



Supply Side

A cornerstone of BNG policy is that it allows for local landholders to offer off-site BNG units to developers that cannot meet their 10% BNG obligations on-site. This is not only a practical necessity for developers that face spatial constraints, but also a significant opportunity for landholders to access a new source of funding for environmental uplift and long-term conservation.

Landholders such as farmers, rural estates, eNGOs and Local Authorities can participate as suppliers of biodiversity units. Intermediaries without underlying land ownership, such as habitat bank operators and land agents, can also sell units under appropriate agreements with these landholders. The collective term of 'off-site provider' is therefore used throughout this roadmap to capture the broader supply side of the BNG market.

Generally speaking, there are two ways³⁹ that off-site providers can offer units:

- **Habitat banking** – creating a BNG proposal and legally securing the land ahead of any unit sales to developers. This means there is more scope to establish habitat uplift ahead of the corresponding impact from development, which also is incentivised through the metric (with more units generated when the planned habitats are more established at the point of sale).
- **Bespoke habitat creation** – first agreeing the (prospective) up-front sale of biodiversity units before legally securing the land and then starting habitat works once funds have been received. These units represent future habitat gains and are less incentivised in the metric, but present a solution to landholders without enough funds for upfront habitat works.



Both of these options are important to offer off-site providers. Indeed, they may choose to combine up-front and future sales of different units to maximise both the ecological and commercial viability of their BNG proposals, which must be maintained for 30 years.

How do off-site providers view BNG?

Many prospective off-site providers have expressed interest in BNG and its potential to help fill a much needed funding gap for nature. However, the strength of the business case for off-site providers varies depending on a myriad of factors – explored in this pillar – and it is largely up to the off-site provider to assess these under their specific circumstances.

Central government has deliberated on this and backed the development of the overall business case with funding and pilots, among other things. For example:

- Biodiversity offsetting pilots³⁰ were run in six regions from 2012-2014 to evaluate the effectiveness of off-site provision in delivering environmental gains.
- Natural England ran a pilot scheme³¹ from 2020-2023 that explored in detail how five different estates and landholdings would create and launch their BNG proposals.
- Defra and the Environment Agency have delivered the Natural Environment Investment Readiness Fund (NEIRF) over two rounds and c.85 projects – of which the majority of these chose to incorporate BNG into their business model exploration. The funding for a third round specifically aimed at farmers is to be announced this year and it is expected that many successful projects will be focusing on BNG as well.

While there is a lot of interest in BNG as a possibility for off-site providers, some are now speculating what the national off-site market will look like in terms of a) what habitats will be most required – for example, a prevalence of grasslands – and b) what type of off-site providers will find it most commercially viable to participate – for example, those with beneficial tax treatments and larger amounts of land to use in BNG.

It is also important to set BNG within the wider context of nature recovery and its overall funding requirements, being clear that the revenue from off-site BNG alone will not meet the financing gap across England. For instance, Oxfordshire's Local Nature Partnership estimates that the BNG off-site market could finance a maximum of 10-13% of the costs³² of creating additional habitats to meet the 30x30 target within the county. It is therefore important for off-site providers, and those working towards nature's recovery more widely, to consider possible BNG revenues alongside other funding sources.



What needs to be addressed?

In April 2024, members of the Working Group met to discuss the supply-side of the off-site BNG market and the challenges faced by off-site providers. Many of these relate various market, operational and regulatory factors that influence individual business cases. Some of these may be solved with the assistance of relevant industry.

Short term (1-2 years)

- Provide clarity over the appropriate tax and accounting rules that off-site providers adhere to in structuring their BNG transactions and underlying land treatments, delivered through the Working Group established with HMRC and HM Treasury in early 2024.
- Clarify the spending rules for the statutory biodiversity credit scheme, establish and streamline the process for off-site providers to register as statutory credit providers.
- Work with relevant industry to:
 - Provide templates and guidance on important legal contracts related to off-site unit provision, such as conservation covenants, S106, unit sale and lease-back agreements
 - Create further guidance on financial governance, including robust financial modelling and longer-term financial management structures.
 - Establish clarity of where liability sits in light of force majeure and third party acts – clarifying where different market actors are liable and for what.
- Explore mechanisms to unlock visibility over local demand, including where LPA data can be utilised.

Medium Term (3-5 years)

- Align or provide further clarity on where BNG opportunities can be combined with:
 - Public grant and subsidy schemes, including ELMs.
 - Nature market opportunities – including those within scope of the Nature Investments Standards Programme³³.
- Work with industry to clarify the impacts of the off-site BNG market and its transactions on off-site providers' land values.
- Work with the insurance and financial sectors to increase the provision of appropriate insurance and financial services to off-site providers.



1. Provide clarity on appropriate tax and accounting treatments for off-site providers.

Priority: High

Summary:

BNG has introduced new types of transactions for which pre-existing tax codes and accounting standards either do not provide sufficient clarity or are not considered suitable for BNG. Landholders, accounting firms, tax advisors and other supply-side stakeholders have highlighted the need for such clarity, which can only be provided through new rules and guidance set by HM Treasury and HMRC.

For example, landholders generally wish to know that any potential BNG sites on their land will not affect their overall tax position on Agricultural or Business Property Relief under Inheritance Tax. Other examples include the treatment of income, how costs are deducted against this income, how VAT is charged on services relating to the habitats' management, and any tax implications of land value changes. These points can be interlinked, adding further complexity to landholders' decisions and transaction structuring.

The government provided some clarity of its intention through its consultation response³⁴ and the Spring Budget 2024³⁵, but the changes proposed were not included within the subsequent Finance Act³⁶.

Potential Solutions for Central Government:

- Provide clarity over the above issues, drawing in expertise from wider market stakeholders to ensure new rules and guidance are appropriate for the various scenarios and transactions that the BNG market may present.
 - As part of the consultation response, a joint HM Treasury and HMRC working group with industry representatives has been announced to tackle this challenge. Those who contributed to this Roadmap wish to highlight the importance of this work proceeding at pace.

2. Assist creation and standardisation of legal agreements – particularly S106 agreements and conservation covenants.

Priority: High

Summary:

Off-site providers often shoulder the legal costs of an off-site BNG transaction. The most often cited example of this is the creation of an S106 agreement, which is a local land charge signed with the relevant LPA. Legal negotiations can take between two to 18 months to finalise, which can drain the resources of both the LPA and the off-site provider.



Many attribute this particular challenge to the overall lack of resources given to LPAs (see Action #1 in Central Governance), which prevents them from investing time and building expertise in processes that can streamline and bolster future supply of biodiversity units. Another linked challenge is the lack of Responsible Bodies (RBs), which are intended to offer conservation covenants to off-site providers, as an alternative to S106 agreements (see Action #5 in Central Governance).

There are a handful of publicly available legal agreement templates, such as those on the Planning Advisory Service website³⁷, but market stakeholders highlight that more effort is needed to tailor these as required. The content of these legal agreements can vary significantly depending on what habitat is being proposed, the land ownership, the requirements and processes of the LPA and the inclusion of any third parties, such as habitat bank operators.

Central government has clarified that, due to such variability, it would not be appropriate to provide set legal templates to work from but is encouraging further templates and best practices to be shared within the market – such as between legal firms, LPAs and off-site providers. However, many market stakeholders are requesting government to help increase such collaboration through other measures and resources.

Potential Solutions for Central Government:

- Work with relevant industry to provide templates and guidance on important legal contracts related to off-site unit provision, such as conservation covenants, S106, unit sale and lease-back agreements.
 - On 5 July 2024, the Planning Advisory Service (PAS) published a set of legal templates³⁸ that includes an S106 agreement for off-site provision – labelled as a Habitat Bank Agreement. Contributors of this Roadmap wish to congratulate PAS and those involved for this important contribution to the BNG space.
- Make S106 agreements attached to off-site delivery publicly available (with commercially sensitive information redacted), in the same way that S106 agreements are available that are attached to on-site planning permissions.
 - This should be coupled with an encouragement for LPAs to explore others' S106 agreements, to spread best practice and share solutions to common problems.
- Create a central team staffed with legal, ecological and accountancy expertise from appropriate industry bodies that can respond to short queries from LPA legal teams on S106 agreements – providing consistent answers in line with the latest government guidance.
 - Taking learnings from the above service, support the legal industry in drafting specific clauses that can create a 'clause library' for both S106 agreements and conservation covenants. This should be made publicly available on the gov.uk website.



3. Provide further guidance on appropriate financial modelling and governance of lifetime BNG agreements.

Priority: High

Summary:

Off-site providers face challenges in costing the lifetime activities needed to maintain and manage their habitats over 30 years. Uncertainty persists over what expenses to include and how to price them – including what inflationary measures to use – so that these are reflected in the unit prices.

Market stakeholders with experience in modelling the lifetime costs of different BNG proposals agree that lifetime costs can vary hugely depending on several factors. Therefore, any general guidance provided should focus on the types of costs themselves rather than quantified estimates or cost ranges, which could lead to significant inaccuracies. For example, guidance on upland peat restoration may detail activities like reprofiling and re-vegetating, but not the exact costs these activities would pose over 30-years as these can vary significantly from site to site.

Guidance is also required on appropriate financial governance of the revenues from unit sales. Stakeholders – such as LPAs and developers – generally want assurance that funds acquired are not being mismanaged, but off-site providers also need to have access to these funds for the viability of the habitats themselves – such as unexpected remedial works.

This uncertainty extends to the LPA / RB's auditing role. Many LPAs and RBs are unsure as to what appropriate lifetime costs look like for certain schemes and whether they could be approving schemes that are not fit for purpose. This can lead them to increasing not only their ecological monitoring but also their financial reporting requirements, which subsequently presents further costs to the off-site provider. In practice, this is an example of a cost item that is often not fully confirmed to the off-site provider until late into the planning / negotiation phase of the BNG proposal.

Potential Solutions for Central Government:

- Work with relevant industry to provide:
 - Resources around prudent financial modelling – including draft financial models to use and checklists of costs to consider across different habitat types.
 - Guidance on appropriate financial governance options – including further visibility of governance structures and mechanisms used in the market to date, such as S106 clauses and centralised endowment funds.



4. Provide further clarity over liability and enforcement measures in worst-case-scenario planning of habitat failure, including force majeure events.

Priority: Medium / High

Summary:

There is a lack of detailed understanding in the market around appropriate actions to take in the event of off-site habitat loss, including scenarios involving force majeure and acts of third parties (such as ecological changes made upstream). The extent to which liability lies with the off-site provider will depend on the exact drafting of:

- The Habitat Management and Monitoring Plan (HMMP) – which sets out exactly what actions are meant to be taken to achieve the target uplift.
 - HMMPs should include a risk register that sets out key risks and what steps or remedial actions must be taken in the event the habitat's target uplift is not delivered – such as adaptive management measures against rising temperatures.
- The local land charge (the S106 agreement or conservation covenant) – which mandates that the HMMP is followed but does not penalise the off-site provider if the actions set out in the HMMP do not deliver the target uplift.
 - Factors like force majeure should be included here, but in some cases these provisions are drafted with loose definitions, or omitted entirely.

It is up to the LPA or Responsible Body to determine whether best endeavours have been taken by the off-site provider, including how the HMMP has been followed.

More often, there is a lack of agreement over what happens when force majeure events occur. Depending on the wording of the local land charge, it may be that off-site providers are not liable for any further action (as long they've followed the HMMP), that they are liable for replacing the habitat or repaying some of the original unit sales, or on top of this they may be responsible for cumulative losses – such as administrative fees and inflationary pressures – all of which may not be made clear from the outset.

Some market stakeholders have explored the use of insurance and had early discussions with insurance providers, but due to the unquantified risks, liabilities and enforcement mechanisms, insurers are still determining feasible products and their limitations. Other insurance-based mechanisms, such as regional unit buffers managed by nature-based partnerships or LPAs, are being explored.

Potential Solutions for Central Government:

- Work with the relevant industry to provide further guidance on where liability sits in light of force majeure and third party acts – clarifying where different market actors are liable and for what.



- Provide further guidance on appropriate insurance mechanisms for supply-side actors, working with off-site suppliers, Local Authorities, Responsible Bodies to clarify existing best practices.
- Work with the insurance sector to clarify liabilities and processes, so that standardised insurance / risk management products can be deployed to support BNG delivery.

Wendling Beck Exemplar Project

The Wendling Beck Exemplar Project (WBEP) was an early adopter of BNG and has created an environmental ‘masterplan’ across 2,000 acres that involves over 700 hectares of BNG habitat creation and restoration, of which 350 acres have already been delivered. Having created a large area of BNG habitat in advance of mandatory net gain coming into force, the project has encountered difficulties in long-term governance and management planning.

One of the issues experienced was how to mitigate habitat failure within a large habitat bank. Specific guidance around force majeure would help overcome the need for expensive insurance, or other ways to mitigate against not attaining the required habitat condition, as set out within the Habitat Management and Monitoring Plan (HMMP). Another area of concern is how major infrastructure projects – such as power lines – can be delivered on land that has been committed to BNG, either by working to minimize disruption on BNG habitat through project design, or through compensation. While an acceptable resolution was found, further guidance as to what happens in these circumstances would have made negotiations less complex for the WBEP and its project partners – and saved many hours of additional legal and consultancy work.

5. Improve visibility over the local pipeline of developers’ demand for off-site units.

Priority: Medium/High

Summary:

Off-site providers often lack visibility over the demand for biodiversity units within their LPAs. This demand is systemically localised within the LPA boundary due to the spatial risk multiplier³⁹, which increases the number of units developers need to buy when purchasing beyond the LPA/NCA boundary of their site. This discourages compensatory action from taking place further away from the source of impact – in line with the mitigation hierarchy⁴⁰.

However, without visibility over the likely local demand, off-site providers may be reluctant to create a speculative BNG delivery site and the costs associated – including baselining, financial modelling, site registration and drafting legal agreements. Instead, they may only invest such resources when they are approached directly by a developer or an intermediary, limiting the potential to create robust BNG sites ahead of the point of sale (known as habitat banking).



There are several marketplace platforms that are offering to connect developers and off-site providers at an early stage. However, these are typically focused on offering visibility over potential supply and then matching developers to off-site providers that have registered an early interest.

Repayable finance (debt and equity towards establishing BNG sites) may also be used to transfer this market risk away from off-site providers. However, lenders themselves generally seek evidence over the likelihood of revenue stream (sale of units), and so this lack of visibility may also lead to fewer lenders willing to provide such finance at more affordable rates.

Many off-site suppliers and their intermediaries are therefore asking LPAs to disclose information from their planning pipelines and give an indication of potential demand – particularly in regards to their Local Plans⁴¹. This can be difficult for LPAs to do as:

- LPAs currently lack resources to develop their own methodologies and undertake more detailed demand assessments (see Action #1 in Central Governance).
- levels of demand are difficult to forecast accurately as developers themselves do not know the exact number and nature of units they need until late into the planning stage.
- higher level demand assessments depend on several assumptions that LPAs may not be comfortable making for the sake of accuracy – for example with using historic levels of development, or estimating the proportion of on-site BNG delivery for future developments.

Potential Solutions for Central Government:

- Work with relevant industry to:
 - Provide guidance to LPAs on appropriate methodologies for assessing both demand and supply, particularly in regard to Local Plans and Local Nature Recovery Strategies.
 - Offer off-site providers clearer ways of ‘unwinding’ delivery sites from BNG commitments – e.g. sunset clauses within S106 agreements and conservation covenants.
- Support the provision of access to historic information on LPA planning applications to provide context that can supplement any forecasts made by market stakeholders.



Greater Manchester Combined Authority

In January 2024, GMCA published its findings from an '[Assessment offsite need for and supply of biodiversity units](#)', which showed the potential levels of supply and demand of off-site units over the next 15 years across the GMCA's 10 LPAs. The assessment showed that developers could require 4,427 off-site biodiversity units, equating to £132.8 million or £8.8 million per annum – based on a £30,000 unit price. On the supply side, it was estimated that there could be between 4,427-4,485 units feasibly available, resulting in either a slight deficit or surplus. The assessment was funded by Natural Course, as part of the EU Life Integrated Project.

Though this assessment relied on a number of assumptions, it has been useful for GMCA to get a high-level understanding of the size of the market, roughly what units could be required and where, and bringing senior stakeholders into discussions around the role that GMCA and its LPAs can take in the off-site BNG market. GMCA is now considering a number of further actions off the back of this report, including a central platform that encourages suppliers and developers to publicise opportunities in a reliable and efficient manner.

6. Provide greater clarity on the statutory biodiversity credit scheme and its use of funds.

Priority: Medium

Summary:

Sale income from the statutory credit scheme must be used to improve biodiversity but does not need to be spent on the same type of habitat that was impacted by the development or be located nearby as with market off-site units. Because of this, developers need to purchase twice as many statutory credits as (local) biodiversity units purchased from the market, in line with the spatial risk multiplier.

Defra and Natural England have been developing their approach to spending income from the sales of statutory biodiversity credits since 2020 but have not yet been able to identify a mechanism that is legal and consistent with, for example, the rules of HM Treasury that manages the funds as public money until they are spent.

Defra is legally required to report on income from the sale of statutory biodiversity credits, and how this income has been spent, with the first report due in February 2025. However, there is no provision within the Environment Act that compels Government to reinvest the money within a particular timeframe.



Market stakeholders have flagged the need for further visibility on how funds from the statutory credit scheme will be spent, once this is clarified by Central Government. Some have also highlighted the opportunity for learnings to be shared between the statutory credit scheme and the private off-site BNG market.

Potential Solutions for Central Government:

- In its annual report of the statutory credit scheme (first due February 2025), include visibility of what nature-based schemes have benefitted from funding, with details of:
 - How many credits within these schemes have been generated
 - Where these schemes align with general ecological guidance, such as Local Nature Recovery Strategies (LNRSs) and the Lawton Principle.
 - How the schemes' outcomes are expected to contribute to national biodiversity targets, and how they will measure progress towards these targets.
 - The speed at which income has been deployed compared to when it was received, paired with a commitment from Central Government to reinvest the income within a set timeframe.
- Share relevant findings from the deployment of Statutory Credit funds with off-site providers and supply-side actors, in order to support best practices and consistency with the supply-side of BNG.
- Provide clarity over the process by which off-site providers can apply to become statutory credit providers.

7. Assess and support the 'bespoke habitat creation' process with off-site providers, LPAs, developers.

Priority: Medium

Summary:

Central government has outlined a process²⁹ for entering land into the BNG market called 'bespoke habitat creation', which allows landholders to first agree to a (prospective) sale of units to one or more developer and then secure the land with the local land charge (S106 agreement or conservation covenant) that meets their unit requirements. This is in contrast to habitat banking, where the land and habitat plan is secured ahead of unit sales being agreed.

This bespoke habitat creation process is sometimes referred to as a 'real-time' unit sale, due to the fact that the unit sale(s), local land charge, and discharging of the developer's planning condition all happen simultaneously. This can help reduce the market risk to the landholder as the funds from the unit sales are secured in tandem with the local land charge (and its obligations over 30 years).

Anecdotally, some LPAs and Responsible Bodies have shown a strong preference for habitat banking proposals and a reluctance to grant planning permissions where real-time unit sales are involved. This may be due to a number of reasons, such as concerns with the robustness of this process, or a general preference to see compensatory habitats established before the environmental impact from development takes place.



Likewise, some developers have voiced concerns that this process may leave them committed to paying off-site providers for units that are then rejected by LPAs at the point where they apply to discharge their planning condition (links to Action #1 in Demand Side), with uncertainty expressed over how such ‘real-time’ approval can be delivered in practice.

However, some market stakeholders have speculated that failure to make this option work in practice may lead to:

- an exclusion of certain landholders – particularly landholders that do not have the resources or risk appetite to enter into habitat banking proposals – or:
- an over-reliance on third party habitat banking operators that can help meet these resource and risk constraints, but typically in exchange for possession of the land (through leasing) and a high percentage of the profits from unit sales.

Proponents of real-time unit sales argue that this process should be made more accessible for landholders in order to reduce barriers to entry and unlock further supply.

Potential Solutions for Central Government:

- Work with relevant industry to:
 - Provide LPAs, developers and off-site providers with further guidance on ‘real-time’ unit sales and explore any concerns over their acceptability.
 - Promote the use of unit sale agreements tailored to the ‘real-time’ unit sale process that minimise developer liability.
 - Promote the use of exit clauses or ‘sunset clauses’ in local land charges – both S106 agreements and conservation covenants - that allow landholders to nullify the land charge if the required unit sales are not achieved by a certain time.

8. Align BNG with government environment and agri-environment schemes.

Priority: Medium / Low

Summary:

Many landowners and supply-side actors are questioning how BNG could be paired with public funding schemes – including environmental and agri-environment programmes where the target outcomes align. The purpose of this aim is generally to reduce pressure on public spending but also deliver the best outcomes that may not be feasible with either funding stream in isolation.

For example, farmers that are considering becoming off-site providers for BNG also often consider Environmental Land Management schemes (ELMs) – particularly Countryside Stewardship and Sustainable Farming Incentive – as a competing choice for the land in question.



Depending on the types of interventions being proposed for the land, farmers may recognize BNG as the more profitable option. However, ELMs are often perceived as the safer and more familiar choice, mainly due to the shorter timeframes of the agreements and the guaranteed income from government funding. Market stakeholders have noted that there may be a risk that ELMs crowd out viable BNG supply.

The government has provided guidance⁴³ on where BNG and payments from these other schemes may both be eligible on the same landholding, but many landholders are requesting further and more detailed guidance on the logistics of how this can be achieved. The same is also requested for 'stacking' BNG and nutrient neutrality payments – another compliance-based revenue stream from developers that is possible in certain areas of England.

Where actions and payments cannot be stacked, some market stakeholders have called for de-risking processes for landholders that have decided to enter into a habitat banking BNG agreement – where they've committed their land through a local land charge and face obligations to deliver the target habitat(s) but have not yet secured income through unit sales. This is a market risk that can often deter farmers, exacerbated by the lack of visibility over local demand (see Action #5).

It has been suggested that if farmers could pivot from unsuccessful habitat banking proposals (where unit sales have not been achieved) to the aligned ELMs payments for the habitat(s) in question, they could recuperate some of their losses. This would address some of the market risk that farmers face.

Potential Solutions for Central Government:

- Consider the creation of an ELMs 'backstop' facility for farmers to exit their BNG commitments (where unit sales have not been achieved) and retrospectively enter into the aligned ELMs agreements. If created, such a facility would need:
 - clear and specific requirements for farmers to be able to exit their BNG commitments, such as the provision of future habitat management plans.
 - to be time-limited, for example with a two- or three- year retrospective period, to avoid the government holding large liabilities. This could also be a paid-for service that farmers contribute to upfront, to improve the value-for-money of the facility for government.
- Provide further, more detailed guidance on where BNG can be used in tandem with other government grant schemes on the same landholding – including practical case studies of landholders that achieve this.



England's Community Forest Network

England's Community Forests Network (ECFN) is made up of fifteen organisations across England that provide free advice and support to landholders in each forest area to plan, fund, and plant new woodland. Recently, it has explored the possibility of using BNG revenues, alongside other funding schemes such as Trees for Climate (TfC), which offers funding over 15 years. Its findings show that, while BNG is not typically cost-effective for planting new woodlands due to the risk multipliers, BNG may be useful in enhancing recently planted woodlands that are established but have a 'poor' baseline condition. The ECF Network is currently exploring how funding from the government's TfC scheme may be blended with BNG revenues, so that costs of the first 1-3 years are covered by TfC and then the option is offered for landholders to enter these sites into BNG agreements – with the subsequent TfC maintenance payments reduced or redirected towards new planting schemes. If this use is approved by government, this could reduce pressure on government funding and de-risk the woodland habitats for the BNG market at the same time.

9. Provide clarity over the effect of BNG agreements on land values.

Priority: Low

Summary:

Some landholders have expressed concerns about the impact of BNG agreements on land values and options in terms of land resale, which may impact their perception of income foregone to factor into unit prices.

Because of the restrictions that conservation covenants and S106 agreements place on the land for 30 years, it is anticipated by some market stakeholders that (all else held equal) the land itself will decrease in value, as is the usual impact of withdrawing options by long-term agreements.

This can also present a barrier to entry for landholders that want to use land that is already secured (e.g. against a commercial loan), as lenders are highly reluctant to change title deeds when the effect on the value of the land - and therefore their security - is unknown. It may also reduce the future borrowing capacity of landholders that are securing general funding across their land portfolios – should a BNG agreement devalue part of their overall landholding.

However, property and agricultural valuers have flagged that land value can be seen as an outcome of many other factors, and the general effects of BNG agreements on land value cannot be determined until:



- a. further clarity is given on other important factors – such as tax and accounting treatments (see Action #1), or the extent of liability for the landholder in the case of habitat failure (see Action #4).
- b. further transactions take place that demonstrate the nature and diversity of:
 - a. the transaction structures – such as those involving habitat bank operators or certain landholder types,
 - b. the sites that are chosen for BNG agreements – such as agricultural land.

Depending on this clarity and how varied the market transactions become, general trends may emerge but with cases that go against these trends due to individual circumstances. Comparisons have been drawn between this challenge and the impact of SSSI status on land values within England, which was clarified by valuers and the industry as more information became available – but to this day it is found the impact can be negative, neutral or positive depending on key factors⁴³.

Potential Solutions for Central Government:

- Maintain lines of communication with valuers – such as CAAV and RICS – so that general guidance can be established for the wider market as transaction volumes develop.
 - Including through the Tax and Accounting Working Group that was announced in the Spring 2024 Budget (see Action #1).
 - Ensure that rules and enforcement decisions are consistent and are accessible for review, including to valuers.

Triodos Bank, Avon Needs Trees

In May 2024, Avon Needs Trees, a tree-planting charity based in Bristol, purchased 422 acres of land to create the Lower Chew Forest. The plans include establishing a new forest of 100,000 trees and shrubs and the creation of complementary habitats, including wetlands, miles of hedgerow and species-rich grassland, partly funded through the sale of BNG units. Triodos Bank provided a £3.85m loan for the acquisition and its Corporate Finance team advised the charity on sourcing repayable capital. While it's generally expected that Section 106 agreements, conservation covenants and the sale of BNG units will have a downward impact on land valuation due to the 30-year land use restriction, valuers often face challenges at this stage in quantifying the land value impact due to the many variables, including the stage of the BNG project delivery at the given point time. Consequently, Triodos Bank needed to navigate these uncertainties by structuring the lending in a manner that takes into account the uncertainties of the BNG market, such as linking the capital repayment of the loan to the sale of BNG units.