

The background of the page is a photograph of a field. The top half shows tall, thin grasses against a blue sky with white clouds. The bottom half shows a dense field of purple flowers with green leaves. A dark grey semi-transparent box is overlaid on the left side of the image, containing the title text.

# Environmental Markets Guidance & Principles

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## Challenge and Opportunity

The recent development of markets for ecosystems services or natural capital, referred to here as environmental markets, presents opportunities for farmers to be paid for delivering environmental outcomes on their farm, in addition to the production of crops and livestock for food and other purposes.

New income streams are emerging from the sale of carbon improvements supported by the development of Carbon Codes, for example. In addition to the Woodland Carbon Code and Peatland Code which can support farmers and land managers with payments for tree planting and maintenance and peatland restoration, the Sustainable Soils Alliance released minimum requirements for soil carbon codes at the end of 2022.

There are several other Carbon Codes in development that will unlock private finance, in addition to emerging compliance markets like Biodiversity Net Gain and Nutrient Neutrality. [See **Table 6**] The provision of reduced flood risk by farmers is another example of new revenue streams becoming available to farmers. These routes to market can unlock private sector finance for farmers and land managers but, as with any nascent markets, several barriers to their success have been identified as they have begun to be operationalized through programmes such as the Natural Environment Investment Readiness Fund (NEIRF). A lack of clarity around additionality, stacking and bundling and the tax implications of generating income through these markets has decreased trust and limited engagement by farmers and land managers. On the buyer side, uncertainty around the quality and consistency of measurement, reporting and verification (MRV) of projects reduces confidence. Many of these barriers were presented in the Financing Nature Recovery Coalition report in 2022 [see **Box 6**], for example, as well as being highlighted by the National Farmers Union (NFU) [See **Box 7**].

Principles around the operation of markets and a roadmap towards overarching standards would help ensure markets develop with integrity, at the pace needed to deliver on environmental outcomes and in ways that give confidence to investors, buyers of services and – for the purposes of this report – farmers and land managers as sellers of those ecosystem services.

Additionally, as these markets develop, a revision of tax policies and consideration of the implications and efficacy of current grant schemes is needed.



## Box 4: Codes vs Standards

## Codes vs Standards

- ▶ For the purposes of this report we use the words Codes and Standards interchangeably. However, it is worth clarifying the difference and highlighting how the UK Codes define themselves.

Codes, or Codes of Practice, have historically been developed to provide guidance for practitioners in a certain industry or sector through a set of best practices and/or minimum requirements. For example, the International Carbon Reduction and Offset Alliance (ICROA) have published a Code of Best Practice that aims to define international best practice for offset-inclusive carbon management and represents the minimum requirements that carbon certification programmes must meet to be accredited by the Code.

Standards can be prescriptive in nature and often set out specific requirements or processes to be met by a user of that standard, for that user to be able to claim adherence to the standard. The Wilder Carbon Standard, for example, sets out specific requirements that must be undertaken or adhered to by prospective carbon project developers and buyers (see Box 9 for more details) to claim adherence.

Although named as codes, the Woodland Carbon Code (WCC) and the Peatland Code (PC) are in fact standards according to the above definitions and the WCC, PC and ICROA also class themselves as standards. The WCC and PC both set out prescriptive requirements for project developers to adhere to in order to access carbon payments and for buyers to know they are purchasing high integrity carbon credits. The WCC for example, requires project developers to use a specific calculation tool following specific guidance to calculate carbon sequestration. The ICROA Code of Best Practice encourages the use of calculators, without prescribing a specific one. The WCC was officially endorsed by ICROA in 2021, meaning that the WCC's processes and procedures adhere to the requirements set out in ICROA's Code of Practice.



## Recommendation

There are an estimated 80+ projects under development across England that are seeking to attract private finance through the sale of ecosystem services – many of which include farmers as deliverers of outcomes – some 40 per cent of NEIRF projects, for example, are being delivered by farmers. There are also projects led by farmer collectives. [See **Aggregation Models**]

Within these projects, farmers may be delivering flood management interventions paid for by beneficiaries such as local authorities or water utilities. Farmers may be being paid to change practices to offset additional nutrients created by housing development. Some farmers are developing biodiversity net gain units to be sold to property developers. Some farmers are selling carbon credits (for offsetting) or carbon certificates (for insetting), and in many cases farmers are looking to sell multiple ecosystem services. In several cases, farmers are selling at a landscape or catchment scale in aggregated models [See **Environmental Farmers Group**]

What has emerged from the work of these projects – some of which have been testing revenue models for over two years – is a common set of barriers to success. Many of these barriers can be resolved with standards or rules, or, where standards would be premature, a set of overarching principles to provide direction and instill confidence.

In the recent Independent Review of Net Zero, the role of the UK Government in providing guidance and standards for integrity of and confidence in carbon markets was highlighted as key to meeting net zero commitments.<sup>44</sup>

We welcome the appointment of the British Standards Institution (BSI) to deliver a three-year Nature Investment Standards Programme to support markets for carbon, biodiversity and other ecosystem services in the UK.

The work will cover the full range of nature-based solutions and will develop a framework for investment standards that support flows of private finance into nature recovery, enhancement, and creation. Key deliverables for the programme as a whole will include:

- A framework for nature investment standards with a road map for addressing key standardisation gaps;
- An overarching governing standard, setting out principles for high-integrity nature markets, and its related system of standards;
- Additional standards, which will address priority needs, identified in the discovery phase.

The focus and outputs from this programme will be informed by extensive stakeholder engagement and consultation, with the initial discovery phase starting in early 2023.

As the BSI commences its discovery phase, we recommend the following key issues be addressed by government through the establishment of principles, standards or rules – either individually or as an overarching set. We recognise that only some of the below will fall within the remit of the BSI.

Furthermore, as it will take some time for the BSI to develop standards, we recommend that the BSI engages regularly with those leading in the sector, including the major environmental NGOs and the managers of the Big Nature Impact Fund (part of the UK Nature Impact Investment Strategy), as the sector develops its own interim principles to support the building of a high quality, high impact UK nature market.

<sup>44</sup> Mission Zero. Independent Review of Net Zero. Rt Hon Chris Skidmore OBE



Principles, Standards and Rules for Environmental Markets

Figure 4: Key Enabler: Environmental Markets Guidance and Principles



## 1. Principles: Balancing Rights of Landowner and Tenant Farmers

Tenanted holdings (either wholly tenanted or mixed-tenure) make up 64% of total farmable area in England and therefore play an essential role in delivering environmental outcomes and improved natural capital.<sup>45</sup> There is a lack of confidence among tenant farmers, however, with regards to entering into private natural capital markets. In a survey of tenant farmers for the Rock Review in October 2022, most of those familiar with emerging opportunities to sell ecosystem services said they were ‘unsure’ of whether they would enter contracts.<sup>46</sup>

When asked about the factors preventing them from entering private schemes, more than 40% of respondents selected the following three reasons, 1) need for advice, 2) need for landlord consent, and 3) uncertainty of new markets.

On this second point, the Review highlights that agricultural tenancy agreements are specifically for agricultural purposes, which means that natural capital improvement can only be achieved within an agricultural context. This can include natural capital that is ancillary to the farming operation such as developing small areas of woodland (e.g. windbreaks), managing hedgerows and other activities typical within government agri-environment schemes, or such as through increasing soil carbon content. The Rules of Good Husbandry are also open to interpretation with

regards to the ability of tenant farmers to enter into natural capital schemes when the nature of the tenancy changes.

As many natural capital projects require long term contracts, typically in excess of 30 years, project contracts often exceed the length of tenancies. Entering into natural capital projects then will require the consent of landlords, and many of the financial benefits of the projects may accrue to landlords following the end of tenancies. Indeed, Woodland Carbon Code projects require the consent of the landlord where project land is tenanted, with the landlord signing up to the same obligations as the tenant (for example, to replant if trees fail). This may disincentivise tenants from entering natural capital markets.

The Strategic Working Group echoes recommendations from the Rock Review that: *Defra set out clear guidelines to ensure that tenants are rewarded and not disadvantaged for their work in maintaining and improving the natural capital asset and managing the associated flow of ecosystem services.*

A further recommendation from within the Rock Review to be considered is that: *natural capital is owned by the landlord which aligns to their ownership of the land, while the trade and income that come from that land via the management of the land, specifically ecosystem services, should belong to the tenants.*<sup>47</sup>

<sup>45</sup> The Rock Review: Working Together for a Thriving Agricultural Tenanted Sector

<sup>46</sup> Ibid

<sup>47</sup> Ibid



## 2. Standards: Carbon Codes and Other Market Standards

We recommend that Defra develop an overarching set of principles or a standard for environmental markets. This would cover both voluntary carbon markets, compliance markets and other payments for outcomes

markets, such as those providing natural flood management, and would coordinate the codes and standards being developed for those individual markets. [See **Table 7**].

	Markets and Codes	Developers
<b>Compliance Markets</b>	Biodiversity Net Gain Credit Markets (in development)	Natural England & Defra – Sept 2023
	Nutrient Neutrality	Natural England
<b>Established Voluntary Codes</b>	Woodland Carbon Code	Scottish Forestry
	Peatland Code	IUCN
	Soil Carbon Minimum Standards	SWAG SW
	Wilder Carbon Standard	Wilder Carbon, led by Kent Wildlife Trust
<b>Codes in Development</b>	Agroforestry Carbon Code	Soil Association
	Hedgerow Carbon Code	The Allerton Research & Educational Trust
	UK Saltmarsh Carbon Code	UK Centre for Ecology & Hydrology
<b>Codes in Early Development*</b>	Seagrass Carbon Code	Plymouth City Council
	Sussex Bay Kelp Carbon Code	Adur & Worthing Council
	UK Freshwater Biodiversity Code	Bristol Avon Rivers Trust

\* These early development codes do not yet have their scientific grounding laid out and some may be incorporated into other emerging codes

**Table 7:** Environmental Markets

An overarching set of principles or standard would ensure that emerging environmental market codes adhere to a minimum set of requirements and would therefore aid in the development of robust, high-integrity environmental markets, increasing confidence of both buyers and sellers of ecosystem services and improving environmental outcomes. The UK Government could draw on Wilder Carbon's standards [See **Box 9**] and soil carbon minimum requirements developed by the Sustainable Soils Alliance [See **Box 4**] to guide development.

We recommend the inclusion within this set of principles or guidance to address the following:

- **Project governance:** Guiding principles should set out how emerging codes or market standards should ensure project governance is transparent, accountable and fair – for example, using a recognised registry to register, track and permanently retire verified credits.

- **Means of verification:** There are many ways of measuring environmental impact. Different markets require different levels of verification that the environmental outcome has been achieved. A standard or set of principles should provide clarity on the level of granularity needed to verify environmental projects. Monitoring, reporting and verification processes should be defined. Additionally, guidance should be able to adapt to innovations in measurement to increase accuracy and reduce transaction costs.
- **Approach to quantifying credits:** Guidance for how emerging codes should quantify credits would ensure credits are of a high quality. The approach to quantifying credits should be transparent and easily understood by parties engaging in the markets and be based on sound scientific methods. Approaches should also be updated as new scientific evidence becomes available or new measurement techniques are developed.
- **Double counting:** There should be provisions which address the challenge of double counting, ensuring the same unit or credit cannot be sold twice, or be counted towards a producer's own environmental claims, such as net zero, and also sold to a buyer who will use it to offset their own residual emissions. The establishment of an industry-level registry can help prevent double counting risk. Examples of such registries in existence are the IHS Markit Carbon Meta-Registry launched in 2021 [See **Box 6**] and FarmVault which was launched in 2023 in France by Soil Capital and its peers via the Climate Agriculture Alliance. [See **Box 5**].
- **Community & Social considerations:** Environmental projects often have impacts beyond the scope of the project, including impacts on other environmental outcomes or community and social impacts. A high-integrity environmental project seeking to sell into private markets, should have safeguards in place as well as clear guidance on best practices to avoid negative impacts on community [See **Do No Significant Harm and Social Safeguards** below]. In line with emerging guidelines in Scotland, a project should seek to have positive benefits such the creation of jobs and public access within its aims.<sup>48</sup>
- **Length of Delivery:** Clear timeframes for delivery of environmental benefits including maintenance should be laid out within each market, recognising that they may be different.
- **Risk Reduction:** Projects will be subject to risk of failure of delivery due to fire, disease or climate change. Any accreditation programmes should reference and include mechanisms to mitigate unavoidable losses including buffer requirements. This is especially important for units such as Pending Issuance Units in the Woodland Carbon Code. Buyers need to be made aware of the inherent risks of non-delivery of credits when entering into PIU transactions, and when PIUs may or may not be suitable.
- **Buyer standards:** Companies purchasing carbon credits to offset emissions are under increasing pressure to reorient transition plans and decrease their reliance on carbon credits. High-integrity voluntary carbon markets should require that, as a minimum, companies decrease their own emissions first before purchasing credits. Government could provide guidance on how codes and markets could implement buyer-side stipulations to ensure markets are delivering on the environmental outcomes they are seeking to. Examples are included within global Voluntary Carbon Markets, as well as being tested by UK projects such as the Wilder Carbon Standard. Ensuring buyers are assessing and disclosing nature-related impacts and dependencies under the Taskforce for Nature-related Financial Disclosures (TNFD) would also ensure carbon credit projects have broader impacts on nature than carbon sequestration alone.
- **Additionality:** Purchasers of ecosystem services and natural capital offset credits typically pay for benefits that are additional to the condition of the asset should those markets not have existed. In other words, would the project have gone ahead were the financial reward created by the existence of a market for the ecosystem service not in place? As environmental objectives are met, baselines may shift and additionality of new projects may need to be reconsidered. Any standard or set of principles should set out clear guidance on how additionality should be measured within environmental markets with a view to how any future updates may most smoothly be incorporated.

<sup>48</sup> Scottish Land Commission. Responsible Natural Capital and Carbon Management

- **Do no Significant Harm and Minimum Social Safeguards:** The impact of natural capital projects, in particular carbon projects on other environmental and social outcomes is increasingly a concern of buyers and other stakeholders (community members). Demand for large tracts of land for afforestation can lead to increased land prices and become a barrier to ownership for new entrants and decrease land available for food production. Bioenergy projects can also have negative effects on biodiversity. The upcoming UK Green Taxonomy requires economic activities which are classified as “green” investments, in addition to making a substantial contribution to one of six environmental objectives, to Do No Significant Harm (DNSH) to the other five, whilst meeting minimum social safeguards.<sup>49</sup> Incorporating the DNSH and minimum

safeguards principles into environmental market codes could ensure that negative environmental and social impacts are minimised. The upcoming Taxonomy will include criteria for DNSH and minimum safeguards which could be incorporated into private natural capital markets.

- **Gaps in Codes and Standards:** Codes are emerging to tackle the various means of capturing carbon but there are still gaps. Standards around flood risk reduction projects and nutrient markets may be required. While the the Sustainable Soils Alliance’s minimum requirements for soil carbon projects are welcome, these need to be rubber-stamped by government provided they meet requirements for high-integrity markets.<sup>50</sup>

## Soil Carbon Minimum Standards

- In December 2022, the Sustainable Soils Alliance published their recommendations on minimum requirements for soil carbon codes in the UK. The recommendations include minimum requirements for the creation of carbon codes as well as guidance for making codes stronger than the minimum requirements. The proposed minimum requirements include the evidence needed to demonstrate carbon sequestration, an approach to quantifying carbon credits as well as guidance on permanence and additionality.

Box 5: Soil Carbon Minimum Standards<sup>51</sup>



<sup>49</sup> (1) Climate Change Mitigation, (2) Climate Change Adaptation, (3) Sustainable Use & Protection of Marine Resources, (4) Transition to a Circular Economy, (5) Pollution Prevention & Control, (6) Protection & Restoration of Biodiversity & Ecosystems

<sup>50</sup> Financing Nature Recovery UK: Scaling up High-Integrity Environmental Markets Across the UK

<sup>51</sup> Sustainable Soils Alliance Minimum Standards



### 3. Rules: Stacking and Bundling

Most environmental outcomes projects seeking private finance will need to stack different revenue streams in order to make a profit and provide a return to upfront investors. This can mean selling carbon sequestration in the form of carbon credits or certificates in addition to selling other outcomes, or a project working for two compliance markets at the same time (biodiversity net gain and nutrient neutrality).

We welcome recent guidance from the UK Government stating that, if a project is developing a habitat bank to sell biodiversity net gain units to meet a compliance need, it can also sell carbon credits from that habitat bank if additional measures (tree planting for example) have been taken beyond meeting the compliance need alone. However, there is still some confusion around stacking and its implications on meeting additionality

rules, including if or how public money for activities can be stacked with private money for outcomes.

Rules for stacking give clarity and confidence to farmers as project developers and sellers of credits and units (in addition to the wide land management and project development sector).

Bundling refers to a suite of environmental benefits that are sold as a package.<sup>52</sup> Principles should include guidance on requirements for services (even if bundled) to be subject to the same robust quantification and verification as if sold separately.

We recommend that any stacking rules are subject to revision as markets develop based on regular feedback from project stakeholders (sellers, buyers and investors).



### 4. Principles: Insetting

Insetting refers to financing environmental projects to reduce a company's own supply chain emissions, in turn reducing the need for subsequent offsetting. There are advantages for farmers taking part in insetting, rather than selling into the offset market.

For example, if a farm is paid for its carbon improvements by the offset market, it can no longer benefit from that same carbon claim since it has gone to the offset purchaser. However, if a farm is paid for its carbon improvements by actors within the supply chain for Scope 3 improvements, that carbon claim can be shared by both the farm and the purchaser.

There are still some technical implementation issues around insetting where convergence of standards is needed, such as how to define supply chain relationships in the context of commodity markets that do not enable physical traceability of farm products. More broadly, there is also a nervousness on the part of farmers that they will be forced by the supply chain to make environmental improvements on their land without being paid to do so.

It would be helpful for Defra to formally address and clarify the role of insetting (working with farmers or

farming representative bodies and the agrifood sector), so as not to delay engagement of farmers with supply chain participants. Since supply chains can be global, government signposting of the central role of the Science Based Targets Initiative FLAG guidance, and its underpinning by the GHG Protocol, as the reference standards would be appropriate and helpful.

The growth of insetting is also tied to the development of a robust Soil Carbon market. [See **Gaps in Codes and Standards** above]

#### Tax Policy Review

With inheritance tax, current rules may increase the tax burden for landowners where diversification takes place into non-agricultural activities such as environmental improvements – whether by the landowner themselves or by a farm tenant.

As identified by the Country Land and Business Association (CLA), land that is managed for environmental outcomes (biodiversity, tree planting, carbon sequestration, etc) or for social objectives may lose valuable inheritance tax reliefs leading to an

<sup>52</sup> Theory and Practice of 'Stacking' and 'Bundling' Ecosystem Goods and Services: A Resource Paper

inheritance charge that may adversely impact on the ongoing viability of the business as a whole and the environmental or other public benefits it delivers.<sup>53</sup> Furthermore, as farmers seek to diversify income streams that may also include ecotourism, education, farm shops that support or complement environmental improvements made on land, there may be issues around how income and corporation taxes and business rates will be applied that need to be reviewed. Guidance is needed on how the VAT will apply, but also how changing the nature of the business will impact income or corporation tax (e.g. whether non-agricultural activities will be taxed as trading income or property income).

We recommend that tax policies, legislation and guidance are reviewed by HMRC with input from Defra to ensure that the current tax system is supportive of

- a) land managers and landowners’ ambitions to meet environmental targets or provide environmental outcomes; and
- b) the ability for private sector finance to support those outcomes (through banks, investors or buyers of ecosystem services or environmental outcomes).

The recent call for evidence and consultation on the tax treatment of ecosystem markets and agricultural property relief implications is a welcome first step in addressing the concerns raised above.

## Assessing Grant Scheme Impacts on Environmental Markets

In addition to a clear set of principles or standards to provide clarity around rules of engagement in environmental markets, we also recommend a regular review of the role of government grant schemes in these markets’ development.

Grants have been extremely helpful in supporting farmers in the provision of additional environmental outcomes on their land. [See Box 9] However, there may be the opportunity for private sector finance to replace some woodland grant schemes for long-term projects, with investors providing upfront capital to landscape scale projects.

There may also be some unintended consequences of generous and unchecked government grants. For example, taxpayers may end up paying for private investors to benefit from tree planting. This could have the unwanted effect of increasing land prices in rural areas.

We recommend that as markets are developing at pace, the UK Government regularly review the value for money of woodland grant schemes and assess their impact on the flow of private investment for nature.

## Considerations

Within the work above, we recommend that project developers and the private sector are included within stakeholder engagement so that any standards or principles are relevant in practice. We also recommend that any guidance builds in future changes in environmental targets, data availability and measurement and land management innovations, by including opportunity for frequent review.



<sup>53</sup> The CLA Rural Business Unit: Simplifying the Tax Rules for Diversified Rural Businesses

**Box 6:** Farm Vault<sup>54</sup>

## Farm Vault

- Developed by the Climate Agriculture Alliance in France, FarmVault is a tool designed to reduce the risk of carbon sequestration and emission reduction being double counted by farmers who are enrolled in multiple carbon payment programmes simultaneously. It does this by allowing carbon programme operators to register a farm on FarmVault in a centralised and encrypted database, to verify if that farm is already enrolled with a different programme or not. The tool will inform the programme operator if that farm is enrolled in a programme that is compatible or incompatible with theirs.

Compatible carbon programmes may include soil carbon and woodland carbon, for example, and farms may be involved in multiple, compatible carbon programmes at the same time. Two programmes for soil carbon, however, would be incompatible and the programme operator would not be able to register that farm on their programme. If the farm in question is enrolled in a compatible programme, then the carbon programme operator can register that farm on their programme and the database is updated.

Carbon programmes integrated into the tool include those designed at a national level by the French Government, such as Arable, Carbon Agri, Hedgerows, Plantation Orchard and Ecomethane, as well as private sector programmes such as Gaïago Carbon, Soil Capital, Rize, Oléoze and Regeneration.

<sup>54</sup> Climate Agriculture Alliance. 2022. Launch of Farm Vault

**Box 7:** Soil Carbon Minimum Standards

## IHS Markit Carbon Meta-Registry

- ▶ In 2021, IHS Markit, part of S&P Global Inc, launched the Carbon Meta-Registry as a platform to reduce the risk of double counting and double claiming of carbon credits and to improve access to carbon credits, promote transparency and build trust in carbon markets. The platform aims to connect independent carbon markets and registry systems around the world, to reduce the risk that credits are counted or claimed twice in different markets or programmes.

To do this, the Meta-Registry can highlight to programmes and countries when a project may have been registered in more than one programme. The Meta-Registry can also track units across jurisdictions and programs as they progress through their lifecycle and the platform maintains unit information on one distributed ledger and flags when a unit transaction may require making a corresponding adjustment. The UK Peatland Code and the UK Woodland Carbon Code are two such programmes registered on the IHS Markit Meta-Registry.

**Box 8:** Financing Nature Recovery Coalition<sup>55</sup>

## Financing Nature Recovery Coalition

- ▶ The Financing Nature Recovery Coalition is a group of experts from finance and civil society who were brought together over 18 months by Broadway Initiative, Finance Earth and the Green Finance Institute to identify barriers to private finance flowing to nature recovery and the recommend solutions to help scale such investment.

The Report of published in June 2022 focused on market design, market governance and market operation. It recommended that the UK Government establish a governance and institutional architecture for UK environmental markets by summer 2023. Additionally, the Coalition recommended establishing a system of high-integrity standards for environmental markets.

<sup>55</sup> Financing Nature Recovery UK: Scaling Up High Integrity Environmental Markets

Box 9: NFU Principles for High Integrity Environmental Markets<sup>56</sup>

## NFU Principles for High-Integrity Environmental Markets

- The National Farmers Union released Five Key Principles for the Development of Environmental Markets in Agriculture in June 2022. The NFU acknowledged the opportunities presented by private environmental markets for farmers but saw key barriers to engaging in them. The Principles were set out to ensure emerging markets are fair to farmers by being accessible, transparent and provide fair compensation to farmers. The 5 Key principles are set out below:
  - Environmental Markets must work alongside the domestic production of food, energy and fibre
  - Public Policy and government initiatives must support the development of private markets
  - Environmental markets require clear rules and standards to allow farmers and buyers to participate with confidence
  - Markets should be accessible across a range of farm sizes, tenures and business structures
  - Farmers must be fairly rewarded for the delivery of environmental goods

<sup>56</sup> National Farmers Union. 2022. Principles for High-Integrity Environmental Markets

Box 10: England Woodland Creation Offer<sup>57</sup>

## England Woodland Creation Offer (EWCO)

- ▶ The England Woodland Creation Offer is a grant scheme administered by the Forestry Commission and funded by the Nature for Climate Fund, available to land managers and farmers to encourage investment in woodland creation. It incentivises the creation of new native woodland, extension of existing native woodland, creation of native woodland along watercourses and creation of native woodland where woodland can create public access. The scheme covers the capital costs of tree planting (up to a maximum of £10,200 per hectare) as well as maintenance payments of £350 per hectare for up to 10 years. Additional Contributions can also be received by land managers for targeting EWCO plans for Nature Recovery, Water Quality, Flood Risk Management, Riparian Buffers, Social Benefits and Access.

EWCO projects that have been registered under the Woodland Carbon Code can generate carbon credits to be sold on the private market or to the UK Government if the project was successful in a Woodland Carbon Guarantee auction. However, a recipient of EWCO funding cannot sell ecosystem services for which they have already received funding for those services through an Additional Contribution. For example, a EWCO recipient cannot sell water quality benefits if they have also received a payment for water quality as an Additional Contribution.

From 2025, EWCO will be absorbed into Countryside Stewardship. It is expected that existing EWCO agreement holders will be able to transition their maintenance payments into Countryside Stewardship from 2026.

<sup>57</sup> HMG. 2021. Guidance: England Woodland Creation Offer

## Wilder Carbon Standard

- The Wilder Carbon Standard for Nature and Climate, launched in 2021, was developed to guide the design of high-integrity nature-based carbon removal projects in the UK. The standard goes beyond the traditional focus on woodland creation carbon offsets and takes a minimum intervention approach, naturally regenerating (wherever possible) a range of native habitats, including other land use types such as grasslands, peatlands, and wetlands or a mixture of these within a project area.

The Wilder Carbon Standard is underpinned by a set of principles relating to biodiversity, carbon data and ethical buyers to ensure projects deliver on their carbon reduction objectives, whilst minimising adverse effects on other environmental outcomes. The Standard is structured in three sections, outlined below:

- 1. Partner Eligibility :** outlines the standard to which project implementing partners and unit buyers must adhere to. For example, unit buyers must have a public commitment to achieving net zero emissions and a credible plan to achieve net zero in line with guidance from science driven targets. The standard also outline land title and tenure requirements and the legal agreements which project partners must enter. Additionally, this standard sets out the responsibilities of audit, monitoring and verification partners.
- 2. Project Eligibility:** sets out the types of projects which are eligible for accreditation and how projects must demonstrate compliance with the biodiversity principle. This standard also defines additionality and permanence and outlines mechanisms for projects to stack different income streams.
- 3. Project Documentation & Design:** outlines how project implementers will document the baseline and post-intervention scenarios to demonstrate impact, how delivery and monitoring plans will be designed and submitted, and which data are needed to report on outcomes.

Two projects following the Wilder Carbon Standard have already been validated by Soil Association Certification, with many more in development. Units from these projects are now for sale, and the Wilder Carbon team are mobilising a community of practice to deploy the Wilder Carbon Solution at scale across the UK.

Part of this includes the development of a farm focused nature-based solution (NbS), by teaming up with Farm Carbon Toolkit to offer the tools and advice to determine the best integration of NbS and agriculture for a future land management system that achieves multiple benefits for the public good.

The Farm Focused NbS provides an all-encompassing toolkit for land managers to assess, plan, deliver and fund a carbon reduction plan that, crucially, supports habitat restoration as a way of: firstly insetting farm business residual carbon footprint within their own holdings or landscape, and then; accessing the voluntary carbon market (VCM) to leverage carbon finance to deliver the management practice for the long term.

<sup>58</sup> Wilder Carbon Standard for Nature and Climate

