

This is one of a suite of case studies of NEIRF funded projects, to highlight efforts to protect and enhance the natural environment, while generating revenue from ecosystem services.



Duxford Old River Habitat Bank in Oxfordshire | Credit: BBOWT

# THE WILDLIFE TRUSTS' HABITAT BANKING INVESTMENT MODEL

## HIGH LEVEL SUMMARY OF PROJECT



## Habitat and geographical location

-  Grassland
  Wetland
  Woodlands
-  Oxfordshire, Warwickshire and Cheshire



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## PROJECT OVERVIEW

**The Berkshire, Buckinghamshire & Oxfordshire Wildlife Trust (BBOWT) led the project in partnership with three other Wildlife Trusts (Warwickshire, Cheshire and Surrey) and appointed Finance Earth to support the development of a new Habitat Banking Investment Model that delivers Biodiversity Net Gain (BNG) at scale across habitats such as grassland, wetland and woodland.**

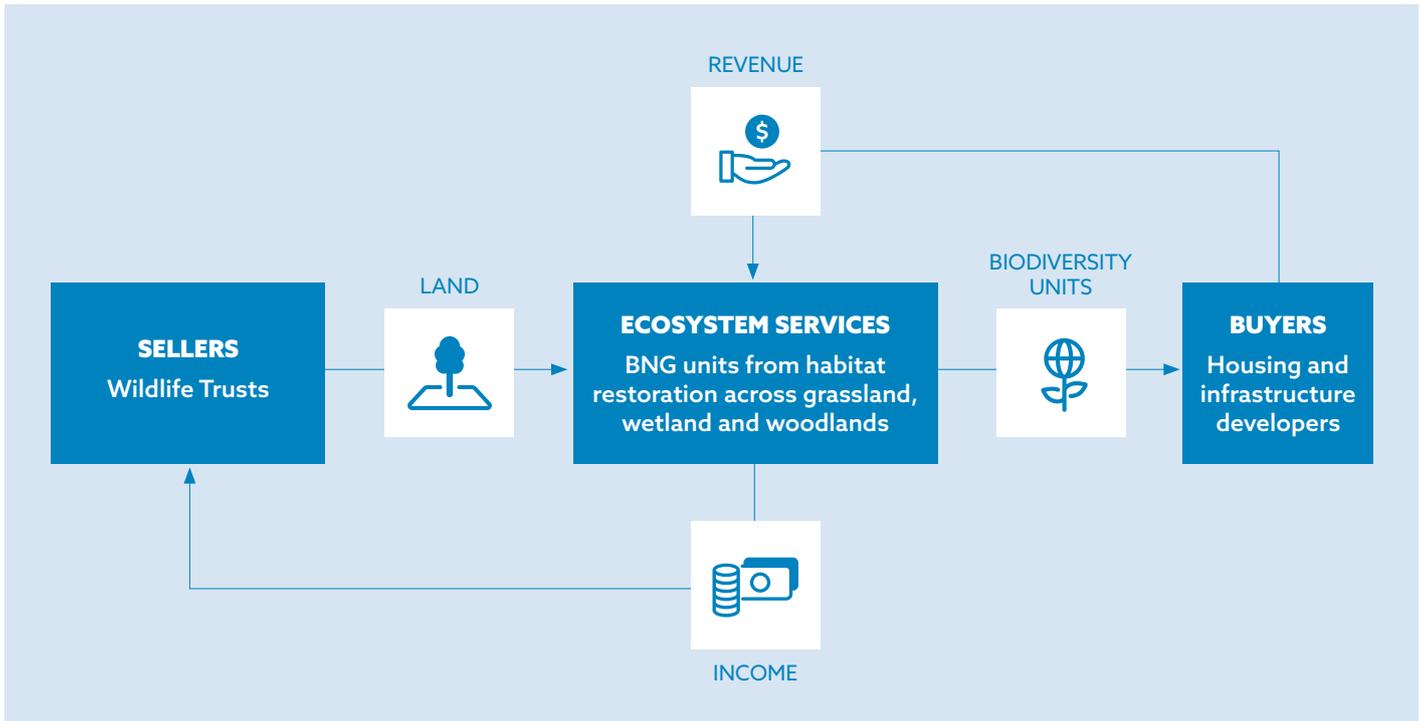
NEIRF funding enabled Finance Earth to design the financial, governance and contracting structure to secure investment, whilst the Wildlife Trusts undertook site assessments, developed partnerships and identified a pipeline of pilot sites.

Three pilot sites were identified to develop the investment model supporting more ecologically functional landscapes through the sale of BNG units to developers. Learning from the pilots will inform the creation of a Surrey Wildlife Trust Natural Capital Investment Company (NCIC) and scale up of the Wildlife Trusts' investment in BNG. This will accelerate the delivery of Local Nature Recovery Strategies and contribute to green job creation and restorative economic growth.

## GOVERNMENT ENVIRONMENTAL GOALS

 <p><b>Thriving plants and wildlife</b></p>	<p>Habitat creation and enhancement will generate <b>more ecologically functional landscapes</b>, including wetlands, scrub and grassland, which will support priority species such as curlew, dormice, bittern and osprey.</p>
 <p><b>Protection from and mitigation of environmental hazards</b></p>	<p>Grassland, wetland and woodland management and maintenance will <b>reduce the risks of flooding</b>, for example by assessing the hydrology of sites by measuring water tables.</p>
 <p><b>Enhancing beauty, heritage and engagement with the natural environment</b></p>	<p>Improved visitor access leading to <b>increased number of visitors</b>, visitor satisfaction and volunteers across the three sites.</p>
 <p><b>Mitigation of and adaptation to climate change</b></p>	<p>Creating and restoring grassland, wetland and woodland contributes to carbon capture which <b>helps mitigate climate change</b>.</p>

## REVENUE MODEL



The revenue model is based on the sale of BNG units generated from pilot sites, either in advance of restoration or post-restoration. Potential buyers include housing and infrastructure developers seeking to mitigate the biodiversity impact of their developments.

The project was delivered at the following pilot sites:

- Oxfordshire site, purchased by BBOWT in 2017. The 45 hectare site primarily comprises of pasture fields made up of modified grassland, scrub and other broadleaved woodland, with potential for the creation of key floodplain habitats in its position next to the Chimney Meadows nature reserve managed by BBOWT. BBOWT have sold an initial batch of units from the site to the Trust for Oxfordshire's Environment, and are in discussion with other buyers to sell more units in advance of restoration.
- Warwickshire site, comprising of 62 hectares of low condition habitats including modified grassland and woodland. The site requires upfront investment of approximately £1.6 million with returns generated as biodiversity units. Owned by Coventry City Council, the site was selected for its potential for conversion and its location adjacent to Brandon Marsh SSSI, Steetley Meadows SSSI and the Avon River, and the ensuing opportunities for joined-up nature recovery and flood alleviation. The Warwickshire Wildlife Trust is currently discussing an agreement with Coventry City Council to turn the site into a habitat bank as part of a long-term vision for 5 km<sup>2</sup> of land managed for wildlife and people.
- Cheshire site, a former sand quarry and 45 hectare agricultural site of low condition habitats with potential for conversion to biodiverse habitats. This was expected to be financed using a patient loan product of £1.2 million to cover initial restoration and maintenance costs, however was ultimately sold to another party.

## INNOVATION

The partnership has developed a new model to enable Wildlife Trusts to leverage private finance and secure BNG unit agreements with developers to acquire strategic land and create new habitats. The project has supported the development of new structures including a legal agreement for the sale of units in Oxfordshire, an agreement with a charitable trust to provide a long-term patient loan for land acquisition, and key terms and conditions for a biodiversity unit sales agreement.

Discussions were also held with a range of developers, stakeholders and 10 local planning authorities (LPAs) covered by the four Wildlife Trusts to gather both market-based and local data and assumptions to build a picture of BNG demand. The key variables used in these calculations were biodiversity units lost within a relevant development area, the net gain requirement and the proportion of BNG delivered onsite.



## LEARNING POINTS

- Extensive stakeholder engagement, collaboration and a cohort learning approach, with dedicated time to share learnings across the different Wildlife Trusts, was key in ensuring needs were mapped and challenges addressed across different sites with varied characteristics.
- Developing a financing model based on multiple pilot projects was an invaluable opportunity to transition from conceptual thinking to the diversity of realities on the ground.
- Training on how to use the financial model specifically supported the ongoing work of developing assumptions, analysing financial characteristics of the different sites, and the replication of the overall approach.
- As natural capital markets are constantly evolving, a detailed scoping phase which accounted for flexibility was critical, including iteration and thorough stress-testing of approaches based on different scenarios (e.g. varying preferred sales strategy, 30-year costings approach, expected type of investment).
- Evidence of robust revenue streams (e.g. completed sales of BNG units) is necessary to build the case to secure third-party investments.

## WOULD YOU LIKE TO KNOW MORE?

If you would like to learn more about the Wildlife Trusts' Habitat Banking Investment Pilots, please get in touch with Prue Addison, Conservation Strategy Director, BBOWT ([prueaddison@bbowt.org.uk](mailto:prueaddison@bbowt.org.uk)), or Alicia Gibson, Senior Associate Director, Finance Earth ([alicia@finance.earth](mailto:alicia@finance.earth)). For questions regarding NEIRF, please contact [NEIRF@environment-agency.gov.uk](mailto:NEIRF@environment-agency.gov.uk).

This case study was produced by Ecorys.