HOUSE OF LORDS

Land Use in England Committee

Corrected oral evidence: Land use in England

Monday 13 June 2022

3.30 pm

Watch the meeting

Members present: Lord Cameron of Dillington (The Chair); Baroness Bakewell of Hardington Mandeville; Lord Curry of Kirkharle; Lord Goddard of Stockport; Lord Grantchester; Lord Harlech; The Earl of Leicester; Baroness Mallalieu; Baroness Redfern; Lord Watts; Baroness Young of Old Scone.

Evidence Session No. 14 Heard in Public Questions 146 - 157

Witnesses

I: David Robertson, Director of Investment and Business Development, Scottish Woodlands Ltd; Andrew Sowerby, Regional Manager West, Pryor & Rickett Silviculture; David Young, Senior Fellow, Broadway Initiative.

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

2. Any public use of, or reference to, the contents should make clear that neither Members nor witnesses have had the opportunity to correct the record. If in doubt as to the propriety of using the transcript, please contact the Clerk of the Committee.

Examination of witnesses

David Robertson, Andrew Sowerby and David Young.

Q146 **The Chair:** Welcome to David Robertson, director of investment and business development for Scottish Woodlands Ltd; Andrew Sowerby, regional manager west, for Pryor and Rickett Silviculture; and David Young, a senior fellow at the Broadway Initiative. Welcome to this evidence session of the Land Use in England Committee.

You have in front of you a list of interests that have been declared by members of the committee. The meeting is being broadcast live via the parliamentary website. A transcript of the meeting will be taken and published on the committee website, but you will have the opportunity to make corrections to that transcript where necessary. Thank you very much.

I will go straight into the first question, if I may. Carbon markets such as the woodland carbon code and the peatland code have been described as "immature", and other emerging private and third sector environment markets have been described as the "wild west". Considering your experience and perspective, what is your assessment of the current state of the carbon and private sector environmental markets in England, and what should be the priorities for improvement?

David Young: We know that there is very substantial interest in markets for nature. The availability of capital is not an issue, but there are very significant barriers to both carbon and broader environmental markets, which means that under the current legislation and regulatory frameworks the risks outweigh the returns for many projects. As a consequence, although we have some certainty in the carbon markets, particularly as a result of the woodland carbon code and the peatland code, in other areas of environmental services the markets are genuinely embryonic.

Whether or not they are the wild west depends on how we put forward a framework for these markets. Over the last two years, I have been working with 200 specialists across the UK to look at a framework for high integrity markets. That report was published last week. The committee may wish to have a look at it. It was on financing nature recovery across the UK.

Another priority would be the need for robust and independent governance of the markets. The City of London is a trusted global financial centre, not because it is unregulated but because it is well regulated. At the moment, these markets have no regulatory framework and no independent oversight.

Lastly, we need market mechanisms that enable farmers and landowners to obtain value for the environmental services that they are providing, and for those benefits to be shared with the communities in which the projects are located.

The Chair: Thank you for that. Does anybody else want to comment?

David Robertson: We should look at the context of the woodland carbon code as it sits at the current time. We have generated just over 3.3 million carbon units since the inception of the woodland carbon code in 2011, and 6,200 woodland carbon units have been sold. Sorry, we have sold 3.3 million woodland carbon units, permitted issuance units. Permitted issuance units are effectively promises to provide a future volume of carbon. We have sold 6,200 woodland carbon units that are de facto measured verified carbon units. Over that period, the woodland carbon units sold equate to only 20 hectares. The permitted issuance units—the promise to provide a future volume of carbon—relate to 11,000 hectares of land.

We are not talking about huge areas. Actually, when you distil those figures, it is the equivalent carbon to keep 1,000 businesses the same size as Scottish Woodlands going to offset their carbon for a period of four years. In my view, that is why the market is perhaps immature; we are still at a very small scale. Despite the woodland carbon code having been in existence since 2011, we are still quite small scale.

In addition to those relatively low numbers, there is lack of visibility in the market for those selling and buying carbon. In relation to pricing and availability, the process through which you are required to go to purchase or to sell carbon units is still very unclear to a lot of people in the market. Sellers of carbon are becoming much more concerned over the liability created in providing a long-term commitment over a multigenerational period. If you sell woodland carbon credits now, you could be locking your land into a commitment for 60, 70 or up to 100 years, with multigenerational impacts on landowners. That is definitely an issue. In relation to that risk, some form of government-backed insurance process would give a great deal of comfort in the market.

Insuring carbon credits and the sale and production of carbon credits is very difficult in the insurance market at the current time. Therefore, growers of carbon, people who are sequestering carbon, are more inclined to keep them until they have certainty that those carbon units will be produced.

Experience of the carbon market in England is relatively limited. We have some issues relating to the peatland code as well. It is clearly a very important goal for government to restore and preserve peatland, but we have some disparity between the current rules and regulations in England. The peatland code accepts peatland only up to 50 cm deep. However, peatland is classified as 30 centimetres deep, in Natural England's view. We have disparity between the two, which creates a lot of uncertainty in relation to peatland and development.

Andrew Sowerby: To come at it from a practical point of view, in terms of creating woodlands—I speak with more experience from Wales than from Scotland—one thing to keep in mind is that you have the regulatory level of complexity in just getting permission to plant trees. You then

have the UK forestry standard, which is the standard that you meet, with a management plan, to demonstrate that you are doing forestry sustainably. On top of that, you have the UK woodland carbon code and the UK woodland assurance standard. You have those standards to meet, and if you are looking to create woodland and work with government and use government money to get wider outcomes, you have further standards to meet on government grant.

What you have is a very complicated process, which, in Wales, is being applied to schemes that might be large—greater than 100 hectares—but also to schemes that are under five hectares. If we all went out with a spade today, we could plant that ourselves as a group of people in a day. That is one of the main challenges. In Wales, there is a mosaic of land ownership, where there are about 20,000 farms averaging around 60 hectares. When you are facing landowners and farmers with 214 pages of scheme rules over six documents, you are not encouraging them to think differently. You are really pushing them away and they are thinking, "Well, prices are going to increase while there is global uncertainty in the supply chain, so why would I twist on trees when I can stick with what I am doing now?"

That is part of the backdrop. Ultimately, the processes that we have for doing woodland creation particularly in Wales, where we are nowhere near meeting ministerial targets, unlike in Scotland, where it takes 18 months to approve five hectares of native woodland planting, or to fail to get permission to do five hectares of native woodland planting with government support, is something that we encourage you to avoid in England.

The Chair: What about the Government's financial expectations in all this? They are promising £500 million per annum for nature recovery schemes, which I imagine includes biodiversity net gain, et cetera, by 2027, and £1 billion by 2030. From what you say it does not sound very likely. How do you feel about that?

David Young: It would only be with very significant reforms to the economic and environmental regulation that surrounds this area, to remove the complexity and provide clarity in the rules. We think that that is achievable. The things that can be done to reward farmers and landowners for the environmental services that they deliver can create that level of investment. It depends on how it is done. We do not think it is overly ambitious, but it presumes significant reforms of the existing frameworks.

David Robertson: There is certainly private capital available to push there. There is no doubt that that private capital is available, between private and institutional funds that are looking to invest in natural capital, but there needs to be clarity about the expectations. Those investing are doing so because they feel that there is a better financial return or that it provides them with a better ecological return for their money than from some other aspect. That seems to be frowned on, certainly by a lot of government agencies and by other sectors of society. We need some kind

of clarity on the expectations and outcomes in order to give a lot more clarity for those who are willing to invest that capital.

Baroness Young of Old Scone: Investing in trees is quite profitable on its own without the carbon at the moment because of the timber price and advantageous inheritance rules and stuff like that. Do you think the undoubted number of large companies and large investment vehicles that are being set up at the moment to do this are being driven mostly by that, or mostly by the carbon thing?

David Robertson: I think the test is: are we achieving targets without carbon stimulus? We are not. There are people willing to invest. There are people willing to place capital in forestry. Are we achieving targets? It is the common practice test. Are we actually achieving the targets that the Government are setting without carbon in place? No, we are not. Carbon provides the absolute stimulus for private investors to have the security and the additional benefit of having perhaps another income stream.

Forestry is an extremely long-term investment—35 years for a general crop, and perhaps even up to 50 years depending on what you are growing. Yes, there are people willing to invest, but they want some additional potential income streams derived from that investment.

Andrew Sowerby: Sorry to cut across, but clarity is key. The way we score grant schemes at the moment is that you get a tick for carbon, a tick for timber and a tick for water quality. What we do not actually do is recognise the woodlands that provide the whole multiplier.

I cannot speak for David, but when I meet investors, and if they are only talking about one outcome from the woodland, there is a very difficult conversation to be had. When you put all your eggs in one basket in forestry, you run that risk. We have seen that manifest in phytophthora ramorum in larch and ash dieback.

It is key for the regulator to be able to take that kind of view. When you compare the private finance numbers that you are talking about, it dwarfs what government is making available, which is quite interesting. If that finance is coming through, does government lose an opportunity to collaborate and have a level of control in working with schemes? Inevitably, forests will impact on people. Is there a good combination of the three?

David Young: We need to take into account the wide variation in land valuation across the UK. We did some modelling in the Bristol/Avon catchment with Defra, looking at the existing investment in woodland creation. We looked at what it would do, if you added carbon pricing. It would only make an incremental change in the quantity of woodland delivered, whereas if you value the biodiversity and water quality improvements, and natural flood management benefits, you could double or even triple the scale of woodland creation. In fact, to some degree the

England woodland creation offer recognises that with additional payments for some of those other benefits.

Related to that, people such as the Forest Canopy Foundation have estimated the lifetime cost of woodland. It is significantly higher than what is available from both public funding and the capital available. If we want a strategic investment of woodland across the UK, we need to value those other environmental services.

David Robertson: That is a good point, but if we value the other additional services and apply them at the early points through the financial additionality test that we currently have under the woodland carbon code, almost by default that rules out the generation of carbon credit. We have a system at the current time that does not support looking at financial benefit and enhanced financial outcomes from additional system services.

Q147 **Lord Watts:** How does the state of carbon and environmental markets differ in Scotland and Wales? What lessons can be learned in England from the regulatory frameworks and incentives in place in the devolved nations? Are we missing any tricks that Wales and Scotland have produced in policy terms, or are there things that we should avoid?

David Robertson: For clarity, the rules relating to carbon are exactly the same in England and the devolved nations. There is no difference in the set-up. They are all governed under the woodland carbon code and its rules. The peatland carbon code is exactly the same across the UK. The same rules apply regardless of which country you are in.

The only difference in England is the type of project being planted. England has 36% of all carbon projects currently listed on the UK Land Carbon Registry, but only 18.7% of the volume of carbon sequestered. It has a significantly higher number of schemes with a significantly lower output of carbon, which is a result of smaller-scale, broad-leaf schemes being less efficient and less attractive financially. I think we need to look at that and consider how we can stimulate that process.

It is more about enabling the creation of larger scale woodlands in England. We can perhaps discuss how we go about that, but it is certainly not happening at the moment. Andrew mentioned Wales. We have experiences in the Welsh Marches where applying for schemes for five hectares, as he mentioned earlier, can take up to 18 months. In Scotland, 500 hectares, if you apply at the right time of year, can be approved within eight months.

There is a massive difference in the approach of the different nations to enabling forestry to be developed. Without these forestry grant schemes we have three tiers of regulation: the overall forestry regulation; the grant regulations; and the carbon regulations. Without the first two, we do not get the final one. We do not get the carbon output. It is really about trying to stimulate that and push it forward.

Andrew Sowerby: There is a wider point to keep in mind as well. Frequently in the media, when woodland creation is getting negative press, the news outlet says that the forest industry is unregulated. That is patently untrue. Certainly in Wales, our experience is that rather than the regulators following the sustainable management and natural resources guidance in the Environment (Wales) Act, which requires nine principles to be met and to take a balanced view, frequently the regulators have a tick sheet of 30 to 40 criteria across 214 pages of guidance. If you get "no" on one, it is "no" until you prove it "yes". When you have a scheme that is five hectares, and even though you are planting native woodlands, the survey for that could cost half the capital grant money available for that scheme. People just turn away from it.

One of the things that Scotland is blessed with, but not so much in Wales, is that because there is a larger industry, with 19% forest cover—correct me if I am wrong, David—ultimately there are more professionals with experience of making balanced decisions. There is a strategic team for woodland creation in Scottish forestry, which has experience of this, and those staff are valued. They are chartered foresters as well.

In Wales, it is a much more mixed picture and there is less critical mass of experienced professionals. Ultimately, there is the mosaic of land use in Wales, which is on a much smaller scale, so it is harder to conceive larger schemes. Therefore, you need a larger conversation that works above the competing companies and the owners of land to imagine where larger-scale trees are to go.

We did a relatively small study in the lower Usk Valley, where it was, "Okay, the Minister wants 180,000 hectares of new woodland in Wales over the next 10 years". If 20,000 farms all do 5 hectares each, you are up at the 80,000 or 90,000 hectares on hedges and edges and you have only half met your target. What does a new, 2,000-hectare woodland look like in Wales? How does it fit into a valley? Are people ready for that? Actually, the national conversation in Wales and the media is that they do not feel ready for that. That is another level.

It is regulators being able to make balanced decisions, with a conversation that actually starts to move a wide range of perceptions along so that we can create something that delivers a wide range of outcomes.

Lord Watts: Can I be clear? You said there are three parts to the decision-making process. Is that correct? Is there one body where somebody who is interested in pursuing a scheme can find all the things that are needed, and make the application and the application can be dealt with? Is it clear, or does it need clarification?

Andrew Sowerby: It is a process that involves three bodies. A farmer will put an expression of interest to the Welsh Government and then engage a Glastir registered woodland planner like me in the private sector who has to meet a standard. Usually, it is chartered status with the Institute of Chartered Foresters. We write the plan for the landowner.

That gets verified by Natural Resources Wales. If it passes muster with Natural Resources Wales, the Welsh Government will offer the contract. Those are the three parties involved, and that process—from expression of interest and submission to when you get an outcome—can take up to 18 months.

Lord Watts: Is it the same system in England?

Andrew Sowerby: No, it would be different because you have different bodies relating to forestry in England—

Lord Watts: How many bodies are involved?

Andrew Sowerby: Forestry England, Natural England, which will be a consultee, and Defra.

David Robertson: There are other statutory consultees such as the Environment Agency, et cetera.

David Young: I think you are raising a very important point. It is extremely complicated and time consuming to get approvals for projects that, in some respects, need to be inherently seen as positive for the environment.

Perhaps I could draw on a couple of experiences from looking at all the land use issues about things that are going well in Scotland and Wales that may be useful. First, in England we have tended to proceed with a very siloed approach to our thinking about regulation in water quality, biodiversity and so forth. In Scotland, with its regional land use partnerships, they are starting with that as the proposition: "What is the land use that we want here?" It is an integrated approach. More recently, Scotland has proceeded with its interim principles for responsible investment in natural capital. That is in consultation stage at the moment, and is about signalling the kind of investments that are appropriate and will avoid those perverse consequences.

In Wales—I stand to be corrected—I believe they are pursuing some national minimum standards for land use. For example, in England we, effectively, have an unenforceable standard for water quality from agriculture. We need a baseline. We need certainty to be able to measure improvement. Landowners and farmers need that, as do regulators. It is interesting. In Wales, there are efforts to secure the rights of tenants in accessing government funding, and, of course, the rights of tenants to participate in and get the co-benefits of these markets is a really important issue.

Andrew Sowerby: It is quite challenging in that respect. Depending on how the land is registered in Rural Payments Wales, if the landowner wants to plant trees and there is a tenant there, it is actually the tenant who holds the rights. The landowner and the tenant need to have that kind of agreement. Obviously, if a tenant farmer is one who has the talent of adding value in terms of livestock, they are not naturally going

to choose trees. It empowers them within the system, but equally it makes for a multilayered and complex process in that respect.

David Robertson: The long-term nature of forestry presents a significant barrier to tenancies. That needs to be concentrated on, especially when you start to wrap carbon into the process. Again, you are looking at 50, 60 or 100-year tie-ins. If the tenant creates a long-term burden on the land, which is left with the landowner, that creates a significant issue. There needs to be commonality across the whole of the UK in that regard to try to resolve those types of issues.

Q148 **Baroness Redfern:** I have a very quick question. Regarding carbon offsets being possibly substituted for wider emission reductions, could I gain your views as to whether that would, or could, happen?

David Robertson: I am not entirely sure that I understand that question, but I will try to answer anyway. I think you are asking whether there should be some control over people who are making statements about carbon reduction prior to having reduced their carbon footprint as it sits at the current time.

Baroness Redfern: Correct.

David Robertson: I think that is fundamental. It is part of the carbon sales process. It should become enshrined in law in some way, in that people can only start to offset carbon once they have fully gone through a measure of reduce and offset principles. You measure your carbon output, understand and look at how you can reduce it, and look at offsetting or insetting carbon only for the carbon units that you cannot reduce within your own business streams.

Baroness Redfern: So it must be really strongly regulated.

David Robertson: I think it has to be for it to be credible, otherwise it loses all credibility. One of the big issues that our field has in the media at the moment is the accusation of greenwashing. My experience is simply that it is not true. The companies and individual corporate entities that we deal with have strong heartfelt desires to reduce their carbon footprint, and are demonstrably looking to reduce their carbon footprint and offset what they cannot reduce. I strongly agree that that is very important. There is word of that becoming part of the rules of the woodland carbon code and trading carbon in the woodland carbon code.

Q149 **Lord Grantchester:** David Young said at the outset that availability of capital was not an issue, yet our discussion seems to outline a lot of complexity, concentrating on the supply side. If we were to look at the demand side, it might be helpful to understand what a private investor looks like. How do they invest? They usually want a return with a degree of liquidity.

What are the major barriers for private investors investing in carbon and environmental markets on the scale required to achieve the Government's ambitions on climate change and biodiversity and the

wider environmental goals? What role do wider market issues play in this regard—for example, pressures on global food production?

David Young: I think you have almost answered your own question, if I may say so. It comes down to three things: certainty, scale and liquidity.

Lord Grantchester: What are they doing? How much are private individuals investing, or pension trusts? Give us a feel for how the market is working.

David Young: The research we did showed a threshold of around £100 million for serious scale investment, for a portfolio of projects. If you want to bring in proper, global scale capital you need to be above £300 million. Those figures are probably back of the envelope at best, but that is the kind of thing that investment funds have been saying to us.

There would be no project in England, or in fact the UK, that gets remotely close to any of those numbers. You therefore need to create a portfolio of projects. With all the complexities that we have been explaining, the supply side is the real challenge—the time that it takes to bring projects together and get them accredited, and the number of organisations you have to go through. If there was one thing you could do, it would be to create a national accreditation body—a one-stop shop, if you will—to provide that certainty, and work through all the complexity and the detail to make it simple for investors and simple for landowners.

David Robertson: The typical investment scale is sub-£1 million with private investors. We are not talking about huge quantities of ground, but of course the majority of this type of activity is actually happening with farmers and existing landowners, the bottom-up generation of carbon credits. A lot of what has been developed to date has been through existing landowners. We should certainly remember them in this process. It is fundamentally something that is happening with existing farmers.

On the investor side, it can be anybody. It can be any level of investment from £1 million upwards. Global-scale forestry investment tends not to look at the UK, because the very large investment funds that have interest in developing large-scale afforestation projects simply cannot find land in the UK with the certainty of developing it. A £300 million investment would not happen here. It certainly would not happen in an individual unit. The investors are various and broad. It can be anything from pension funds to individual private equity or private investors.

Lord Grantchester: They then necessarily group themselves into an approach to marry up what they are looking for with the supply side in mind, with knowledge of how the supply side has to work.

David Robertson: Yes, that is when they come to professional foresters to give them advice about where that supply side comes from, what the potential output is and what are the potential opportunities and constraints relating to that. That is where we sort of guide people down that route.

Q150 **Baroness Mallalieu:** On the issue of large amounts of money looking for large areas of land that are not available, you mentioned bad publicity. Is there any feeling among any of you that there ought to be some restriction imposed on the use of, for example, grade 1 land for some of the forestry schemes?

Andrew Sowerby: Do you have a ready answer, David?

David Robertson: I grew up in a relatively agricultural area, and if I was to propose to anybody that I had planted grade 1 land, I would not be going anywhere near home. I have absolutely no doubt that grade 1 should be protected. Should that extend to grade 2? Very likely. We are seeing a push with the changes to the woodland carbon code, which are pushing people down the hill. The recent changes to the code, which will come into place in October this year, incentivise people to buy better-quality land because you are required to prove that forestry is a worse option than the current land use in net present value terms in order to gain additionality to gain carbon credits. That, of course, pushes people further down the hill.

That is a perverse outcome and an unexpected consequence of changes that happened because of adverse media attention and adverse political involvement in the process. It is potentially particularly damaging to our industry, and it pretty much rules out the types of people we should be encouraging to plant land to create carbon: farmers and existing landowners who are perhaps looking at their existing landholdings and carbon footprint within farms and are being asked by their customers, "What are you going to do to reduce your carbon footprint over time?" The result is that they probably will not get additionality under the new rules to plant the worst parts of their farm, which are exactly the areas that they should be planting. Those are perverse outcomes of a quick change to the rules.

Andrew Sowerby: To build on that, just look at the success of 20th century timber plantations on grade 4 and very marginal land where we have sustainable timber that does not need ongoing rural development support. In Wales, the only rural development support available for forestry at present is for creating new woodland. Forestry proceeds without rural support. You have a sustainable product where it would only be 20% self-sufficient in the first place. We need to do woodland plantations at relative scale, because ultimately it is much more efficient and safer when it is mechanised, and it is usually cleaner.

There is an interesting thing to not rule out: where we have our best agricultural land, do we have enough trees in that landscape, and how do we fit trees into it? The existing models may not allow for enough trees in that landscape. On the more productive land you also have trees growing at a much higher rate and sequestering carbon. That is why I paused in answering the question. I support everything David has just said, but should we really rule out having more trees in areas where we have very good, productive soils? From a biodiversity and a connectivity point of view, we may need them and we ought to support them, so I would not

want to rule it out, but where we have established woodlands at scale we have had tremendous results, and we need to think at the macro scale—the large scale—to do it well.

Q151 **Lord Goddard of Stockport:** In the current guidance, codes and regulations of the carbon code, is there sufficient incentive for the right projects in the right place? Are there differences between the peatland and carbon codes in operation?

Andrew Sowerby: I cannot speak to the peatland code. But the Woodland Carbon code is a standard code for the whole of the UK, so it works best when you already have a management plan for the project that you are going to do, and you take your critical information and all your evidence and put it into the grant-giving process, or the approval process that you are going to do, and then that depends on your national administration. Do you want to build on that at all, David?

David Robertson: Yes. Correct. The short answer to the question is no, if you want to keep it as short as that, but I refer you to my previous answer, in that we are seeing changes to the woodland carbon code that are, for instance, disincentivising people from planting the poor corners of their fields and farms and unproductive hill land, to allow them to make their farms more efficient.

The context of the targets within England is very similar to what is happening in Scotland. Looking at the area of land, we require about 5% of all grazing land in England and 5% of all grazing land in Scotland to achieve the targets that the Government have set for 2050. I assume that 5% is not a hugely significant area, and with the pressures that we are seeing through the replacement for BPS, I would like to think that the agricultural sector could perhaps look at efficiencies over that period to save more than the 5% land take that we require for forestry to meet targets. Perversely incentivising people into the wrong type of ground is certainly not going to help that position.

Q152 **Lord Goddard of Stockport:** If you could change one thing for a positive, what would it be? What would make the thing quicker and more effective?

David Robertson: The grant process in England has to be reviewed. I understand from my colleagues who work in England that there is definitely a case that the officers dealing with grant approvals in England do not feel empowered. In fact, they feel almost threatened by the position that they find themselves in with a lot of consultees, and they feel poorly supported—by the industry, I suppose. Changing that approach and having an overall English approach to woodland as an accepted outcome is extremely important. That is what happened in Scotland with the Mackinnon review in 2016, when all the bodies pulled together to recognise that the Government had a target, which was to generate X hectares of forestry over a period of time, and they set about enabling that to happen. That does not happen in England at the current time. That enabling action is really required.

Q153 **Baroness Mallalieu:** What can be done to make the carbon codes more attractive to landowners and land managers so that they develop high-quality, nature-based solution projects? You said that the woodland code, for example, has in fact attracted only a very small number of people over quite a length of time.

The second question, which you have already touched on, is about the difficulty with tenant farmers. What needs to be done to try to ensure that they too can play a part and take up some of this?

David Young: We need a framework of standards and codes that recognises the environmental services provided by land use changes of a variety of types, not just woodland, which is why I pointed to the regional land use partnerships in Scotland. That is an integrated approach to land use that thinks through all the environmental benefits that are flying from woodland or peatland, or arable reversion to species-rich grassland. We need a framework of standards that sets the baselines, measures the improvements and, most importantly, provides legal certainty for farmers and landowners that they have the rights to those benefits. Once you have that legal framework in place, the markets can start to operate at scale.

Unfortunately, at the moment, as was suggested here, there is a lot of uncertainty about what you are allowed—or not allowed—to do, with credits and that sort of thing. That is where you have the codes; in areas such as water quality and flood mitigation it is even more uncertain. It is absolutely clear that landowners should be given the rights to these services; if they are providing the services, they should have the rights to them. Who they are then allowed to sell those services to in the form of credits is a different matter—whether it is to developers, to meet nutrient neutrality, or to businesses trying to meet net zero—but establish the legal rights. Markets work well when you have legal certainty and legal rights. I think that is the single most important thing that is needed.

Baroness Young of Old Scone: Can I dwell on that before I ask my question? Do you think that the presence of the Scottish Land Commission and the things that flow from it help with all this, or not?

David Robertson: I think it does. If nothing else, it gives confidence that these issues are being looked at in the round and in the whole. Its involvement in large-scale land acquisition in Scotland has become essential on that front, if nothing else, to focus the minds of people who are looking to invest and of people who are involved in that type of activity, as we are.

Consultation with communities is extremely important and is something that can never be undervalued. Proper consultation with communities that are properly enabled to carry out proper consultation is extremely important. One of the things that we find often is that communities are not set up to carry out that type of involvement, and the framework that the Scottish Land Commission has put in place will, hopefully, enable those communities properly to respond to the consultation that they are

being sent. Quite often, we see single-interest people or single-interest bodies purporting to represent the communities that are being consulted, and they no more represent the communities than you or I. That needs to be controlled, and this gives us a framework and a structure to place around it.

Q154 **Baroness Young of Old Scone:** Moving on to my proper question, you talked about the need for these schemes to deliver multiple benefits and said that that would be helpful. Water quality, flood risk management and carbon are already there, but other stuff is not, such as biodiversity, natural capital accounting in its broadest sense, and a whole load of other public goods. You have just described the process as it is as being horrendously complicated. Do you think, if you loaded all this on to a single way of talking about land, the whole thing would just collapse under the weight of multiple objectives, or is it doable?

David Young: I think it is doable. Professor Dasgupta laid out the basic proposition that we do not value services from nature, so we do not invest in them properly. What we have is not even an unlevel playing field; it is an inefficient system and scheme, so we have to think about it. That is why what Scotland has done in thinking about land use in a whole and integrated way is a really important start. Then we need to simplify the framework of standards so that the rules are clear. It is not so much the fact that there is complexity as that navigating that complexity is so hard and involves so many people, often with different opinions. It is left to the project developers to reconcile all the competing views.

As for integrating nature with agriculture, one of the problems we have is that some of the studies and models have shown large areas of land needing to be taken out of agricultural production just to deliver, let us say, the water quality improvements that are required. That is because they have not looked at it on the basis of integrated benefits, and we need to focus on the multiple benefits. They look at it in silos—"We need this much for biodiversity, this much for water quality"—whereas actually, if you bring integrated solutions together, you have a much smaller land take to deliver the outcomes, and farmers have the incentives to locate those solutions in their farms. I have to say that I agree with the NFU that we need a new economic model for land use in the UK, because that is what is needed to drive this.

Andrew Sowerby: I will briefly put some numbers on that. Until last year, in Wales, the grant to work through that kind of complexity for a developer like David and me was £800. That could be for a 100-hectare scheme. It is not so bad on five hectares of marginal land. It is nearer £5,000 or £6,000 in England, but are the schemes big enough? We are not putting enough time and effort into that kind of valuation, building a language around it, and having multilevel consultations to engage with people and help them work through it.

The Chair: David Young, you mentioned the Scottish regional land use partnerships a moment ago. Does everything have to be done at the national level, for a start, and if we were to apply that model to an

English example, how would you see them being implemented?

David Young: I believe they are being rolled out across Scotland now. They did a pilot programme. The results have been evaluated, and it is seen to be a very positive thing to create ways for communities to genuinely engage in the co-design of schemes. It is fair to say that it is in its early stages, but, in my view, they have come at it from the right way of looking at it. There are multiple ways of doing it in the UK, but catchments would be the logical unit, in my view.

There are 120 large catchments in England, and we already have catchment partnerships across those areas, but they tend to look at the water quality issues. I suppose it is about reframing it to look at it from a land use perspective and, ultimately, possibly putting it on to a statutory footing, so that you create local governance that can then both provide strategic guidance and potentially become the location for devolved funding to deliver outcomes that are determined by local communities. In the landscape recovery stream of the ELM, they are looking at a small scale—that kind of co-ordinated funding for the outcome—and leaving local governance to suggest how to deliver it.

The Chair: Okay, thank you very much.

Q155 **Lord Harlech:** Could you give us some examples of successful projects that you have been involved with that were specifically supported by the codes? What were the factors behind that success and where can lessons be learned from projects that were less successful?

Andrew Sowerby: Can I put a positive one from Wales in first?

David Robertson: Absolutely.

Andrew Sowerby: A really successful project in Wales is a woodland called Cwm Fagor, which is owned by Thorlox Lighting ltd, a lighting company. It is positive because, in the early noughties, Thorlox went through the process of reducing its carbon emissions and wanted to plant trees to offset the emissions that it could not reduce. It worked with my managing director, Graham Taylor, and a land agent to identify land in Monmouthshire, relatively productive land, but in the right location.

The key to its success is that the landowners have taken a long-term view and decided to go for a wider range of outcomes than just sequestering carbon. The original landholding at Cwm Fagor was just shy of 82 hectares, and the woodland creation on the land has taken 15 years. When it has been appropriate to take advantage of opportunities, they have done so, rather than seeing a woodland grant scheme on offer and pushing through all 80 hectares. One of the disadvantages to that approach is that if you planted trees in the winter of 2020, for example, they would all have been affected by the drought in March and April and the late frost in May. We saw a lot of mortality there.

Because they took a longer-term approach and decided not to be as constrained by the system, they did a lot better. They have planted over

30 different tree species there—one-third conifer, two-thirds native broadleaf—and they have had tremendous success. The growth rates in the deep, brown earth soils, because it is relatively lowland, are more productive than most forestry sites. Their growth rates are off the scale, and they are sequestering far more carbon per hectare than other schemes in the uplands. That is one example I could speak about at length, but I will leave it there.

David Robertson: As a business we are involved with over 200 schemes across the UK, 25 of which are validated and three have been verified, so they are at the stage of producing carbon units and they will produce around 1.7 million tonnes of carbon. Unfortunately, only a very small quantity of them is in England, but we have some very good examples I can send you, which are in Northumberland, extending up to 500 hectares, sequestering up to 100,000 tonnes of carbon.

Those schemes were successful in achieving the woodland carbon guarantee through the Forestry England scheme, but unfortunately they may not pass the additionality tests that have been set, which have been changed. We have a stimulus from one side; these are schemes slightly over 50% commercial conifer, providing native woodland habitat, biodiversity habitat, and connectivity between habitats. The schemes tick a lot of boxes that we want to tick in the wider environment, but they will struggle to pass the new additionality test. We need to be careful about where we go in this sort of process. We can push schemes forward, and they can look very successful on paper and have the woodland carbon guarantee, but actually they might not be able to achieve that.

Peatland is at a very early stage as well. We should not forget peatland; it is an extremely important resource of carbon. Only 50 schemes are registered on the UK Land Carbon Registry, and it is a super carbon sink. It is also very attractive to people looking to restore it, because it has a straight-line accrual of carbon; you restore peatland in year one, and at years five, 15 and 25 up until age 100, you get a straight-line acquisition of carbon units. It is very attractive to people who are looking strategically to offset unavoidable emissions in their businesses, but it is a difficult market to get into. Peatland is relatively scarce in the UK, certainly in England, in overall land terms, but we are working on some very big schemes in Scotland—1,400 hectares, 1,800 hectares and various schemes—and they can be extremely successful.

David Young: An example of an excellent peatland scheme in Scotland is the Talla and Gameshope project run by the Scottish Borders Forest Trust along with Forest Carbon. There is a video on the Financing Nature Recovery UK website that tells that story. The key point is that 85% of the finance came from carbon finance, and it allowed them to scale up the project, bring forward the restoration of a significant area of peatland by almost a decade, and do so at a much lower cost because they were able to use equipment and machinery at scale. That is the potential of private finance for these kinds of projects.

Q156 **Lord Curry of Kirkharle:** My question follows from comments made in

answer to the last question about additionality.

Not surprisingly, the Government are clear that they do not want to double-fund projects and that additionality is an important objective. They also want funding to benefit local communities. The Government have said that they will set out details later this year on the development of a framework of standards for ecosystem investment projects. What would you like to see in such a framework? I realise that it is quite a difficult question.

David Robertson: We have to bear in mind that we already have the three layers of assessment—regulatory assessment, grant schemes and carbon—so we need to be very careful about adding any huge additional burden to that. Local community involvement is crucial. In that regard, the consultation process has to be clear and unambiguous. Building something around that sort of framework is very important.

As I said earlier, we need to make sure that communities are set up to properly respond to the consultation processes in which they are asked to contribute, and that we do not get a one-sided view from individual interest people within that. It is obviously clear that double-funding should be avoided and a sensible additionality test will ensure that that is the case, but it does not necessarily have to be a financial test; there can be all sorts of other tests applied to additionality in the market.

David Young: It comes down to four things. The first is legal certainty for farmers and landowners about who owns the rights to these environmental services. Secondly, there need to be straightforward additionality tests of measurable improvement above a baseline, combined with no pre-existing legal obligation. Thirdly, the Government need to be very clear about the outcomes that they are buying through environmental schemes—through ELM. They need to be clear whether they are buying the diversity, or whether they will leave the biodiversity to the landowner to sell to housing developers, per se. Finally, there needs to be avoidance of institutionalising free-riding—in other words, going to a landowner and saying, "We're going to make you give up your rights to the water quality and flood mitigation improvements, because you've sold these credits for their nutrient reduction". That is quite the wrong way to look at things and will institutionalise underinvestment in nature and the natural environment.

Andrew Sowerby: One last thing to keep in mind, to add to what my colleagues have just said, is whether you have staff with the skills and abilities to make those kinds of assessments. Foresters, by their nature, look at a wide range of issues and find a way through over long periods of time, but we need people to be able to do that cross-sector. You may be able to learn things from chartered foresters. I point to the Institute of Chartered Foresters' initiative on closing the skills gap where it has been working actively with the Government since October 2021. Do you have the resource to be able to do this? It really is crucial.

The Earl of Leicester: A question ago, David, you talked about a very

good project up in Scotland, of which 85% was funded by carbon investment. I have just been reading through the Scottish Land Commission paper, which we were all given. Maybe you have answered my question, but I am confused. The paper says: "Although there is a requirement of additionality under the WCC"—the woodland carbon code—"at the moment carbon finance payments only need to equate to 15% of the project's planting and establishment costs up to year 10". You were saying that 85% is—

David Young: I think we agree that actually the financial additionality test is part of the problem. If you have environmental improvement, there is no issue with greenwashing, unless there was a legal requirement for the landowner to do that in the first place. The second limb of the test needs to be: was there a legal requirement? If you sort out those two things, there is no need for a financial additionality test. Importantly, for these long-lived projects, how are you really to value the opportunity cost of land use for 80 or 100 years? It becomes not only extremely imprecise but an impossible task. It is distorting the way that investment works, and it is an unnecessary and unfortunate consequence of the needs to make adjustments.

David Robertson: To be clear, the Scottish Government will fund up to 85% of costs of peatland restoration under their peatland action code, which outlined £250 million-worth of investment up to 2030 to restore 25,000 hectares of peatland in Scotland. To prove additionality under the peatland action code, a landowner needs to contribute 15% of costs. That is the additionality test, as such, for that process.

The Chair: Is there evidence for the baseline, or even the stages of additionality, and who is gathering the evidence? Where is it all coming from?

David Young: That is why there needs to be a national accreditation body that brings the science together to provide consistency. There is a growing industry of developing new codes and standards, but there is no overarching framework of principles for them, to ensure that they are consistent. There is a risk that we end up with the problem that Mark Carney faced with the voluntary carbon markets, where the industry did not have confidence about the differences between a carbon unit over here and a carbon unit over there. There is a need to put in place a framework of standards and principles and then have an independent body that approves or authorises those standards for use. That would give certainty and consistency.

David Robertson: The peatland code in the UK has a standard that has to be met prior to entry into the peatland code. The peatland code sets down baseline expectations and they are measured by qualified ecologists who are employed to go and survey the ground and find out what the baseline information is, in very simple terms. There are controls in the peatland code to ensure that baselines are measured to give us some form of understanding of how the sites develop over time.

David Young: To give you a little illustration, on the Government's targets of £1 billion by 2030 for private investment, the peatland code just recently employed its first full-time staff member. Is that person going to accredit £1 billion-worth of projects between now and 2030? Probably not. If we are to treat this seriously, we have to think about scaling up the infrastructure around those markets.

The Chair: Okay, thank you very much.

Q157 **Lord Curry of Kirkharle:** The question I wanted to ask earlier was about the proposal that there should be an accreditation scheme and an accreditation body, which has just been referred to again. I do not want to prolong the discussion today, but it would be helpful if we had more detail—perhaps in writing—on what that might look like, because it sounds like a fairly serious proposal to me.

I have a further question on the current discussion. How do we commercialise carbon, and indeed natural capital, against the background of additionality? With additionality in tests with government-funded schemes, how does commercialising probably the same area fit with the government-funded additionality challenge?

David Robertson: Currently, the proposed woodland test is quite simple: is the net present value of the existing land use higher or lower than woodland? If woodland is higher, it fails the additionality test. If agriculture is higher, it passes the additionality test, and you can gain woodland carbon credits on it. The value that you then attribute to those carbon credits does not matter as such. Having a sensible additionality test in place, which is not necessarily financially based, is probably the way to try to commercialise this in a more rounded manner. Saying, "Financial does not matter, but avoid financial tests", does not make a great deal of sense; it is a case of really focusing on what the intended outcomes are for woodland and peatland carbon, and the other ecosystem services that go around them, driving them from the bottom up and looking at it in that way.

The Chair: Thank you very much. This may be for David—I am not quite sure. Lord Curry's request for written evidence as to how you think some sort of accreditation or unit might work would be very helpful, if you could do that. Our time is up. Thank you, all three, very much for your evidence. It was a very useful evidence session as far as we are concerned.