the Cawthron Institute and NIWA (now ESNZ). While their research is often subsidised, this is increasingly less likely under the current funding climate. While these organisations should remain key partners, additional partnerships with universities should be established and strengthened, especially around a programme of research where academic projects can build understanding over time. This is also likely to be less expensive research and pairs well with the education funding recommendation above. **Developing a research programme is therefore an immediate-short term action.**

7.2.5 Sustainable Finance Instrument Actions

The shortlist of sustainable finance instruments that emerged are explained in Section 6.4. As summarised Table 2, the sustainable finance instruments that have emerged as **likely high-medium priority candidates** that will generate new revenue are:

- Labour credits through the Toha Network [60],
- Corporate ESG funds, and
- Native carbon and Biodiversity credits,

Importantly they stack well which is enabled by the private sector intermediaries such as Ekos[61] and My Native Forest[62] which have achieved global validation from several international organisations and will likely offer links to international finance.

Additionally, the systems, tools and information requirements to operationalise these instruments are in place (noting Toha is still in the pilot phase). This is another reason these sustainable finance instruments have emerged as short-medium term options.

Engaging with all three intermediaries (Ekos, Toha, My Native Forests), suppliers and catchment organisations using them, will inform the process of documenting the investment and storytelling for Te Hoiere, as well as the update of monitoring and reporting required to enable these mechanisms. This will help capture historical work undertaken and inform a future feasibility study in Phase 2 as to what historical work qualifies for these options, and ultimately, how much funding may be available.

The **other short- to medium-term instruments** are some of the levies and rebates listed (e.g. Coastal Occupancy fee, rates rebate for sediment reduction activities, and log levies). The challenge with levies is that they are negatively perceived and are less salient for the targeted sectors/users, especially in a tight economic climate, which is currently the case. The need for a focus on instruments that incentivise good land use practice is a key message and driver of any decisions regarding effort in Phase 2 investigations.

Recommended actions for the priority sustainable finance instruments are as follows:

[60] https://toha.network/
[61] https://www.ekos.co.nz/
[62] https://www.mynativeforest.com/

1. Establish the Binding Architecture

The central recommendation is that Te Hoiere formalise an integrated governance, monitoring, and finance architecture as described in Section 7.1.4. This is a prerequisite for scaling financial instruments.

2. Monetise Existing Environmental Capital While Building Monitoring

Te Hoiere is not starting from zero. Historic investment provides immediate monetisation opportunities. The immediate priority should focus on converting existing restoration and modelling into revenue while simultaneously formalising the Healthy Harbour Report Card.

Native carbon credits through established providers such as My Native Forest and participation in the New Zealand Emissions Trading Scheme offer near-term potential. Where eligible, historic native regeneration can generate tradable units backed by proven buyers. This represents immediate income linked to work already completed. Revenue would flow into the water fund which would be directed to restoration in priority locations as per catchment monitoring and modelling. Whether that be on public or private land, those that plant get rewarded at a per hectare rate. THP may decide to take an administration / transaction fee as the facilitator of the exchange, or revenue on public land may flow back to the blended water fund pool however that decision is up to the governance group in the first instance and can be tested through feasibility analysis in future phases of this work.

Labour and outcome-based credits through platforms such as Toha provide a complementary pathway. They monetise verified restoration effort and engage corporate ESG capital without requiring regulatory reform.

Voluntary biodiversity credits, such as those offered through Ekos, where ecological gains can be verified, extend this approach into emerging nature markets. Philanthropic and ESG-aligned contributions should be actively engaged, supported by Te Hoiere's proven delivery record.

At the same time, the Healthy Harbour Report Card should be formally established. This early investment in monitoring and reporting is not optional. It strengthens the credibility of carbon and biodiversity claims, builds transparency before levies are introduced, and reduces future contestability of sediment pricing.

A Water Fund should also be formalised. This is a legal entity and should be co-developed with Council, Iwi, and project governance members.

Immediate priorities therefore serve a dual purpose: immediate revenue stabilisation and institutional consolidation.

3. Institutional Revenue: Structured and Durable Mechanisms

Once monitoring is consolidated and early revenues are flowing, Te Hoiere can introduce structured mechanisms that require broader consultation and policy engagement.

Coastal occupancy fees are already under discussion with Marlborough District Council. They reflect a beneficiary-pays principle and provide a durable funding stream linked to marine space use. Their sequencing in the medium term reflects both policy momentum and the need for transparent allocation through the Water Fund.

Rates rebates offer a pragmatic, council-enabled tool to incentivise sediment-reducing land practices. They build landowner engagement while remaining politically manageable. Furthermore, rates rebates act as a 'market signal' to other funders by showing council support for project activities, enhancing investor confidence.

Log levies reflect strong sediment causality and industry-pays logic. However, they carry higher political sensitivity and require robust modelling evidence. Sequencing them after monitoring infrastructure is established ensures that pricing decisions are grounded in credible data rather than perception.

This medium-term stage would transition Te Hoiere from voluntary activation to fiscal stability. Revenue would be allocated through the Water Fund in response to Report Card priorities, reinforcing transparency and accountability.

4. Systemic and Capital-Intensive Instruments

The final stage introduces mechanisms that require significant institutional maturity. Catchment-scale Payment for Ecosystem Services depends on high-confidence sediment baselines, long-term contracting capacity, and stable funding pools. A sediment discharge levy or trading scheme requires strong legal footing and political capital. Green bonds and EIBs demand predictable revenue streams and investor confidence, as well as substantial structuring capability.

These instruments are not dismissed. They are sequenced deliberately. They become viable once earlier phases have demonstrated delivery, governance stability, and revenue discipline.

7.3 Closing Reflections

THP has reached a critical juncture. Significant progress has been made in establishing a collaborative, catchment-scale restoration project with excellent community buy-in. However, the conclusion of major funding programmes presents a clear risk to maintaining momentum.

At the same time, the project is well positioned to transition into a new phase, characterised not by reliance on external funding cycles, but by the development of a diversified, integrated, and self-sustaining finance system.

The work undertaken through this report provides a structured foundation for that transition. It demonstrates that the necessary components (mechanisms, governance structures, and stakeholder alignment) are present or emerging. The task ahead is to bring these components together in a deliberate and coordinated manner.

Specific actions are also provided for a range of funding avenues and for the priority sustainable finance instruments that have emerged.

If achieved, Te Hoiere will not only secure its own future. It can provide a practical, tested example of how catchment restoration can be financed and governed in Aotearoa, contributing to a broader shift toward integrated, locally grounded environmental management.

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Appendix 1 Prioritisation Matrix

Mechanism	Type	Revenue Source	Annual Revenue Potential (NZD/ha)	Sediment Reduction Fit	Stacking Potential / Shared Infrastructure	Existing Mechanism (Y/N)	Cultural Alignment	Environmental Resilience (sediment & flooding)	Environmental Enhancement (biodiversity)	Primary Industry compatability	*Feasibility	Funding scale	Community support	**Notes Comments from working group	Total score /5
Regional Rates Rebate	Public subsidy (regulatory incentive)	Local government	50–400	Medium–High	Stacks with PES, private conservation services, and biodiversity credits. Requires landowner verification system.	N	5	3	3	5	2	1	3.5		3.325
Coastal Occupancy Fee	User-pays fee	Marine users and tourism	N/A – $500k–$2M regional total	Moderate	Supports Water Fund and Healthy Harbour report. Can fund PES and marine restoration.	Y									0
PES – Sediment Retention	Performance-based incentive	Government, private buyers	100–900	Very High	Stacks with rates rebate, covenants, labour credits, carbon credits.	N									0
Native Carbon Credits	Market-based mechanism	Voluntary carbon market	60–500	High	Shares MRV with PES, biodiversity credits, covenants. Requires permanence and land use change.	Y - voluntary									0
Sediment Discharge Levy	Regulatory pricing tool	Land users (e.g. forestry)	20–100	Very High	Compatible with credits, PES, water fund. Requires legal instruments and sediment baselines.	N									0
Labour Credits (Toha Model)	Alternative currency / reward system	Impact buyers, philanthropy	Task-based: variable	High	Integrates with PES, conservation services. Requires digital verification and community coordination.	Y - pilot									0
Tourism Levies	Visitor-pays funding tool	Tourists, operators	N/A – $400k–$1.5M regional total	Medium–High	Feeds water fund, restoration projects. Pairs with regenerative tourism strategy.	Y									0
Havelock Healthy Harbour Report	Enabling infrastructure	Public-private partnership	N/A (strategic enabler)	High (indirect)	Underpins all mechanisms by providing data, transparency, and alignment.	N - international eg.									0
QEII Covenant + MDC Support	Legal covenant + public-private stewardship	Local and central government, landowners	150–600 (in-kind + avoided costs)	High	Stacks with PES, carbon credits, and biodiversity credits. Requires long-term land use commitments and monitoring.	Y									0
Te Hoiere Water Fund	Catchment investment platform	Blended (public, private, philanthropic)	N/A – $1M–$4M total	Very High	Central aggregator – links all mechanisms. Hosts funding and reporting infrastructure.	N - water tax infra.									0

Criterion	Description	Suggested Weight (%)
Cultural Alignment	The mechanism respects, supports, and fits within te ao Māori and values and is inclusive of mana	15
Environmental Impact (Sediment Fit)	Direct contribution to reducing sedimentation or improving ecological resilience.	15
Environmental Enhancement	Direct contribution to improving or enhancing native biodiversity values	15
Agricultural Compatibility	Supports or does not overly penalise viable food/fiber production; enables farmer buy-in.	15
Feasibility (Admin + Legal)	Ease of implementation: regulatory fit, admin burden, legal pathways, institutional readiness.	15
Funding Scale + Sustainability	Potential size and duration of funding (short to long-term viability).	10
Stacking Potential	Can be layered with other mechanisms to maximise co-benefits and leverage resources.	N/A
Community Support + Narrative Fit	Understandable, communicable, and likely to gain public/community support.	15
		100

Scoring Guide (1 - 5)	Description
1 - Very low fit	Very low alignment or effectiveness; the mechanism conflicts with or ignores this criterion
2 - Low fit	Low alignment; the mechanism addresses the criterioin in a limited or incidental way
3 - Moderate fit	Moderate alignment; the mechanism partially supports this criterion but with notable gaps
4 - High fit	HIgh alignment; the mechanism clearly supports this criterion with only minor limitations
5 - Very high fit	Very high alignment; the mechanism strongly delivers on this criterion in a comprehensive and

Appendix 2 Healthy Catchment/Harbour Report

Havelock Healthy Harbour Integrated Annual Report

Type: Enabling infrastructure for finance and governance (public–private information platform)
Revenue Source: Public funding (regional Council, MDC, MPI, MfE), in-kind support (Port Marlborough, iwi, industry partners), potential co-funding from ESG-aligned corporates

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A public-facing, independently governed annual report on the state of Havelock Harbour. It integrates ecological, sediment, cultural, and economic indicators to track health and guide investment. Based on Port Marlborough's current reporting and modelled on Australia's Gladstone Healthy Harbour Report Card, it would align partners and underpin long-term sustainable finance strategies.

Needs & Requirements:

- Multi-agency, iwi, and community governance structure e.g., via THP modified to incorporate a Water Fund
- Co-developed indicators (ecological, hydrological, mātauranga Māori, social, economic)
- Long-term data partnerships (e.g.ESNZ, Cawthron, MDC, MPI, QEII, mana whenua)
- Design and communications resourcing to maintain public accessibility and credibility
- Clear institutional host (e.g. MDC or independent trust)

Reference:

- Gladstone Healthy Harbour Partnership (Queensland, Australia)
- Port Marlborough (2023), *Sustainability Annual Report*
- MfE (2022), *Environmental Reporting Act Review* – on reporting infrastructure needs in NZ

Key Risks:

Category	Risk	Reference
Environmental	Misleading indicators or oversimplified narratives undermine credibility	MfE (2022), *Environmental Reporting Review*
Economic	Ongoing reporting costs may lack sustained funding	LGNZ (2020), *Funding Environmental Infrastructure*
Social	Risk of stakeholder disengagement if report becomes performative	Auckland Council (2019), *State of the Gulf Reporting Review*
Cultural	Mātauranga Māori reduced to symbolic content if not co-designed	Awatere et al. (2017), *Māori Engagement in Monitoring Frameworks*

Costs by Category:

Category	Description
Economic	~$100,000–$300,000 annually for data coordination, governance, publication, facilitation
Environmental	Potential opportunity cost if indicators don't drive meaningful change
Social	Reporting fatigue or mistrust if there's no visible link to action
Cultural	High risk if Māori engagement is shallow or not integrated into governance

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Revenue Potential (Indirect, Strategic Enabler):

Function	Estimated Value (NZD / ha / yr equivalent)	Reference
Credible reporting to unlock funding	$50–$500/ha/year (indirect leverage ratio)	Based on comparable leverage via GHHP + Fitzroy Partnership (Aus)
Port, forestry, and tourism investment alignment	High strategic value if integrated into ESG frameworks	Port Marlborough report; GHG emissions-linked investments in regional Australia

Note: This instrument doesn't generate revenue directly per hectare. Instead, it enhances the **bankability, legitimacy, and traceability** of other instruments (e.g. credits, bonds, rates incentives). A mature harbour report card can attract 5–10x its cost in co-investment or philanthropic capital, as seen in Gladstone and Fitzroy.

Strategic Fit for Sediment Reduction:

- **High strategic alignment.** Serves as a *foundational trust-building instrument* to coordinate forestry, aquaculture, iwi, farming, port operations, and local Government
- Makes sediment mitigation *visible, measurable, and comparable*
- Offers a **centralised credibility platform** to host and validate outputs from all other finance instruments

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