

Appendix 3: Examples of freshwater trading/transfers in New Zealand

Type	Region	Catchment/region	Name	Description	Points to note
Water quality – diffuse contaminant discharges	Bay of Plenty	Rotorua	Rotorua Te Arawa Lakes Programme - Lake Rotorua Incentives Scheme	Total nitrogen cap for Lake Rotorua set in 2010. Fund of \$40 million (2015 dollars) was established to reduce nitrogen discharge to Lake Rotorua by 100 tonnes. Farmers have Nitrogen Discharge Allocations and Managed Reduction Targets, set on baseline discharge estimates. Excess nitrogen can be sold to the fund and has been tradable with other farmers since 2022 as a controlled activity (requiring a resource consent). Significant funding has gone towards gorse removal.	Relies on Overseer. ¹ There has been little to no trading between farmers, with the majority of trading being by way of sales of excess nitrogen to the Fund. There has been significant investment in other water quality improvement mechanisms, such as dosing the Lake with alum.
	Waikato	Lake Taupō	Lake Taupō Nitrogen Trading Programme	Catchment-level cap on nitrogen discharge. Individual farm discharge baselines set against a reference year (2001-2005). Those wishing to increase discharges from baseline must purchase offset credits from a seller in a direct transaction (an online marketplace to assist this was developed by regional council). The Lake Taupō Protection Trust (LTPT) established in 2007 to administer \$81.5 million dollar fund (in 2007 dollars, with funding from Taupō District Council, Waikato Regional Council and central government) to reduce discharges.	Relies on Overseer to set baseline discharge limits and discharges used in trades. As at the end of 2014, there had been 12 trades between farmers (around 17,634 kg of N), and 23 purchases of N by LTPT (around 151,066 kg of N). Therefore, the LTPT trades are the “dominant” trades in the market, and this has effectively set the price for N, rather than economic supply and demand.
	Canterbury	Various catchments	Irrigation scheme Nutrient Discharge Allowances (NDAs)	Irrigation scheme holds a global land-use consent for the command area of the scheme. Nitrogen losses by scheme shareholders (farmer-irrigators) are managed by the scheme – total scheme losses cannot go over NDA specified in the global consent. Individual discharges are reported on and managed through Farm Environment Plans. Schemes employ staff to assist shareholders improve environmental performance and ensure adherence to farm plan requirements. Farm plan compliance are externally audited.	Relies on Overseer. New/replacement consent applications by schemes have been challenged due to planned reductions in nitrogen losses over time.
Water quantity	Various		Water user groups	Users in a catchment determine their own ‘rules’ for water use within the community. May be done with or without regional council involvement. Water user group may be informal or a formalised (eg, an incorporated society).	Depends on willingness of participants and community leadership. These groups will generally only instigate rules when water levels are low and take and use restrictions are imposed or are likely in the near future.
	South Canterbury/ North Otago	Maerewhenua (tributary of the Lower Waitaki River)	Plan Change 2 to Waitaki Catchment Water Allocation Regional Plan (WCWARP)	Maerewhenua River over-allocated after new limits set by WCWARP. Water abstracted for irrigation, also non-consumptive gold mining in river. Some irrigators surrendered consents to instead take water from Maerewhenua District Water Resource Company (an irrigation scheme which takes water from the Waitaki mainstem – which is not overallocated). Irrigators that stayed on the Maerewhenua River paid compensation to those that surrendered consents, as those irrigators required shares in the Company and had to invest in infrastructure to receive scheme water. In return, the Maerewhenua irrigators’ reliability of supply was improved. Plan Change 2 and consent review process to ensure water returned to river could not be reallocated for abstractive uses.	A voluntary, collaborative process which relied heavily on community leadership, trust, and a determination to find a solution to over-allocation. Supported by Environment Canterbury and Water Management Zone Committee. Process nearly fell over due to delays in consent review process after Plan Change 2.
	Canterbury	Various	HydroTrader platform	A private company which brokers private water use trades between sellers and buyers in Canterbury.	All trades are private transactions, with a brokerage fee paid to HydroTrader. The trades are water permit transfers, which must meet the requirements of the rules for transferring permits under the RMA and the relevant chapters of the Canterbury Land and Water Regional Plan or relevant catchment plan. Most trades brokered using HydroTrader are groundwater permits. This platform is of no use for irrigators in large schemes, as they receive water from the scheme as per the scheme’s own water permit and the conditions of the scheme’s relevant water supply agreement.
	Marlborough		Enhanced transfer policy	Policy introduced in Proposed Marlborough Environment Plan in 2016 to enable full or partial transfers of individual water allocations as permitted activities (though the permitted activity rule has not yet been included in the plan). A set of conditions had to be met, such as the respective takes be from the same Freshwater Management Unit, and the transferee must already hold a water permit for the new abstraction point. The decision version was notified in February 2020.	Enhanced transfer rules have yet not been implemented due there not being an adequate water accounting system in place. This platform may be developed in the near future.

¹ In 2020, a science advisory panel concluded that Overseer is not fit for use as a regulatory tool due to its limitations in estimating nutrient losses.