

Evaluation of the Natural Environment Investment Readiness Fund (NEIRF)

Final report (Rounds 1 & 2)

November 2024

The Natural Environment Investment Readiness Fund (NEIRF) is a government funded grant programme aiming to support the growth of nature markets to contribute to the outcomes in the Environmental Improvement Plan and Environment Act. Its aim is to increase the number of financing options for natural environment projects by stimulating a pipeline of scalable and replicable projects that protect and enhance the natural environment, while generating revenue from ecosystem services in order to attract and repay investment. The first 2 rounds ran over 3 years.

Project overview

£7,896,111 grant funding
86 projects funded (R1 & R2)
152 applicants in round 1 (29 successful)
103 applicants in Round 2 (57 successful)



43
Charities



20
Public bodies



16
Private companies



1
Partnership



5
Other

Percent of projects covering different habitats (top 3):

Fresh water and wetlands



72%

Woodland



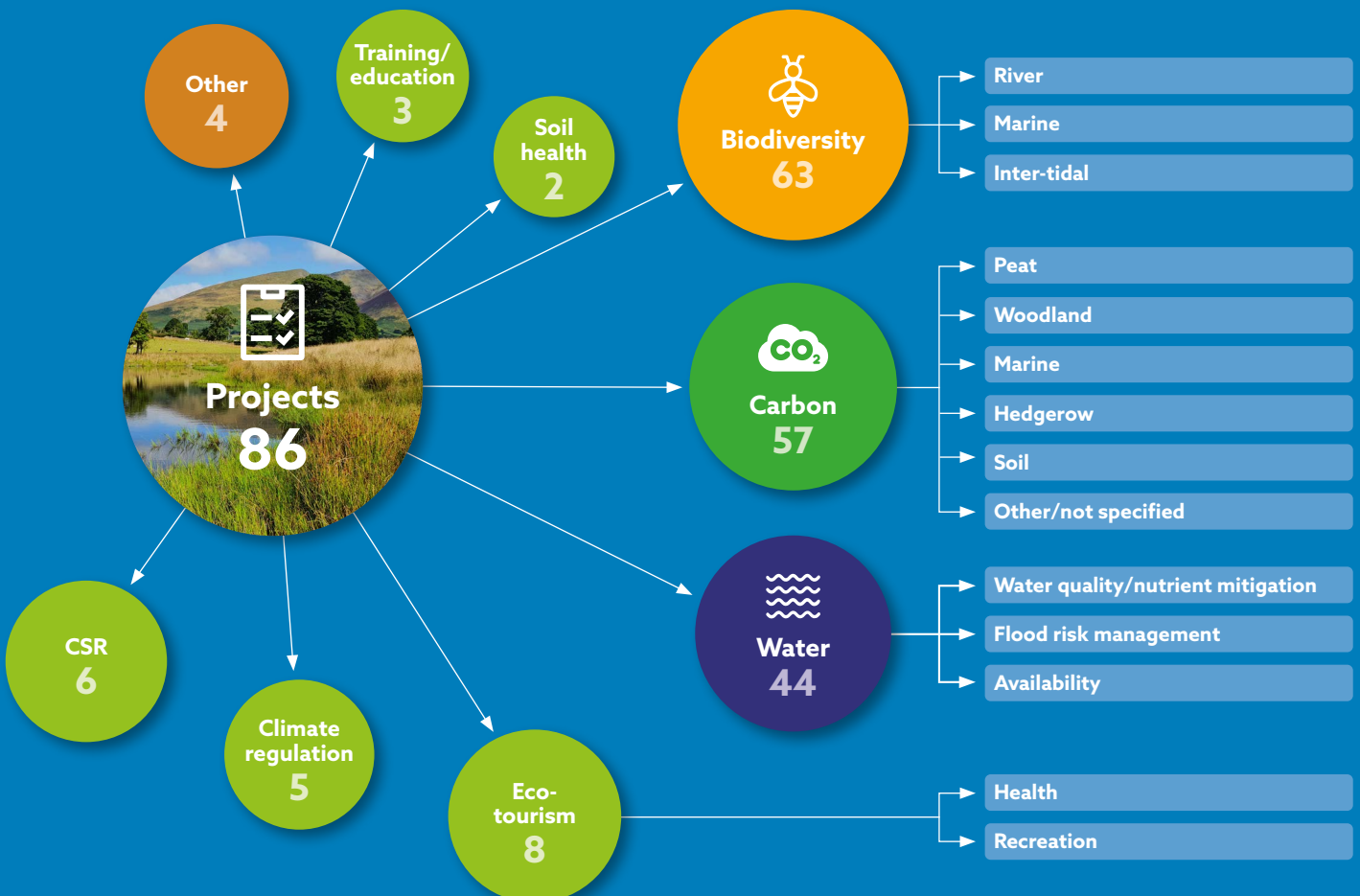
62%

Farmed land

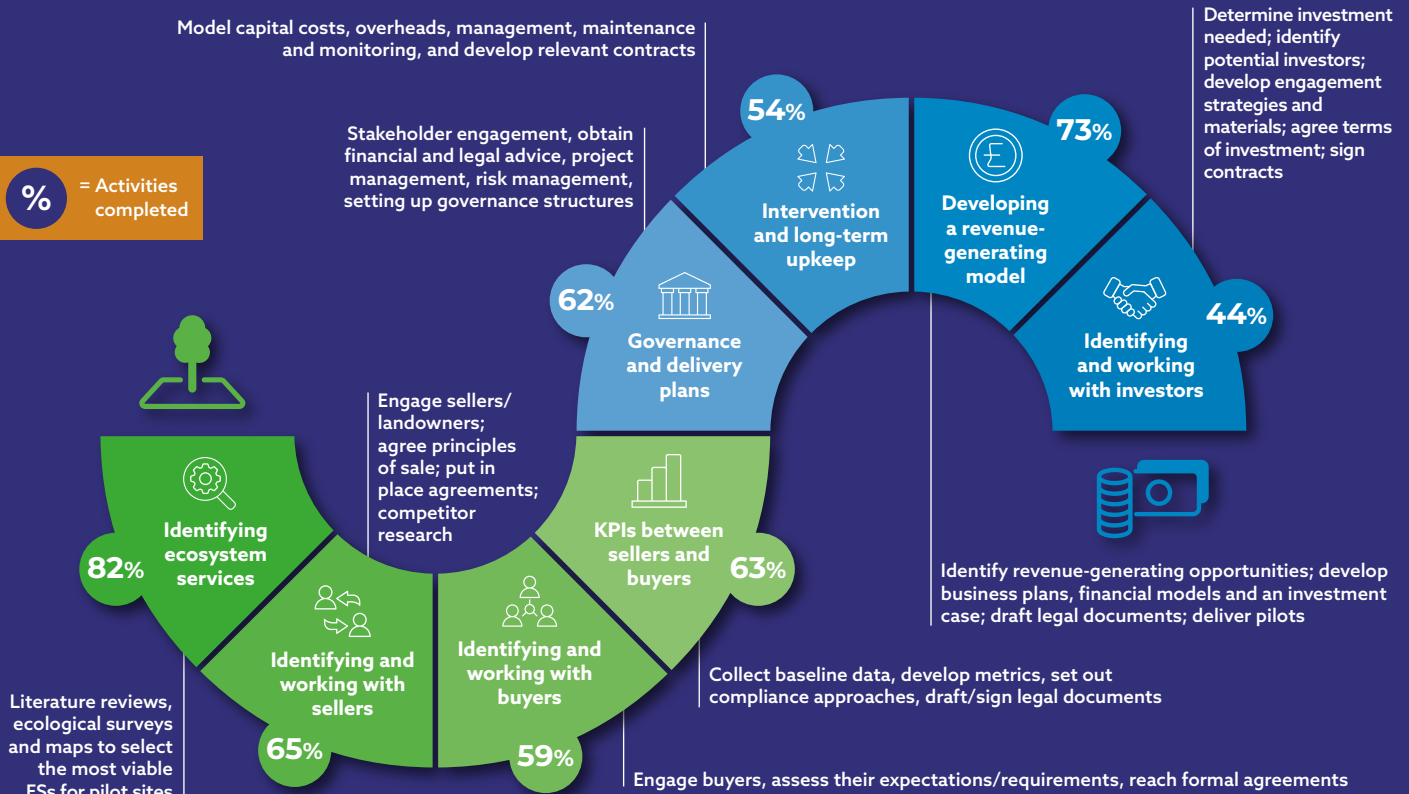


61%

Ecosystem services projects aimed to monetise

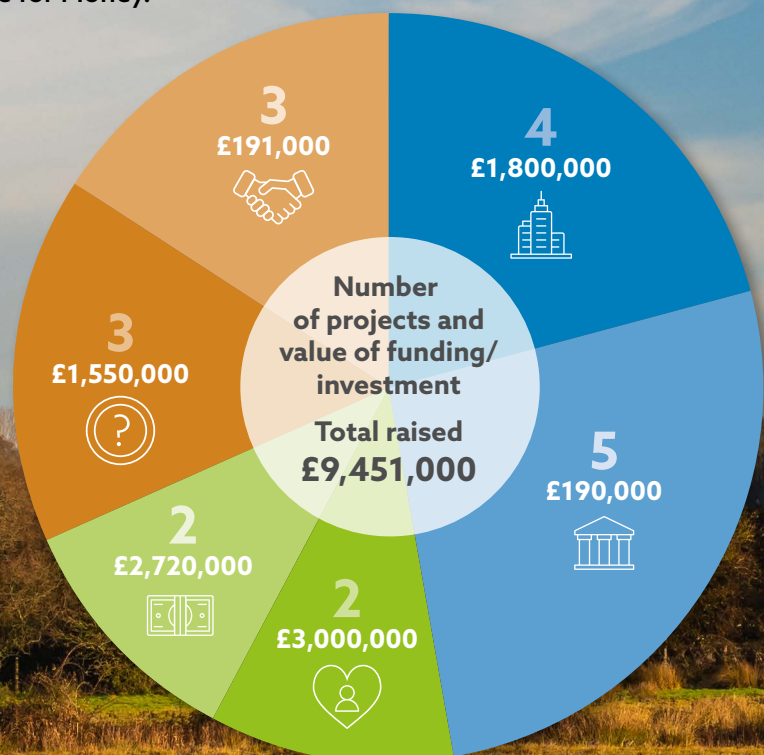


Collected evidence shows grant spending secured good Value for Money, and focussed on the activities illustrated against the GFI Investment Readiness Toolkit (below) , with percentages showing levels of activity completion.



Projects which received funding: A key aim of NEIRF is to stimulate private investment into nature markets. This chart under-reports funding and investment received at the time of reporting as not all projects chose to disclose the value and/or source of funding/investment they had received. However it shows that even early data demonstrates that NEIRF is good Value for Money.

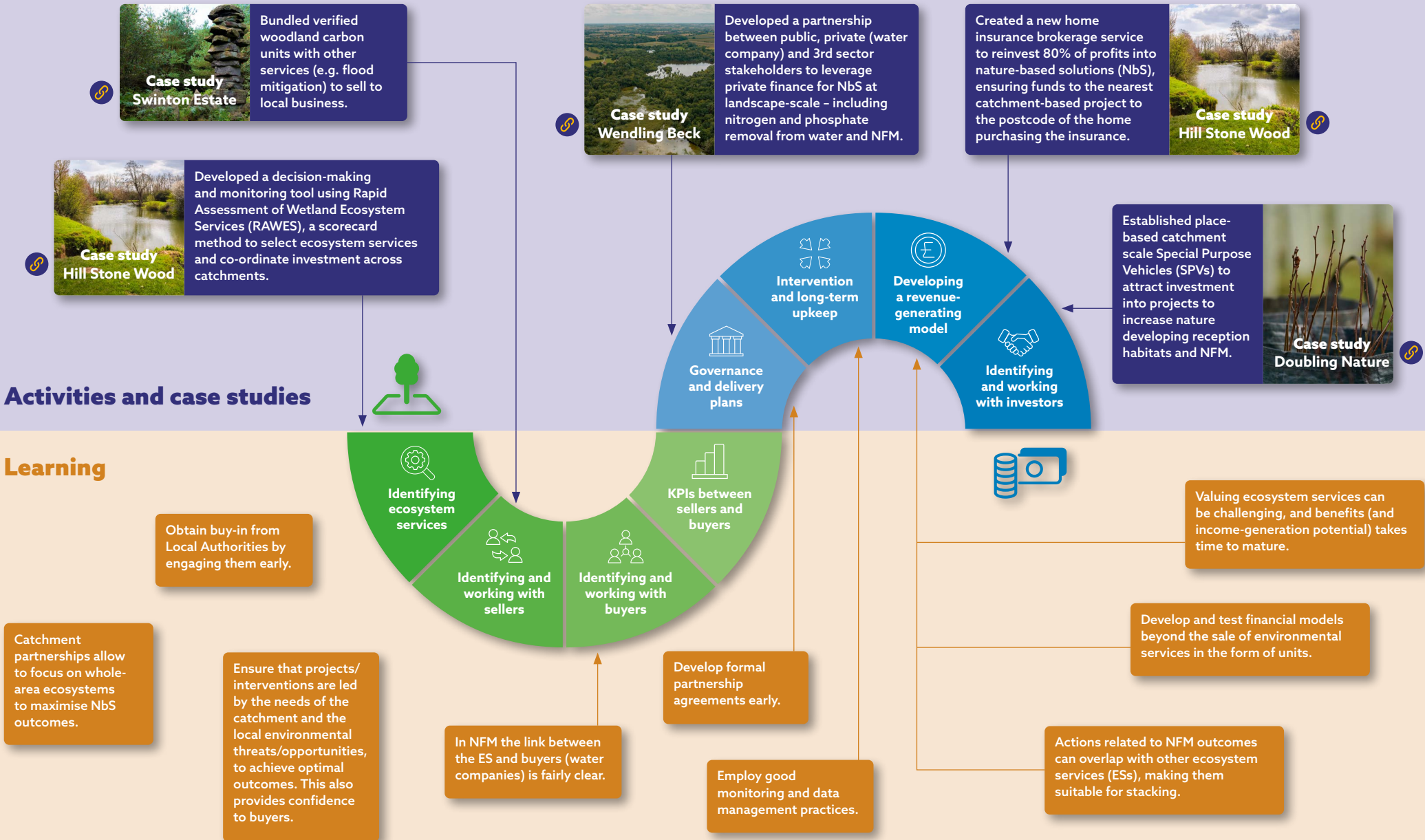
- Private companies
- National/local government
- Charities/donations
- Unspecified grant
- Unspecified
- Project partners/estate





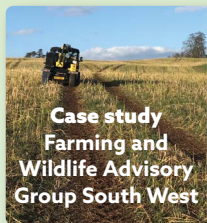


Natural Flood Management (NFM)/water





Carbon

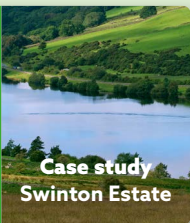


Established minimum standards for investing in high-quality soil carbon, allowing for carbon to be measured, monitored, reported and verified transparently, robustly and consistently.

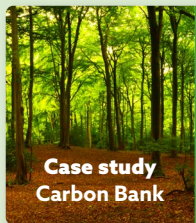
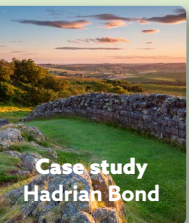


Developed a business model to use Short Rotation Coppice (SRC) willow on peat soils with a high water table. The willow will be burnt without oxygen (pyrolysis) to create bioenergy and biochar. The bioenergy will be used for Controlled Environment Agriculture (CEA), a technology-based approach to create optimal growing conditions for food production to offset the farmland being used to grow crops for pyrolysis.

Developed business case for 'multi-functional' forestry to offset the cost of woodland creation by selling carbon units bundled with other ESs, and offering sponsorship of woodland creation alongside timber production.



Set up the UK's first Environmental Impact Bond focused on regenerative agriculture, channelling impact investment to farms adopting regenerative practises.

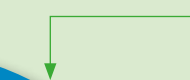


Developed a model to identify land with the greatest potential for carbon sequestration to pilot woodland creation for carbon capture.



Developed a business model to use Short Rotation Coppice (SRC) willow on peat soils with a high water table. The willow will be burnt without oxygen (pyrolysis) to create bioenergy and biochar. The bioenergy will be used for Controlled Environment Agriculture (CEA), a technology-based approach to create optimal growing conditions for food production to offset the farmland being used to grow crops for pyrolysis.

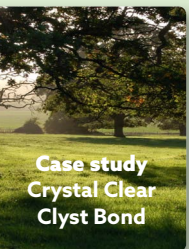
Developed business case for 'multi-functional' forestry to offset the cost of woodland creation by selling carbon units bundled with other ESs, and offering sponsorship of woodland creation alongside timber production.



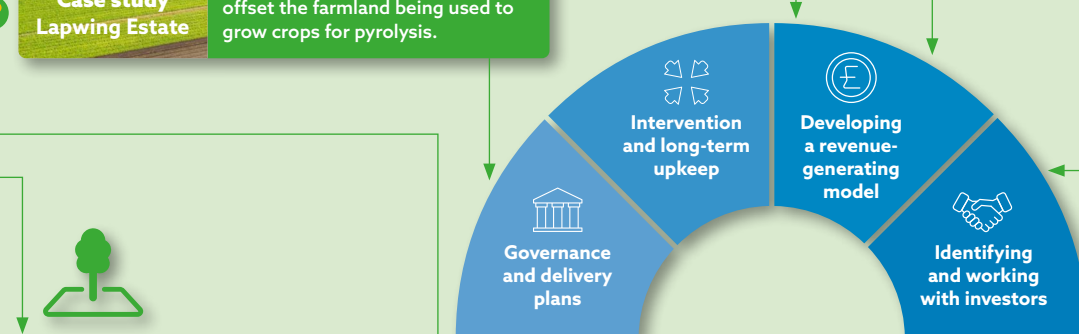
Set up the UK's first Environmental Impact Bond focused on regenerative agriculture, channelling impact investment to farms adopting regenerative practises.



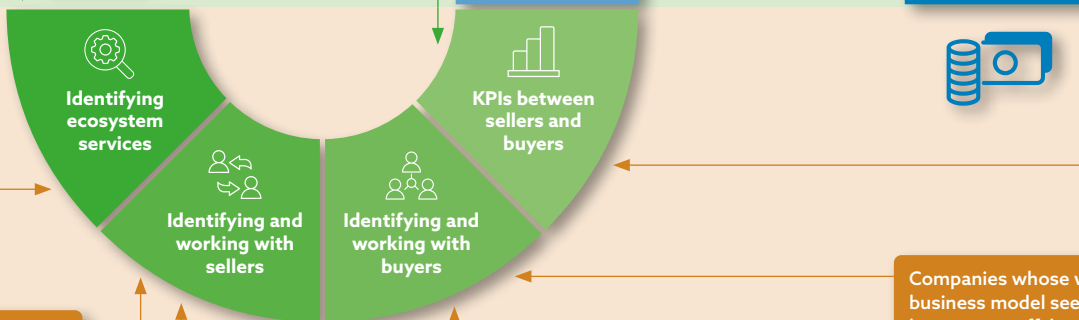
Created an investment model using a Community Municipal Investment Bond to channel investment to small farms and landowners wanting to convert agricultural land to woodland.



Activities and case studies



Learning



Significant upfront time and resources are needed for surveying and site selection.

Awareness raising with farmers is needed on the potential benefits and revenue generating potential of tree planting. Adapting the kinds of canopy cover proposed on farmland can help overcome resistance from farmers.

Farmers and landowners should be at the heart of project design. Clearly communicate the risk and rewards.

Smallholders are often loss-making in farming enterprises and have an environmental ethos, therefore they are well-placed to create woodland.

Knowledge of existing codes is crucial.

Companies whose work aligns with the code's business model seem more likely to be future buyers, e.g. offshore wind companies buying saltmarsh carbon units.

Defining KPIs is easier when using existing codes (e.g. woodland carbon).



Biodiversity Net Gain (BNG)



Developed a subsidiary Natural Capital Investment Company (NCIC) to sell biodiversity units to developers using land and habitat banking approaches. In the future, the NCIC could create habitat bank Special Purpose Vehicles (SPVs) to aggregate environmental projects.



Developed farmer 'equalisation cells', where proportion of each BNG & other ESs sales is shared across members.



Developed financing models based on BNG (and carbon) income, to generate investment to restore lowland peatland.



Developed a new Habitat Banking Investment Model to deliver BNG at scale across different habitats, e.g. grassland, wetland and woodland.



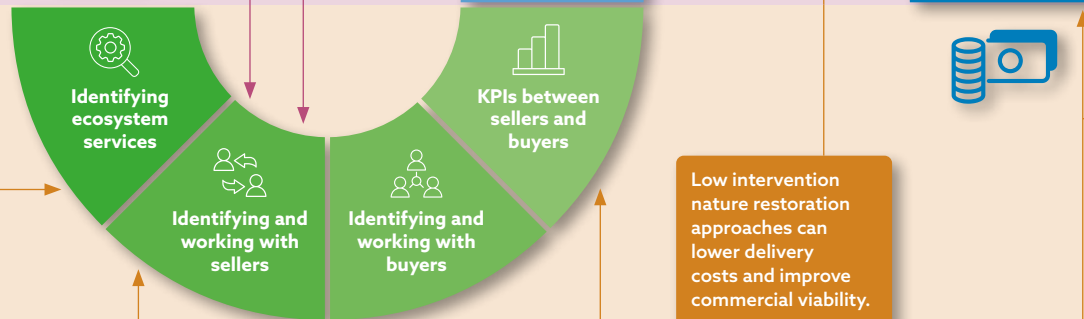
Developed a dedicated Fund to channel private investment into environmental restoration.



Activities and case studies



Learning



As nature markets are constantly evolving, a detailed scoping phase including iteration and stress-testing approaches is critical.

Using a land banking approach helps to mitigate the risk from nascent markets such as BNG.

Consider the pros and cons of different sales approaches for BNG units, including upfront sales.

Developing in-house capacity when setting up a NCIC can have long-term benefits.

Defining KPIs is easier in BNG than other ESs due to existing codes.

Low intervention nature restoration approaches can lower delivery costs and improve commercial viability.

NCICs can aggregate multiple projects, which improves cost efficiency, is more attractive to investors, and spreads the risk of each project.

To attract investment and/or patient loans, aggregating smaller investment opportunities allows to meet investors' minimum ticket sizes and connect supply and demand.



Albert House
Quay Place
92-93 Edward Street
Birmingham
B1 2RA

T: +44 121 827 9151
E: birmingham@ecorys.com

ecorys.com