



HOUSE OF COMMONS

# Environmental Audit Committee

## Oral evidence: The role of natural capital in the green economy, HC 280

Monday 20 May 2024

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Members present: Philip Dunne (Chair); Barry Gardiner; Chris Grayling; Caroline Lucas; Jerome Mayhew; Dr Matthew Offord; and Claudia Webbe.

Questions 285 -365

### Witnesses

I: Rt Hon Lord Benyon, Minister of State (Climate, Environment and Energy), Foreign Commonwealth and Development Office, and the Department for Environment, Food and Rural Affairs; Helen Edmundson, Deputy Director, Green Finance, Department for Environment, Food and Rural Affairs; Baroness Vere of Norbiton, Parliamentary Secretary, HM Treasury; and Fayyaz Muneer, Deputy Director, Green Finance and Prudential Policy, Financial Services Group, HM Treasury.



## Examination of witnesses

Witnesses: Lord Benyon, Helen Edmundson, Baroness Vere of Norbiton and Fayyaz Muneer.

Q285 **Chair:** Good afternoon and welcome to the Environmental Audit Committee for our final oral evidence session on our inquiry into natural capital. We are very pleased to welcome today two Ministers and their officials. I would like to start by inviting Baroness Vere from the Treasury to introduce Fayyaz Muneer from her Department.

**Baroness Vere of Norbiton:** Thank you very much, yes, I am Baroness Vere. I am a Treasury Minister responsible for Green Finance. Fayyaz is the deputy director of—

**Fayyaz Muneer:** Green Finance and Prudential Banking.

**Chair:** Thank you. We also welcome Lord Benyon from the Foreign Office and DEFRA. You are double-hatted now. Congratulations on your additional appointments. You have brought Helen Edmundson with you. Could you explain what she does?

**Lord Benyon:** She is a deputy director of Green Finance at DEFRA.

**Chair:** Thank you, could I just start by being clear about what your responsibilities are at DEFRA and in the Foreign Office in relation to this subject?

**Lord Benyon:** Across both Departments, I cover climate, nature and I do work in the COPs and various other things. In DEFRA there is a complete overlap on issues like that, particularly in international biodiversity. I cover other things in both Departments, including green finance at DEFRA, which is a responsibility that I have had for three years now.

Q286 **Chair:** Thank you. The UK is the first country in the world to set up a statutory, mandated system for biodiversity net gain, which is welcome. How significant is that from a Treasury point of view and is this a market that will become credible and real for the City to be able to exploit as a centre for trading biodiversity net gain credits?

**Baroness Vere of Norbiton:** A very wide-reaching question to start and I would just like to take us back to where this all came from. The Treasury commissioned Dasgupta back in 2019. That kickstarted how we think about our natural systems, natural capital, ecosystem services and so on. From a Treasury perspective, it is very welcome that we have the biodiversity net gain statutory intervention now, because one of the biggest challenges that we have in terms of investing private capital into nature, which we very much want to do, is to establish how the revenues and how the returns can be made. Underpinning that, of course, is the need to establish the quality of the projects to supply any biodiversity credits into a market.



I would say that it is fairly nascent. There is some very good work going on. Obviously the Government are investing public money. We are also working with other people to do blended capital. That is the intermediate. However, our first objective for the longer term will have to be how we ensure that the private capital comes flooding in. Part of that will be thinking about where the credits go and the use of the credits. We are very welcoming of the biodiversity net gain intervention and we are working very closely with DEFRA, particularly on the market side.

**Q287 Chair:** We will focus some of our questions on biodiversity net gain but we will also look to the private markets more generally, and you have mentioned Government investment. The NAO produced a report focused on biodiversity net gain last week, at our request, which is timely for this session. The NAO has briefed us that the Government have set aside £200 million to invest in establishing the BNG system and have currently invested £52 million, which is meant to be spent over four or five years. However, the expectation is that this will unlock £9.6 billion of capital. That estimate was made five years ago. Can you give us any update from the Treasury on how it thinks that will be arrived and to what extent BNG contributes towards that? What part of the £9.6 billion is it likely to become?

**Baroness Vere of Norbiton:** If I may refer that question to my colleagues at DEFRA, who will be more over the detail as to where those numbers have come from, because that NAO report and BNG is very much their bag.

**Lord Benyon:** I will lead into that by addressing your earlier question as well. Internationally this is of great interest. Last week I was in Paris for a meeting of our international advisory panel on biodiversity credits—I say “our” because we are co-chairing it with the French—looking at how we can embed this thinking internationally. In various other fora there is genuine interest in what we are doing in this country. Of course, this is only England but it is nevertheless of great interest. We are very proud of it but we do not want to overstate it. As you say, Chair, the real win will come from a much larger flow from private sector biodiversity credits trading, which we want to see delivered.

On the National Audit Office’s assessment, we are all working extremely hard to kickstart BNG. We have already done the small sites and we are rolling it out. No money has flowed yet because it is so nascent and such early days but we will start to see that, as it is already part of the planning process and developers and planning with biodiversity net gain in mind on projects that are currently going throughout the planning system and beyond it.

The worry is and always was that they would then not be able to find, in these early days, projects in which to invest for offsite developments. Therefore, we thought that the Government should pump-prime this by setting up a register on investable projects. That is held with Natural England, an arm’s-length body of DEFRA. They will be able to go to them



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and say, "We can't get projects available that comply with the requirements of our 106 planning agreement and therefore we are coming to you, Government, and we will provide them something of the register". This will do two things. This will start to create understanding in the private sector about how the system will work, and it will start creating fundable, developable projects that people can then see functioning in a co-ordinated way.

The National Audit Office raises some important points, but we are absolutely focusing at the moment on implementation at this early stage. The NAO also had some concerns about monitoring and evaluation, which we absolutely accept, but these are long-term projects, 30 years, and we want to make sure that we are getting them established and that we are developing good monitoring and evaluation that addresses their concerns as well.

Q288 **Chair:** Did you say that there are six sites currently on the register? Did I see you say that?

**Lord Benyon:** No, I did not say that, no.

Q289 **Chair:** The NAO told us that there are currently four. The scheme opened in February and there are currently four sites on the register, covering 80 hectares. I asked what the value was and the NAO said up to £650,000 per credit, or was it per unit?

**Lord Benyon:** Per unit, yes.

Q290 **Chair:** The other thing that we heard is that the register will cover, as you have just described, those sites that are offered by land managers into the Government for the Government then to sell on, but it will also include deals that have been privately negotiated between developers and landowners, is that right?

**Lord Benyon:** Yes and there will be some public sector land that we think may also be put into that. Helen, do you want to give some granularity on this?

**Helen Edmundson:** Yes. All offsite credits will obviously, like all of the large units, need to be put into a legal agreement. That legal agreement can either be with the local authority through a section 106 agreement, or with the responsible body. That is through the conservation covenants. The offsite units will then go on that publicly available register that Natural England holds and project developers can access that offsite register if they cannot find any onsite.

The statutory credits market is a market of last resort. We very much want to enable the development of the private market and have set the price high to be able to incentivise the private market to be put in place. We have not yet received any income for those statutory credits and we are working through options about to deploy that income should we receive it. That income will be held by Treasury until we decide to deploy



it. That is through the Environment Act. The DEFRA Secretary of State can use that income for the enhancement of habitat or purchase land for that enhancement of habitat, in line with biodiversity net gain.

**Lord Benyon:** The uncertainty is around what percentage will be onsite and what will be offsite. The Government have taken a view that half will be onsite net gain and half or more than half will be offsite. That will be tweaked over time with experience but this is still early days.

Q291 **Chair:** Will be there any means of understanding how much biodiversity net gain is being delivered onsite? Will developers—or local authorities, I assume—be obliged to create a register of the deals that they have agreed with developers to secure planning consents?

**Lord Benyon:** Natural England will hold a register of all offsite developments. Local authorities—I cannot remember which legislation this is in—will have to have a transparent register of all onsite agreements and it will have to be part of a legal agreement.

Q292 **Chair:** Will that be interrogatable by us or other people?

**Helen Edmundson:** This is something that we are looking into through the monitoring and evaluation of BNGs. As the Minister said, the offsite units will be on this publicly available register that Natural England is holding. Onsite is the responsibility of the local authorities to manage and will be part of how we are exploring our monitoring and evaluation framework with Natural England, possibly through surveys and dialogues with the local authorities, exactly how those will be managed and captured. However, they are not on the register that we mentioned previously. That is for offsites.

Q293 **Chair:** You touched on statutory credits and said that you have not developed a mechanism to spend those credits and that any money that comes in from selling them to developers, as a last resort because they have not managed to find any themselves, will go to the Treasury. The Treasury has a habit of hanging on to money that lands in its coffers. What surety do you have that the Treasury will provide you with the money if you ask for it to invest in a particular thing or entity to satisfy a credit sale? Is there an agreement with the Treasury?

**Lord Benyon:** I do not want to mislead the Committee. It is due to be ringfenced and spent on biodiversity. It will be a ringfenced agreement with the Treasury in order that the money will be spent on biodiversity enhancement.

Q294 **Chair:** Can the Treasury representatives confirm that that is their understanding?

**Baroness Vere of Norbiton:** Yes

Q295 **Chair:** Good, thank you. I should have said at the outset that I am a farmer. I do not have any natural capital interests at the moment other than being an owner and responsible for some. I apologise for not putting



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that on the record earlier in the session.

There will be other questions on BNG later, but we will turn to the role that the UK financial centres have to play on voluntary capital markets. Baroness Vere, do you see any conflict between the statutory system that we are setting up and voluntary markets developing? Are they complementary, are they designed to operate to similar standards?

**Baroness Vere of Norbiton:** They will clearly develop alongside each other. The voluntary nature markets again are very nascent. You will be aware that there is a consultation that will be coming out soon on voluntary carbon markets. That will include some references to voluntary nature markets as well. However, I believe that that is a DEFRA consultation.

**Helen Edmundson:** A DESNZ consultation.

**Baroness Vere of Norbiton:** It is a DESNZ consultation. DESNZ will be taking that forward. Obviously we do want them to develop and it is for them to do so. It is not a Treasury workstream per se.

Q296 **Chair:** I think that was expected in March. Do we know when it will be published?

**Fayyaz Muneer:** We do not have a firm date for it.

**Chair:** Can you give us a clue? Is it intended to be published before the recess?

**Baroness Vere of Norbiton:** We can certainly ask DESNZ for an updated timeline.

**Chair:** We had the example at our most recent hearing of trying to get from a Government official the definition of the word "imminent" when we were told something was imminent. We did not get very far with that but we did circulate dictionary definitions. You have not given us an indication but it would be very helpful if you could write to us.

**Lord Benyon:** Imminent is sooner than in due course.

**Chair:** It is much quicker than in due course, I think.

Q297 **Chris Grayling:** I will ask a couple of questions about natural markets, but can I probe slightly on the BNG issue? It sounds like a lot of work is still in progress, but BNG has already started. Will there be a mismatch between the needs of developers and the system as it has been developed so far and will we end up with a logjam?

**Lord Benyon:** I do not believe so because the most important thing is that now it is live, it is a statutory requirement. Local authorities have received support in delivering what they have to do and we are seeing developers now working through the requirements.



The concerns raised about evaluation and monitoring and concerns raised on other factors will be ironed out in due course. There are a lot of people working extremely hard across Government to make sure that this flies. It is a DLUHC responsibility as well, with DESNZ and Treasury and my Department as well. I do not think that the Committee needs be concerned that there will be a sudden logjam of effort, because we have to get this thing up and running and show people and show the wider world that this is how to do biodiversity enhancement in a way that developers understand clearly, that Government have their role and that it can be localised through a local planning system effectively.

**Q298 Chris Grayling:** What you said about monitoring particularly concerns me, because if you look at that and the broader opportunity for much larger-scale natural capital markets, fundamentally you need nationally and then internationally accepted metrics that can determine both the baseline for a project and the progress of a project as it goes on. Without those, it is hard to see that any natural capital market can develop properly, whether it is a BNG market on a small scale or on a larger scale. Are you not yet confident—at least within the BNG arena and, I hope, moving on to how you apply this on a much bigger scale so that the UK can develop natural capital markets with international reach—that you have reached a point where we are satisfied that we know what the right approach on the metrics is?

**Lord Benyon:** We know what the right approach is on BNG because it has been exhaustively laid out in legislation and guidance. On the wider marketplace—and this comes into where your questioning is going—the most important thing that we have to do is to ensure that the credit trading schemes have implicitly in them trust and integrity. We have done so much over the three years that I have been involved in this to address a now rather out-of-date, frequently-said phrase—that it is a “wild west” out there. There are conflicting metrics on baselining and there is conflicting wordage about with good looks like. What we are doing through the British Standards Institution and what we are doing internationally now throughout the ISSB and other measures that we are bringing in is to make sure that we are embedding trust and high integrity into this market framework.

**Q299 Chris Grayling:** How close do you think we are in the UK? The UK is one of the world’s major finance centres. It would be crazy if we were not able to establish a globally recognised natural capital market from the City of London and from the UK.

**Lord Benyon:** I totally agree with you. Baroness Vere might want to come in on this. There is a fantastic opportunity here. We have a financial services sector that is used to regulation, that is one of the biggest in the world and we have a depleted natural capital on these islands. Therefore, there is a fantastic opportunity for the UK here to create a mechanism that does not over-regulate and also does not allow for greenwash and the negative elements of an unregulated landscape here, and also the fact that there is additionality that can be evaluated and purchased



through a credits system that sees a massive improvement to our natural capital across the country. I am very excited by this and I think that there is a huge possibility here. We have to get that balance right between an over-regulation that squeezes out investment and under-regulation that allows for greenwashing. I hope over the course of the next hour or so that we will prove to you that we are trying to hit that sweet spot.

**Baroness Vere of Norbiton:** I was just going to add a bit from a bigger picture perspective. We know that we need to develop these natural capital markets, we know that we need the data to underpin them and we know that they are hugely more complex than even the carbon markets are. Therefore, when we are looking at what the UK sustainability disclosure requirements should be for natural capital, we need to make sure that they are underpinned by national standards. That is why at the moment you have TNFD, which was a market-led initiative. Some very forward-thinking companies got involved in that and we greatly support that, but it is time to bring in the real economy and ensure that everybody can get involved.

Therefore, we welcome the ISSB implementation announcement last week from DBT. It would be very good if the ISSB could do a broader framework for implementing and for developing future standards. On the back of TNFD, we know that the ISSB is now doing a major piece of work on nature. This will, I hope, underpin natural capital globally. If it does not, we can be the UK doing wonderful UK things but we will not attract the sorts of national capital flows either into the UK or indeed into countries around the world without that underpinning into some sort of ISSB standard that we can put through an endorsement process in the UK, which we now have set up for DBT. From my perspective, that is where everything else flows, whether it be transition plans, whether it be nature markets. It all flows from that. Everything that we have been doing in from the perspective of the green finance strategy since the update was launched last month, everything that we have been doing in green finance always has nature in it as well. You may not be able to see it massively at the moment but it can be inserted in due course once we get the understanding of what the data looks like. What are we trading here? If we cannot measure it, we cannot trade it. That to me is the fundamental underpinning of how we take this forward.

Q300 **Chris Grayling:** I have a concern, listening to that. I take it from both your responses that you want to see a market in the UK in which these credits are traded and resold and re-traded?

**Baroness Vere of Norbiton:** Yes.

Q301 **Chris Grayling:** How quickly can we get there? This is an opportunity that will not be everywhere indefinitely. We need to be quick off the block as a country, whether it is Government and the City in partnership, whether it is City doing things on its own. Yes, there will be international standards appearing in the coming period, but we have to be absolutely





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poised to move to take advantage of that. As we know, the Government are not always as quick at moving as we would wish. What can we do to make sure that we maximise that opportunity?

**Lord Benyon:** The Treasury has given us a target of achieving £500 million invested in nature by 2027, £1 billion by 2030. If you were to look at a graph and expect to see us on an even glidepath, you would be disappointed. You would think that we were missing that target. However, we think that there will be a significant uplift in the coming years. I will give you some examples. Certainly around woodland carbon code investments we have seen a 64% increase last year. We now have biodiversity net gain that is predicted to bring in somewhere around £200 million to £275 million a year, and there are other good indications that there are faster flows in this. I entirely share your concern to see this happen as quickly as possible. Do you want to add anything, Helen?

**Helen Edmundson:** Building on your questions around metrics and international operability, on BNG we have been working through the metric and have confidence in it. It is a habitat metric from which we will ascertain the biodiversity. We are also in discussion with the US, which are also interested in taking this forward and in how they can implement it.

Another thing, and we may come back to this later, is our work with the British Standards Institution, the BSI. That is our UK national standards body. It is taking forward our nature investment standards programme. In our dialogue with them, the BSI is talking to other countries about what it is doing and the interest that other countries have.

To the interoperability point and whether we can get ahead of the curve, the standards work and do we know what good looks like, we are moving forward on the standards part.

Q302 **Chris Grayling:** The last thing to touch on is the issue of scale. I should declare, as you know, Lord Benyon, that I am on the board of one of the big African NGOs. One of the things that seems to me to be an issue and a challenge is simply scale. At the moment in this country we have lots of little, tiny projects, which could be accredited or which may not become accredited, but we need something at scale. You start to get a situation where major corporations sign up to the provisions around TNFD and start to make provisions to deal with their impact on nature. What we are talking about within the UK is generally projects that are not big enough in their own right to absorb that resource, yet we clearly want the City of London or the UK to be a centre for trading credits in larger projects. What do we do to create a situation where we are not only developing BNG as a way of dealing with our own problems, but creating tradability of international credits into international projects?

**Lord Benyon:** This is exactly what I was talking about at the event in Paris last week. We need to reflect that these are small islands where the average farm size is not very often what people imagine. We are talking



about certain areas where we are developing a much more landscape-scale view on this. Landscape recovery, which is a key part of our environmental land management schemes, now has 56 projects in total. These are starting to develop things on a scale that you are talking about.

Overseas—to touch on carbon credits, which have a bit more traction because they have been around longer—we are seeing probably one of the most dramatic changes that you can deliver on nature conservation across very large landscapes. It is crucial that they have within them that kind of integrity, because they are exciting not only business but philanthropy and Government. What is happening in places like northern Kenya is really exciting. In other countries, the way they administer it and the way that they look at it is more difficult. However, we are all signed up to the coming Montreal treaty, CBD COP15, which requires this to be done on a global scale. The UK is primarily placed to be one of the deliverers of this.

**Q303 Chris Grayling:** Japan Airlines has signed up to TNFD. I would like to see Japan Airlines buying credits in London for a major landscape recovery project in Africa. Can we get to that point?

**Baroness Vere of Norbiton:** The way that I think that we will be able to take this forward, and we are taking this forward, is through transparency, because on one of the biggest issues there was a “Panorama” programme recently about people not being sure what they are actually buying. I would expect that what will happen is that some of these smaller projects will be put into much larger funds. For example, you probably heard from the UK Investment Bank about its £50 million investment into the Gaia scheme’s improvement fund. It does precisely that. Now you would say, “Okay, you have a fund. So what? How do we know it is any good?” That is where the Treasury’s work on the regulation of ESG ratings providers will then come in, and also the FCA work on labelling. At the moment, sustainability is important and obviously in order for nature to get the right sort of label there will have to be that credibility that underpins it. Over time—and I accept that we want to get on with this—we cannot do anything that undermines the credibility and quality of what we are trying to put together. From my perspective, we do have the framework there to put smaller projects into funds, make the ESG ratings providers be transparent about who they are providing those ratings to and, where possible, given them an FCA label and people will know that what they are buying does what it says on the tin.

**Q304 Chair:** Thank you. Picking up on that, to take Chris’s example, if we are trying to create a market in London that people have confidence and trust in through the standards that you are describing, how can we enforce standards in northern Kenya to ensure that people have confidence and trust in through the standards that you are describing? How can we enforce standards in northern Kenya to ensure that things are managed in the way that the entity selling the credit has claimed they will be



managed?

**Fayyaz Muneer:** That is a good question and it is one of the reasons why it is a bit harder than just the UK coming up with a standard and demanding that lots of trading happens in the City of London.

Part of the problem is scale. If you are Japan Airlines or whoever, you probably need a lot of carbon credits or nature credits for whatever it is that you are doing. You need them aggregated and ideally you want some liquidity and some market-makers to give you a bit of assurance on that. If you do not have scale, you have a challenge.

As you say, simply imposing a standard that we just come up with here has not worked for the EU on a lot of its sustainable finance mechanisms. Being extraterritorial and having the buy-in by building on where you do have global agreement, in so far as you have it—for instance the coming Montreal protocol and some of the agreements at CBD COP15—is where you should start and where we have started. The standards and what you want out of a nature credit developed in the UK will be different from what you want out of a nature credit developed elsewhere. It is one of the reasons that nature is so much harder, at least analytically, than climate, because you can get quite a long way in climate change only caring about CO<sub>2</sub> equivalent; you cannot get all the way but some of the way. Nature is a lot harder and there is a lot more needed. Different people care about different elements of nature, whether it is buyers, sellers, the ENGOs that hold companies to account.

**Lord Benyon:** Can I come in, because you are giving an example of where we are working with the financial sector to make sure that this does happen? We have what we call a big nature fund, which is £30 million, which we are working with Federated Hermes Capital and Finance Earth to develop things on scale that will deliver much more than just the small projects that you just described.

**Helen Edmundson:** The big nature impact fund is a private fund with Finance Earth and Federated Hermes. The Government are providing £30 million of risk capital. They are looking to those institutional investors to put money into their funds so that you can start go get the aggregation point that you were touching on, and can develop the projects. They also have an accelerator fund alongside to help bring through this pipeline, which we know is a key challenge.

We also have something called our investment readiness fund, the natural environment investment readiness fund, NEIRF, as it sometimes gets referred to. There are 86 projects across England. We are currently looking through the next round, which is pharma-focused. They are all at very different stages of investment readiness but that is starting to build the pipeline. The big nature impact fund can help pull these through the big nature impact fund, talking to the institutional investors so that you are starting to see the end-to-end financing of these projects.



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Q305 **Chair:** What sort of scale are each of those 86 projects? How much is being invested in them?

**Helen Edmundson:** The funding is grant funding. It is between £10,000 and £100,000. Some of it is looking at—

**Chair:** It is insignificant in the context of the City of London investment markets.

**Helen Edmundson:** The investment-ready is mainly for landholders, land managers to assess where the revenue streams can be, and whether they have a business case to take to get investment flowing into them. It is more that kind of technical assistance grant funding.

Q306 **Caroline Lucas:** I want to take a step back and look at the bigger picture for a moment. In the context of the UK, as you know, being one of the most nature-depleted countries in the world, with UK species having declined by around a fifth since 1970 and one in six species facing extinction, are there currently sufficient incentives in the economy to encourage the right decisions both in government and in business in terms of the right decisions for nature? If not, what else is needed?

**Lord Benyon:** A range of different activities are going on, some written into law, which seek to address that and see an end to net loss of biodiversity by 2030, which is, as you know, a heartbeat in terms of the natural environment. We have set against that our environmental improvement plan, which has a dump of data out there that will allow people, NGOs, parliamentarians, to be able to hold Government to account on that.

Complementary to it is private sector green finance, and evaluation of the performance of that is very important. There is such an urgency on this that it is important, within a regulation framework, to see 1,000 flowers bloom, because some of them will start to be really effective. Alongside that are our environmental land management schemes that have taken the whole shift away from an area-based payment scheme, which was deeply unfair—over half of it went to the largest 10% of farmers—to one that the public want, which is to have them linked to public goods. That includes public goods that people see on their doorsteps, such as flood protection. Also they mind desperately about the decline in species. Seeing projects, that look at this holistically but also pin us down to some key species that we want to see recover.

I could talk for hours about this, but the Government have to do their bit. We also want—I have used the phrase in the House of Lords—to raise diversity, to weaponise farmers and land managers to do what many of them have been doing but want to do it on more scale. We want them to be able to continue to produce food, to do so sustainably but also to recognise that there are parts of their land that produce little or nothing and are costly to farm. Those are the areas that they can put to nature restoration.



Q307 **Caroline Lucas:** Is there a risk in focusing so much on market mechanisms that we end up commodifying nature? We have already seen how many gaps there are in our knowledge both in terms of the intrinsic value of different habitats, which is, as we have heard, very different from knowing how many tonnes of CO<sub>2</sub> can be sequestered at any given time, and the amount of transparency that there will ever be in these markets so that we know who owns what and what is being bought where. Do you worry at all that this focus is at the expense of a different approach that might be more reliable?

**Lord Benyon:** I am sure Baroness Vere will come in on this. When we first published the natural environment White Paper in 2011 was when we first started talking about offsetting. An NGO said that this is wicked, we are trying to put a price on an otter. I tried to explain that that was not what we were doing, we were trying to create an incentive to invest.

The world has changed since then, in the decade and a bit since then. NGOs in particular are now seeing this as an opportunity. Any Government in any economic circumstance in this country will never be able to provide what Dasgupta said that we needed to provide for the restoration of the natural world in this country. We are now in a much better place. We are not talking about commodifying.

Q308 **Caroline Lucas:** I think that what has happened is that NGOs have recognised that markets are the only game in town when this Government is in power and that therefore they have to adapt their demands to the context that they face. You talked about Dasgupta, but of course Dasgupta was not only talking about market mechanisms. He also said very clearly, for example, that measuring the wellbeing of the economy through GDP alone was completely wrong and that we needed a whole set of other indicators. He was pressing the Government to get along with that as well. There were real criticisms in Dasgupta about an economic situation that is based on a very narrow conception of growth. My question is whether or not you feel that there is a risk of some of those other recommendations in Dasgupta being overshadowed by a Government that self-avowedly would be a Government that wants to use market mechanisms first and foremost?

**Baroness Vere of Norbiton:** I do not think that that is true. We will use market mechanisms; we absolutely recognise that. However, in our response to Dasgupta we were very, very clear that we absolutely accepted his central premise about the need to look at the economics of biodiversity. The Government committed to integrating nature into economic and financial decision-making, which is what we have done. We also committed to changing our natural capital accounting for the UK as a whole and to join the OECD Paris collaborative on green budgeting, which we have done. We were one of the first countries to publish natural capital accounts in 2020. They are now included in the Blue Book. We have funded the ONS in terms of improving the natural capital accounts.

Q309 **Caroline Lucas:** I am not talking about natural capital; I was talking



about the other things in Dasgupta.

**Baroness Vere of Norbiton:** Which ones?

**Caroline Lucas:** For example, where he says that GDP growth should be replaced by environmental protection and human wellbeing as the overwhelming goals.

**Baroness Vere of Norbiton:** Okay, and we believe in going beyond GDP. GDP is very useful. It is a useful measure and it is used by countries pretty much around the world, but the work that we have funded from the ONS goes beyond GDP work and we were one of the first countries to do that beyond GDP work. The ONS has done a wide range; it does welfare and all sorts of different types of accounts now, as I am sure you know. It has a roadmap to 2026, which it is working on, for how it can continue to improve and encourage engagement with those beyond-GDP measures. Given that we have had a few years since Dasgupta, we have funded the ONS to make these improvements, we have a roadmap to getting there—we are not suddenly going to ditch GDP. That would not be wise, but certainly we have a very big story to tell looking beyond GDP.

Q310 **Caroline Lucas:** When can we expect some parallel indicators? I am not asking you to ditch GDP but I am suggesting that alongside GDP, just as we regularly hear about GDP, when could we expect to regularly hear about some of these other indicators? I quite understand and accept that they are being working on by the ONS, but they are not part of our national discourse. You do not often hear the Chancellor get up and talk about those in the Chamber.

**Baroness Vere of Norbiton:** There are quarterly analytical releases published that cover beyond GDP.

**Caroline Lucas:** I am talking about in general discourse.

**Baroness Vere of Norbiton:** I know what you are talking about and if you were to stand up and talk about them in the Chamber, of course you absolutely can. However, right now, until we have a significantly changed financial systems, GDP will be the main indicator that people look to. That does not say that we are not very focused on the other measures. One of the things that that feeds into is our Green Financing Programme.

Q311 **Caroline Lucas:** Let me stop you there, because we have limited time. I want to ask you about the progress that you have made on stimulating the uptake of disclosure standards, for example those recommended by the TNFD to create transparency. Should it be mandatory for those standards to be disclosed?

**Baroness Vere of Norbiton:** Yes, we absolutely welcome the work by TNFD. It is a market-led initiative. I know that is the word “market” again, but it was all down to a group of about 40 taskforce members who worked very closely together to develop this framework for disclosures. We encourage companies, whether they were close to that particular



piece of work or not—and more those that were not because we do need to get everybody thinking about this—to look at the recommendations, which were published on 18 September last year, and also to engage with the UK TNFD national consultation group. There are six groups around the world, and the UK one is one of them, looking at TNFD and asking whether this will work in the real world.

Q312 **Caroline Lucas:** Can you focus on the mandatory bit? We have heard evidence that until disclosure is mandatory, the system will not work. That is what I want to press you on.

**Baroness Vere of Norbiton:** I will get to that. We will not be making it mandatory at this stage. The rationale is—

**Caroline Lucas:** Why not?

**Baroness Vere of Norbiton:** If you let me finish my sentence, I will get to it.

Again it goes down to interoperability and the ability for capital to travel internationally. We would like to see work from the ISSB on its standards, which it is now looking at, a nature thematic standard, which will look at the risks and opportunities for natural capital, for the ecosystem services. We absolutely welcomed that work and think that it will be a good underpinning to having any nature disclosures in the future. We have to have that international element, so rushing to mandate now I am afraid would probably shoot us in the foot.

**Lord Benyon:** Can I just answer the first question that you asked? We are not on some free-market ideological schtick here. I literally have never heard anyone say what you have just said. I have talked to audiences of all political persuasions and I have talked to some of the most progressive forward-thinking NGOs as well as the investor community. I think that this is embedded now. Whether you are on the centre-left or centre-right of politics, I do not think that this will go away now if there is a shift.

Q313 **Caroline Lucas:** All I asked you, Minister, was whether you thought that there was a risk of such a focus on markets leading to a commodification of nature. You will find plenty of NGOs who would share that same view, but I am not an NGO, I am from a political party and I am asking you about some of the trade-offs between the different approaches that one takes.

**Lord Benyon:** We are doing plenty of state stuff alongside it. That regulatory part is really important, and making sure that we are working internationally. This is really important. The 350 companies that have already said that they will do this TNFD is impressive. BlackRock, one of the largest investment houses, is now requiring a nature standard in its investments. That starts to feed through not just in this country but internationally.



Q314 **Dr Offord:** Lord Benyon, on two previous occasions during this session you have raised the environmental improvement plan's objective of raising private finance into nature recovery goals. From your response to Mr Grayling, I came away with the impression that it has not achieved what you want it to yet but that you anticipate that it will. What is currently the amount that has been raised in the private markets?

**Lord Benyon:** Biodiversity net gain, we think, when the money starts to flow, will be somewhere up to possibly £275 million a year. Therefore, that is a start. Alongside that, the developing biodiversity credits system will, we think, get us to, we hope, our target by 2027 of £500 million.

Q315 **Dr Offord:** That is fine, but do you know what it is now and why are you anticipating that there will be an increase?

**Lord Benyon:** Because it is a very nascent market. Tony Juniper, giving evidence to you, said that a lot of people had been put off by the fact that when they asked about baselining or about a regulator, they did not find those measures in place. That is why we have worked very hard to create that order within the market. The work that we have been doing with the British Standards Institution and are doing with the green taxonomy with the Treasury and our trialling through the natural environment investment readiness fund projects is starting to tell the investor community and those who will be providing the land for these schemes to operate what good looks like. I do not believe that it is fair for anyone to say anymore that it is a wild west out there. It is a now a much clearer landscape.

I will give you one example. The Green Finance Institute, which we work with very closely, has produced on its website something that any land manager can look at and see the process through which they need to go to access a high-integrity credits trading system. That is a real game changer. We think that that is creating greater understanding. It is something that any farmer can look at but certainly farm advisers and farm cluster facilitators will be looking at it to see if they can bring together landowners across a landscape who can access these schemes.

**Helen Edmundson:** On the question of where we think we are at, the Green Finance Institute in one of its reports of financing nature's recovery provided an estimate on where it thought private finance was across all the four nations. In England, the institute thought that it was less than £100 million per annum. That is predominantly made up of some water sector investments and voluntary carbons and voluntary biodiversity and potentially some CSR as well.

There is no primary data out there on investment in nature. We commissioned research working with the Green Finance Institute to explore how to collect that evidence and subsequently are working with the Green Finance Institute on its investor community. They will do a survey for us and we hope to get the results in the next few months. We are also talking to the ONS about whether or not there are any of its





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surveys where we could add an additional question. We have also added a question to the farm business survey so that we can start to triangulate and get some primary data to be able to track this target more systematically.

In the absence of that, we obviously evaluate and monitor our programmes. We have evaluations of the investment readiness programme that I mentioned earlier. Some programmes have started to receive capital. We know, for example, how much money is flowing through the woodland carbon code and the peatland code. In 2022 we estimate that was around £4 million. As the Minister said, the estimates on biodiversity net gain are up to £274 million per year. The water sector anticipates investments well through the WINEP programmes. There is a mix of finance from a mix of sectors.

**Lord Benyon:** Farmers on 83% of holdings said that DEFRA paying for environmental outcomes would be very or moderately important to their business in the future. That is a dramatic change. Farmers are now seeing this as an important delivery. Obviously most of them are thinking of it through environmental land management schemes but they are also thinking of it through the prism of private sector biodiversity net gains.

Q316 **Dr Offord:** I have some scepticism, some concern, about whether you will achieve your targets. I know that your board identified market readiness as a growing concern less than a year ago. It concerns me that after BNG was launched you still were not ready and you had to delay it for 10 weeks. It seems to me that you are working this out as you go along. I am a bit concerned. You filled me with more hesitation when you said that you believed that you will achieve it but you did not say how. Do you think, for example, that compliance markets will be needed to stimulate the private sector?

**Lord Benyon:** Compliance markets. We have seen 63% increase in the woodland carbon code. That is a regulated credits trading market. We are seeing an increase in the use of the peatland code. I do not want to be Pollyanna-ish about this, because it is complicated, it is difficult and it is new. However, it will not be through lack of effort that we fail to hit this target. You do have to do stuff concurrently and the most important thing is to get this established. This has required a cross-Government approach with some very complex legislation. It was framework legislation and now has required all the statutory instruments to be laid and the guidance to be published. Then out there you have people in the real world who do not live and die by looking at legislative measures; they look at it through the prism of their business. I can say this as a farmer alongside the Chair, who will probably agree with me, that farmers are a small "c" conservative bunch and they do not want to leap into something new until they feel that there is trust, integrity, some degree of order and something that will benefit them in their income account. That is where we want to take them.



**Helen Edmundson:** A quick clarification—the woodland carbon code and peatland code are voluntary measures. As the Minister said, even those voluntary measures have increased over these past few years. Biodiversity net gain, obviously, and nutrient neutrality are the only compliance markets currently operating in England.

Q317 **Dr Offord:** If farmers are concerned about investing at this early opportunity stage, would it not be more appropriate to seek foreign investors, for example?

**Lord Benyon:** Foreign investors?

**Dr Offord:** To provide investment opportunities for natural capital.

**Lord Benyon:** There will be foreign investment opportunities for a variety of companies that use these shores for investment in our financial services that will be looking for ways to offset and to embed their desire to protect nature and reverse the declines in nature. This will really take off when this is not something that is being done by people who want perhaps those 300 companies that are forward-leading in terms of looking at how they are going to embed TNFD. This is going to be about somebody who sees this as a marketplace where they can get a return. That is the point at which we know that this has really taken off.

Q318 **Dr Offord:** You said that this is a cross-Government scheme, which it clearly is, with input from the Treasury as well and also the Department for Business and Trade. Have you discussed using their online business platform to seek foreign investors?

**Baroness Vere of Norbiton:** It is all dependent on revenue and whether a return can be made. Whether investors are domestic or foreign, we still have that issue where we need to make sure that the market develops in an orderly, trustworthy and highly credible manner. I do not think that just because somebody is overseas, they would necessarily seek a different rate of return.

However, one of the opportunities that may well be coming down the track is on the emissions trading scheme. We will be consulting on engineered greenhouse gas removals but part of the consultation will also look at nature-based greenhouse gas removals. It will all come down to the cost, wider land management impacts and the permanence of those. However, one could see a world where—obviously, we do not want to see a huge amount of offsetting, we want emissions to reduce. If hard-to-abate sectors have the opportunity, if they do fall into the ETS scheme, to use nature-based removals, I think that that would be hugely beneficial.

Q319 **Dr Offord:** It still bothers me, particularly from the Treasury's perspective, that the income that is coming in is not being used for the purpose that it was designed for.



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**Fayyaz Muneer:** Sorry, I did not understand the question. Which income?

Q320 **Dr Offord:** The income was coming in but it has not been going forward to BNG projects at the moment. You said earlier that it is going to be ringfenced and used later.

**Lord Benyon:** We have not had any money from BNG yet—from the Government's fund for those developers who cannot find a private sector scheme in which to invest their offset requirement—but once we do, that money will be held by the Treasury. Under an agreement, it will be ringfenced to spend on—

Q321 **Dr Offord:** It is the mechanism of spending the money that bothers me—the mechanism. How long will it take to decide what that mechanism will be?

**Helen Edmundson:** We are working through those options at the moment.

Q322 **Barry Gardiner:** I am a huge supporter of what you are trying to do and I accept all that you have said about how difficult it is. It is incredibly difficult but it is really important. For that reason I want to try to get a handle on how it is going. The funding for nature that the Treasury provides, the international climate fund that the Government have committed to is for £11.6 billion to be present between the five years of 2021-22 to 2025-26, so we are in the fourth year of that programme. How much of that £11.6 billion has actually been spent?

**Lord Benyon:** I cannot give you the exact sum but we are confident that the money will be spent within that envelope.

**Baroness Vere of Norbiton:** I do not have an up-to-date number, because it falls under the FCDO because it is very much linked into our ODA. You know everything that we have committed to in terms of nature positive and so on. I will ask FCDO to provide an update.

**Lord Benyon:** However, 30% of it is to be spent on nature.

Q323 **Barry Gardiner:** Can I ensure that you are able to quantify year by year the amount and what proportion has been spent and exactly how it has been spent on nature recovery?

**Lord Benyon:** Yes, I can certainly provide you with that.

Q324 **Barry Gardiner:** Thank you. Let's go to the domestic arena. We have the Green Financing Programme that raised £10.5 billion.

**Baroness Vere of Norbiton:** A bit more than that, but yes.

**Barry Gardiner:** Great. My understanding, though, is that last year only £611 million, that is 5.8% of the fund, was actually spent. Again, can you give me the figures for that fund?



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**Baroness Vere of Norbiton:** Those are not—

**Barry Gardiner:** I know it has been allocated in different ways.

**Baroness Vere of Norbiton:** —numbers that I am familiar with.

**Fayyaz Muneer:** I can try to clarify how—

Q325 **Barry Gardiner:** In 2023 the Green Financing Programme committed £611.16 million, not billion, 5.8% of the £10.5 billion total.

**Fayyaz Muneer:** The way that green gilts and the NS&I retail green bond works is we issue these labelled gilts and retail bonds. We have a governance programme and Departments can tell us what their eligible spending from it is. We have set out in the green financing framework what is eligible from Departments and we were pretty strict about what is eligible precisely because when we first did it it was our debut green gilt and we wanted the market to have as much confidence as possible, which worked and it was oversubscribed when we did it. It is not a fund that we raise, as I understand it; we raise the funding and then Departments bid into it. Departments tell us what their eligible programmes and projects are and that is what helps the DMO plan for how much they want to issue.

Q326 **Barry Gardiner:** My apologies, I do not know that I quite understand what you were saying to me in relation to the spend last year and the fund as a whole.

**Fayyaz Muneer:** We do not raise a pot of money through the Government green bond programme. We do not raise a pot of money and then spend it. It is part of the DMO's overall financing remit, so the DMO would raise a lot of money in any given year.

Q327 **Barry Gardiner:** So the Green Financing Programme may well have raised the £10.5 billion or as Baroness Vere says slightly more than that in 2022-23. Nobody should believe that that is money that then gets spent on green projects, although some of it does.

**Baroness Vere of Norbiton:** No, no. In total, to February 2024, £37.7 billion has been raised through the Green Financing Programme. Look at that amount of money in the context of all the gilts that were raised by the Government. What the green programme does and NS&I, the retail bond, as well, and what we are trying to do here, is tap into the appetite coming from both domestic and international investors to invest in these sorts of bonds. We feel that it is a good way of showing the UK's leadership in the green financing area. It is a way of getting broader investors used to the fact that you will have certain things earmarked for particular green outcomes and there are six different categories that this money is invested in but the money does not sit in itself in that pot. It has been allocated via the spending review to Departments in the normal fashion.



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Q328 **Barry Gardiner:** So it is Government spending and it is not hypothecated to green projects.

**Baroness Vere of Norbiton:** Except it is all spent on green projects. It is not just free money.

**Fayyaz Muneer:** If it is helpful, we published the first "Green Financing Allocation Report" in September 2022 and the second one in September 2023, fittingly enough. That report detailed that in 2023 how £8.6 billion was allocated toward 51 projects across the six green expenditure categories, so that is clean transport renewable energy, energy efficiency, pollution prevention and control, living and natural resources and climate change adaptation. It also set out the environmental impacts of the £16.4 billion that was described in the first report. So we do the financial reporting and then the environmental reporting, which takes a bit longer.

Q329 **Barry Gardiner:** The rate of return, the ARR, in February for investors in the green savings bonds was 2.95%, whereas the average for longer-term bonds that month was 4.12%. What is the incentive for investors to go for the green bonds?

**Baroness Vere of Norbiton:** Because that is their choice and that is what I was trying to say. There are several investors out there. If you change your pension, which I did the other day, you are asked if you want to invest in green-type outcomes. If you choose that, you may be accepting a slightly different rate of return. The rates that the bonds are issued at will be very much the prevailing market going rate at the time.

Q330 **Barry Gardiner:** What proportion is expected to provide credits or units that can be sold on the market? That is the proportion of the projects that Treasury and DEFRA are funding, producing opportunities for private investment.

**Baroness Vere of Norbiton:** This is public spending. Obviously the bonds are sold on the market but this is public spending, so if you look at all the different interventions that we do in various Departments on the basis of all of the bids that come in based on the Green Book. We have updated the Green Book to include various elements around our environmental targets and so on. We are not looking to generate credits that will be sold per se. It is about Government spending into nature, the environment, as Fayyaz was saying, the six different categories where we either want to see carbon reduction or alongside that nature improvement. For example, as Fayyaz said, in the first impact report it said that some of this funding went to planting 1.2 million trees. There are lots of different inputs but it is not all in one Department or all in one type of policy area.

Q331 **Barry Gardiner:** What kind of claim verification methods are in place for improvement in biodiversity and the amount of carbon sequestered?

**Baroness Vere of Norbiton:** In what regard? In general?



Q332 **Barry Gardiner:** Yes, in any of the projects that the private sector might invest in.

**Baroness Vere of Norbiton:** I think that is where we come back to the quality of the nature markets as we currently see them. They are in development; verifying nature credits is something that is in development.

**Lord Benyon:** We might be able to come in on this. Going back to your metric, the nature markets framework, which formed part of the Treasury's green finance strategy, sought to address this point precisely.

**Helen Edmundson:** On the compliance markets we have talked a bit about biodiversity net gain and the legal agreements that need to be put in place and within those legal agreements there needs to be clarity on how the habitat is maintained, how it is monitored and that if it is a responsible body—

Q333 **Barry Gardiner:** We will come to that on BNG.

**Helen Edmundson:** That is on the monitoring and assurance side for BNG and those compliance markets. For the voluntary markets at the moment you have two Government-backed schemes through the woodland carbon code and the peatland code. That is a UK-run code. Scottish Forestry runs the UK Land Carbon Registry. The units are held on that register.

Forestry England can provide some assurance, as can the Soil Association and so on, but the key element is the publicly available register where these carbon units are held, both the pending issuance units and the woodland carbon credits as well. There is a system in place for those Government-backed schemes. However, we have seen the development of other codes, and this is where the concerns that the Minister raised are—the wild west—on how you can know if these codes are any good or not. That is precisely what the British Standards Institution framework will do with standards that provide an overarching framework that these codes can then dock into, to be able to show what good looks like.

**Chair:** Barry, you can have another crack in a minute.

Q334 **Barry Gardiner:** Can I just ask one final thing then, Chair, before we leave this? The Government have received £52.5 billion in green taxes. Green taxes are really raking it in but green taxes are not simply there to provide revenue stream. They are there to change behaviour. What evidence have you that in that respect they are working and the more they are working in that respect what plans do you have to supplement them so that revenues to the Exchequer do not suffer?

**Lord Benyon:** Can I give you one example? Plastic bags. There has been a 96% reduction in the use of plastic bags from a 10 pence charge. We just tweaked it a little bit more. We think we can do better. That is an



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example of where a green tax delivers a behavioural change almost overnight.

Q335 **Barry Gardiner:** Can you specify how much that raised?

**Lord Benyon:** Not off the top of my head.

Q336 **Barry Gardiner:** In comparison with, for example, the taxes on energy, the taxes on transport.

**Baroness Vere of Norbiton:** Which taxes on transport?

Q337 **Barry Gardiner:** Energy taxes, taxes on fuel.

**Baroness Vere of Norbiton:** Oh, fuel duty.

**Barry Gardiner:** I think the energy tax in the UK is 25%

**Baroness Vere of Norbiton:** Sorry, I do not understand what the question is.

**Lord Benyon:** So you are saying there are fewer people driving because of fuel taxes?

Q338 **Barry Gardiner:** You are trying to change behaviour by moving people away from fossil fuels and that is why we tax fossil fuels, which is a good thing. I am not against it. What I am asking is what evidence do you have that it is working? We are still raising a huge amount, £52.5 billion of our taxes are coming from environmental taxes and therefore if we are still dependent on the £52.5 billion of Government income from those green taxes the shift that we hope is going to come in behaviour when people are no longer paying those taxes because they are no longer doing the things that we want to deter them from doing, is going to mean that the Government must raise revenues in another way. It is a two-pronged question.

**Baroness Vere of Norbiton:** I will give a second example—the landfill tax. The landfill tax has been hugely successful in reducing the amount of waste that goes to landfill, I think down by about 90%. There are lots of examples of where we have been able to shift consumer behaviour. Of course fuel duty has been around for much longer than we have been worried about the climate. It was introduced for other reasons a long time ago. Of course the Government and the Treasury recognise that we do need to make sure that we can pay for our public services and we will have to balance taxes as they go up and down. To try to suggest that £52 billion or whatever is suddenly going to disappear overnight and we are going to have to suddenly replace it is a very big question that—

**Barry Gardiner:** I wish it did.

**Chair:** We need to press on. Ministers, I am assuming we have you until 6 pm. We have three more sets of questions.

Q339 **Jerome Mayhew:** I will be very quick. I am going to refer to my register



of interests. I am a landowner and also a director of a farming company. I am also not going to ask any questions at all of Baroness Vere because of my role as Parliamentary Private Secretary to the Chancellor of the Exchequer. Lord Benyon, it is all down to you and, Helen, I am going to get something out of you as well.

We are thinking about farmers again and their attitude. Lord Benyon, you mentioned that farmers are quite conservative, that they need to have a degree of confidence that a system is up and running and it has been proven to be successful before many of them will jump. Given that is your assessment of the generalised character of many people in farming in the UK, where is your assessment of the current appetite for nature recovery and farming? Do you think we are over the hump and people are joining up left, right and centre or is there still a degree of scepticism and wait and see?

**Lord Benyon:** I think it is dramatically improved. There has been a 96% uplift in applicants to join countryside stewardship. Many more farmers are getting involved in the sustainable farming incentive, a very successful rollout of landscape recovery. Food production remains key. It is what farmers do. We want them still to do it within a sustainable system of farming. The incentives are taking people towards that.

Take an event like Groundswell, which promotes regenerative farming. It is very much linked in many cases to private sector green finance, and the importance of baselining, but it is also about making sure the soil is an effective ecosystem, that you have a continuous green cover crop and that there are wider, often stacked benefits. That is one element.

There are those who like me, only a few decades ago, were not really taught about soil science. I think that is a dramatic and welcome shift.

Q340 **Jerome Mayhew:** Do you think there is a degree of pushback within the farming community? There have been a lot more conversations about food security and a concern that particularly with large estates before the cap of 25% was put in that people were transferring their entire landholding into nature-based recovery. Do you think what we are seeing is a bit of pushback and that is why we are talking about food security as much as we are?

**Lord Benyon:** If you listened to Tim Farron speaking at the National Farmers Union you would think that every landowner was kicking tenants off their land in order to take the land out of production. It is just not the case. There is some anecdotal evidence that that has happened and we have put measures in place to protect tenant farmers and to stop that sort of activity taking place on scale. I have also read some quite bizarrely inaccurate figures about our food security, which has remained largely static. I think it is taking a hit this year but that is more about weather. We want to encourage farmers and we want to continue to produce around 63% of what we eat here, about 74% of what we can grow that we will continue to produce and perhaps raise that. I think that





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farming is to be credited for moving in the right direction. The incentives now are all about sustainability and that fits in with what Government are seeking to do in terms of our targets set out in the environmental improvement plan. Is everyone happy? No, and farming is facing a lot of pressures.

I was at the Chelsea Flower Show this morning and the head scientific officer from the RHS told us that their estimation is that we will have a climate similar to Barcelona plus frosts by 2050. I intend to be around in 2050. We must develop incentives that tackle innovation, adaptation to climate change and that see us able to produce food but to recognise, as Caroline Lucas said earlier, that we have depleted nature in these islands and that is an economic crisis. The Green Finance Institute has just estimated that the impact on GDP could be greater than the impact of Covid. It could be 12% if you add in climate events such as we have had over this winter.

I do not see that there is anything more urgent than what we are doing now.

**Q341 Jerome Mayhew:** I am going to ask for slightly shorter answers. On the one hand you have the Government announcing their food security index at last week's Farm to Fork summit, so reassuring in terms of food security and that side of the argument. Do you think we have the balance right in terms of incentives towards more sustainable forms of agriculture and biodiversity net gain and all the good stuff we have been talking about during this session?

**Lord Benyon:** Most importantly, these are not mutually exclusive. You can have food security and you can have a restoration of nature. You can have food production sitting alongside decarbonising a farming system. Why would you not want to decarbonise your farming system? A couple of years ago, the Royal Agricultural Society of England produced a good report that looked at the farm of the future. That is something that I think will be a huge encouragement to younger farmers. They will see a farming opportunity for them that fits very much with the way young people are working. I hope that we can get away from where I see letters in the "Farmers Weekly" that say you cannot eat butterflies, which is the most pointless thing that anybody ever says because you can have nature and you can have a profitable farming sector.

**Q342 Jerome Mayhew:** But—and this is a big but—the nature recovery, the biodiversity net gain, only works if it is long term. It is not going to happen in six months that you get your accreditation and then you can do what you like with it. The real risk of the current set-up or the developing set-up is that there just is not the structure in place to give confidence that there is going to be biodiversity net gain not just for next year but in 30 years, perhaps even 80 years. How are you going to give confidence to the markets but also just make it work without rights of access on to the land, without a system of inspection, without the funding for local government or whoever the governing body should be in terms



of regulation to ensure right across the country on all these multitude of farms and landholdings that they are doing what they said they were going to do 30 years from now? How are you going to do it?

**Lord Benyon:** Chris Grayling mentioned an airline that would perhaps invest into nature recovery in the UK. Investors are going to want to know that that is being delivered. A farmer who is used to a compliance relationship that was basically just Government and them is now being pulled towards net zero by their buyers. Arla for example, a milk processor, are requiring their farms to go to net zero. They require them to do all sorts of other things in terms of biodiversity as well. There is a relationship there. There also needs to be a relationship with their credits purchaser for a nature-based solution to deliver biodiversity gain.

There is also a risk for the landowner here, and I am pleased to see that the insurance market has now addressed this. If you plant a wood—remember Storm Arwen blew down millions of trees in the north-east of England—we want to have an insurance product that is available to land managers, so they can insure against the loss of a biodiversity credit—

Q343 **Jerome Mayhew:** Sorry for butting in—and this will be my last point—but you appear to be substantially restating the problem, rather than providing the solution, with the exception of the insurance market. You are suggesting that the farmer and the product purchaser will be incentivised to ensure that the biodiversity net gain is delivered over a long period. I am not sure that is right. A large number of purchasers will say, “I have ticked that box. I do not really care what happens. I have the credit. Over to you.” The farmer will be incentivised not to take perhaps expensive ongoing management actions unless they are forced to do it. How are we going to fix that? Helen, you have been looking at the detail of this. What is the Department’s thinking on how we can enforce compliance over the long term?

**Helen Edmundson:** The legal agreement that the units must put in place covers both the creation of that habitat and how that habitat will be maintained and monitored.

Q344 **Jerome Mayhew:** But that is a covenant. If it is a private contract someone must enforce it. Someone must be incentivised to enforce a contract and if they are both happy not enforcing it, who is going to do it?

**Helen Edmundson:** It is the responsibility of the local planning authorities to ensure the implementation of biodiversity net gain. Over the last three years we have provided £25 million to them and an additional £10.5 million in this financial year to support that rollout. Any additional funding will be part of the Government’s spending review.

**Jerome Mayhew:** That would require a fundamental change of approach in planning departments right across the country. Back to the Chair.

Q345 **Chair:** On that note, the NAO report made clear that the funding available to local authorities is the equivalent of one person one day per



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week to undertake monitoring and enforcement. While there are no agreements, that is probably fine, but that clearly is not going to work once we start having hundreds or thousands of agreements across the country.

**Lord Benyon:** I do not think we will see a compliance system where somebody in wellies turns up on your farm. A shareholder will soon be able to know exactly what their company is investing in a wetland, will be able to follow it through possibly a blockchain, certainly through satellite data. There are a variety of ways in which technology is helping enforcement.

**Chair:** We will look forward to seeing them. It will not be during the tenure of this Committee.

Q346 **Barry Gardiner:** What information will DEFRA use to gauge the contribution that the BNG policy makes to your goals on nature recovery habitat restoration? How is that impact going to be assessed?

**Lord Benyon:** We have a range of different measurement tools to ensure that we are complying with what we have set out in the Environment Act. Through the environmental improvement plan we are delivering a very clear monitoring system within that. We are making all our data highly transparent. We must report to Parliament on how we are doing that and we will be making it available for the wider public as well.

Q347 **Barry Gardiner:** We have onsite units that need to be monitored but they are not part of the register that Natural England will hold. How are you going to keep track of those in terms of location, ownership, the number of them and the quality onsite?

**Lord Benyon:** They will be part of a legal agreement with the local authority as part of a 106.

Q348 **Barry Gardiner:** Which we have just heard does not have the funding resources to do that. The NAO talked about the 0.2 of a full-time equivalent. It then said no specific funding had been given for monitoring and enforcement. That is an agreed report that your Department has concluded with the NAO because it is always an agreed report with the NAO and the Department. The question still stands. How is that going to be done?

**Helen Edmundson:** This is where we are working with Natural England on the monitoring and evaluation framework of biodiversity net gain. They have developed nine key performance indicators, one of which is around the onsite. Yes, we will be working with them about how exactly to capture that data as you rightly point out. The register is for offsite, not onsite units. We will be exploring with them how to capture that data so that we can monitor that.

Q349 **Barry Gardiner:** Yes, but it is one thing to have a system; it is another to be able to use it. Given that you are relying on local authorities to be



the people using the system, great, let us have the system. You know because, Minister, we have discussed this before at many Committees, that the skills base is not there. Indeed if you look at what some of the major organisations, SEWN and so on say about the availability of ecological officers, 30% of all local authorities do not even have an ecology officer. The skills base is not there to be able to use the system and the tool once you develop it.

**Lord Benyon:** It is a growth industry being an ecologist at the moment. Local authorities will be buying into that service. We are talking about 30-year agreements here. If there is evidence that local authorities are failing to comply, the Government can step in.

Q350 **Barry Gardiner:** You will not have any evidence because you do not have anybody to do the monitoring and enforcement. That is my problem. There is a skills gap here.

**Lord Benyon:** Local authorities will have to employ services that will include ecologists to monitor this. That will be listed under their KPIs. If local authorities are failing—and some local authorities do in a range of ways—the Government occasionally have to step in. Sometimes we have to change laws. Sometimes we have to tweak legislation. You are asking me to look 30 years ahead and say if after 20 years someone—

Q351 **Barry Gardiner:** With respect, I am really not. Please do not misunderstand me. What I am saying is that unless there is a programme to create skills, you can put the legal duty on the local authorities all you like, but if the skills are not there, if the training for ecologists is not there, and at the moment there are not enough ecologists, then they can have that responsibility at a local authority level but they cannot deliver on it.

In terms of the funds accruing from the sale of the statutory BNG credits, how will they be applied to measures that benefit natural capital and habitat creation?

**Lord Benyon:** Do you mean the ones that when they cannot find and they go to the Government?

Q352 **Barry Gardiner:** At the moment we know there is no money in that pot and we know that there is four on the register. My understanding from the NAO is that the Department has not yet determined how it would spend that money. There is not a process for spending that money in the Department and indeed the money will lie with Treasury until there is a process for spending that money. With respect to the Minister for Treasury, that, I thought, Minister, is the last place you would have wanted it to be.

**Lord Benyon:** You have a despairing view of the Treasury. They are a very green Department now. They really are.

Q353 **Barry Gardiner:** They do tend to take money that has not been allocated. My point to you is that the NAO says that your Department has



not yet produced a process for allocating, for spending that money.

**Lord Benyon:** We are designing the options now to create precisely that process, which we can do in tandem with the development of this fund.

Q354 **Barry Gardiner:** So you are confident that by the time there are funds, you will have worked out how you go about—

**Lord Benyon:** We will have to, because either we or our successor Ministers will be dragged before the Environmental Audit Committee to explain why what was agreed between the two Departments and declared in public had not taken place. You must take it on trust that we really do want this to happen.

**Chair:** We have covered some of this before, so we hear what you say and we look forward to the speed with which you will put a mechanism in place. A final set of questions from Claudia Webbe. We have five minutes. We have overrun the Ministers' time.

**Claudia Webbe:** We have overrun and I am going to ask you some questions at breakneck speed.

**Chair:** With a breakneck answer.

Q355 **Claudia Webbe:** The scale, extent and nature of change that we can expect in terms of understanding the UK's habitat is to be welcomed from the natural capital and ecosystem assessment programme along with satellite mapping and so on. That will be welcome when it comes. How granular will that be in terms of being of use for individual sites, localities and so on?

**Lord Benyon:** We are providing for farmers through SFI funding to support them to baseline assess their own business in terms of carbon and biodiversity. There is an emerging number of tools. LiDAR is widely used but has now more or less been overtaken by new technologies that can create a very clear measurement on a feature, for example, such as a hedge, on its biodiversity potential.

That is to the advantage of the individual business because they will have baselined and they can then take the additionality that they can provide to the credits trading scheme.

Q356 **Claudia Webbe:** So you are not expecting this to come from the programme that you are establishing that gives you the national picture and the granular detail to farms, woodlands, to site specifics. Are you expecting that to come from a different tool?

**Lord Benyon:** There is an incentive for individual farm business owners to do that. There is also Natural England's work in accordance with our local nature recovery strategies supporting local authorities in having the data they need to say where they think certain interventions should take place to restore nature and how you are going to get that corridor effect,



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which is so important in terms of biodiversity. There is simply not enough time to go into the range of data that we are providing support for.

Q357 **Claudia Webbe:** We are just not getting that level of confidence coming through to this inquiry from farmers, for example, and others who question how they will get the baseline of their farms, even down to soil, for example.

**Lord Benyon:** Okay, so there is a soil classification data that is well established. Also, one of the things we are particularly keen to do is to try to make sure that we are defining the right metrics around this kind of measurement. As we keep saying, we have been trying to create the right environment about explaining what good looks like. I hope that we have provided farmers with that assurance. Only three years ago you could go to different providers and find a very different measure of where a particular farm was at in terms of carbon or biodiversity. I hope that we have now created a different world in which those metrics such as soil in particular are measured.

Q358 **Claudia Webbe:** Will the natural capital and ecosystem assessment programme be able to contribute at all to the site level, individual level baseline understanding? Will it be able to contribute at all or is it just—

**Lord Benyon:** That programme is developing a suite of methods, metrics, and tools to establish the state of England's natural capital assets: condition, extent, location and the benefits they provide. This is a terrestrial programme; there is a marine one as well. Key outputs are being produced over a five-year cycle from 2023 to 2028, which is the current one, through its initial outputs and are already integral to Government policies including the plan for water, environmental land management monitoring and its soil health indicator.

Q359 **Claudia Webbe:** How often will the data be reviewed?

**Lord Benyon:** We are doing that over a five-year cycle. The funding post-2025 is subject to the spending review.

Q360 **Claudia Webbe:** So every five years reviewed and updated and so on. Who will have access to the data?

**Lord Benyon:** Everyone.

Q361 **Claudia Webbe:** Everyone will have access?

**Lord Benyon:** Yes. There are no national secrets here.

Q362 **Claudia Webbe:** It was launched in 2022. What progress has there been and can we expect to see it by March 2025 as indicated or predicted?

**Lord Benyon:** I have had no reports that there are any delays to this. The national ecosystem assessment is a multidecadal piece of work and it is probably one of this country's greatest achievements. Other countries simply do not do this. Professor Watson led this in 2003, I think. This is ongoing and the data that has built up over two plus decades of this is



massive. It is integral to producing solid support for the schemes that are then taken forward. Particularly the investor community will need to know these are genuine and real and are based on what an ecosystem needs for that additionality.

Q363 **Claudia Webbe:** Does anybody else want to come in?

**Helen Edmundson:** Building on what the Minister was saying, yes, the aim is to make the NCEA data accessible through a single digital access point under an open Government licence, so that is the intention. As the Minister was also saying, it is already being used to help inform things such as local nature recovery strategies. This programme will help us have a much better understanding of the baseline of England's natural capital, but it is based on using a stratified sample of different field sites; if you as a farmer want to know your particular soil carbon then you would have to use one of the existing tools. The NCEA will be providing information on data across England but also the methods and guidance, and the expectation. A lot of the academics are interested in this with publications coming out exactly about what the state of England's natural capital and habitats is.

Q364 **Chair:** Thank you very much, Claudia. Can I conclude with a question to each of you? Lord Benyon, you referred to the meetings you were having with your counterpart in Paris to try to get some international standards. Can we look forward to the UK leading the way in developing standards for natural capital that were adopted by other countries, by the EU, for example?

**Lord Benyon:** The work of the International Advisory Panel on Biodiversity Credits will come to an end with measures announced at CBD COP16 in Cali, Colombia. It is important that it is not just Britain and France. They have done fantastic work under the co-chair, Sylvie Goulard and Dame Amelia Fawcett. They have done really good work involving people from different countries. At this event in Paris there was someone from an indigenous community who absolutely reminded us that 80% of the land where this money needs to be spent is not controlled by farmers and landowners as we think about in this country; it is controlled by local communities and they absolutely must be part of this conversation. They know their environment better than we do. There is now a real shift to try to ensure that this is not a global north stitch-up. This is something that is really involving countries. We are working closely with the Government of Malawi as a partner on this and I think we will have a really good piece of work that has been properly resourced by this independent advisory panel and that we will take the COP16 meeting in a way that will really move this forward.

Q365 **Chair:** Thank you. Baroness Vere, does the Treasury believe that natural capital is a financial asset that will have legs, that will work, and that the UK will have a leading role in bringing it about?



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**Baroness Vere of Norbiton:** Absolutely we do. I think that has been shown by our commitment so far in terms of not only cold hard cash, both internationally and domestically, but the work that we have been doing to embed nature considerations and environmental targets into the way that we do spending reviews, into the way that we assess projects. The Green Book now looks substantially different. There is supplementary guidance on biodiversity evaluation, which builds on the guidance for evaluating and monetising natural capital input. I used to be Minister for Roads, Buses and Places. It has changed now how you think about assessments in terms of getting money out of the Treasury. You must show that you are doing the right things when it comes to nature. I think both within Government the ability that we have had to invest in our public services, but also the work that we are doing with our financial services industry, all those three things to me point to a Treasury that is very committed to the future of natural capital.

**Chair:** Thank you very much indeed. I would like to conclude the panel by thanking Baroness Vere and Fayyaz Muneer from the Treasury and Lord Benyon and Helen Edmundson from DEFRA. Thank you very much indeed.