



Environmental Audit Committee

Oral evidence: [Biodiversity offsetting](#), HC 750

Wednesday 23 October 2013

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Written evidence from witnesses:

- [Friends of the Earth](#)
- [RSPB](#)
- [Home Builders Federation](#)
- [Woodland Trust](#)
- [Environment Bank](#)
- [Wildlife Trusts](#)
- [National Farmers Union](#)

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Members present: Joan Walley (Chair), Peter Aldous, Neil Carmichael, Caroline Nokes, Dr Matthew Offord, Mr Mark Spencer, Dr Alan Whitehead, Simon Wright.

Questions 1-79

Witnesses: **Sandra Bell**, Campaigner (Nature and Ecosystems) Friends of the Earth, **Brendan Costelloe**, Senior Policy Officer, RSPB, **John Slaughter**, Director of External Affairs, Home Builders Federation, and **Frances Winder**, Conservation Policy Officer, Woodland Trust, gave evidence.

Q1 Chair: It is a great pleasure to welcome back some witnesses who have given evidence to the Committee previously, and to welcome new ones. It might be helpful if I explain at the outset that we have a Herculean task this morning, because we have got three consecutive panels: first yours, then a second one, and then we expect to have the Secretary

of State at 10.40 am, which will give you some indication of our timetable. I ask all of you to be really short in your answers, because that way I think we will get to the heart of offsetting.

Just to add further complication, I would like to give my apologies as Chairman. I have urgent business to attend temporarily just now, so on behalf of the Committee I invite Mr Aldous to take the Chair and to commence the session, and I shall come back as soon as possible.

Q2 Peter Aldous (in the Chair): Good morning, ladies and gentlemen. The Government's Green Paper says that the current approach to providing compensation for habitat loss through the planning system is failing both the economy and the environment. Do you agree with that assessment?

Frances Winder: Yes. I work for the Woodland Trust, and ancient woodland is very heavily protected in the NPPF, which specifically says, "Don't build on it." Currently we have 380 ancient woods under threat, so something is not working. Earlier this year, we lost a case involving 31 hectares of ancient woodland. There is something wrong with the system. Whether biodiversity offsetting could be the answer, we do not know, but something has to change. This is a step forward and an opportunity to discuss new options.

John Slaughter: It is hard for us to judge. The national planning policy framework sets out a fairly clear duty or requirement to assess biodiversity and deal with the issues in a logical way according to the mitigation hierarchy, so we would look first at the planning system working properly in that respect. I think it is fair to say that there are cases where the outcomes probably are not ideal from the point of view of developers as well as planning authorities, so we are happy in principle to look at biodiversity as a way that could improve process and outcomes.

Sandra Bell: The national planning policy framework is relatively new, and the signs at the moment are certainly that it has not improved the protection of nature. We believe that the first step should be to look at better implementation of the NPPF before introducing a new and much more risky system of offsetting. I notice that the Department for Communities and Local Government is not here, but perhaps it would be good to ask them why the NPPF is not being properly implemented. It does include in the definition of sustainable development that we should work towards no net loss of biodiversity, and to achieving net gains for nature. It is built into the NPPF, and that should be better implemented. We can make suggestions about how that can be done, if you want to take more detail on that.

Brendan Costelloe: From an environmental perspective, the biggest problem is not really around compensation when it takes place; it is more the fact that there is a failure to address harm in the first instance and explicitly to value biodiversity, particularly on lower-level developments, which leads to a kind of death by a thousand cuts. The system can potentially introduce a systematic and consistent way of addressing that harm and explicitly value it. That would be really valuable, but you will only get the conservation gains if that system is applied to all developments, because the bigger developments already, by and large, do a better job of addressing harm in the first place. That said, there is obviously a role for compensation. It is very risky and it should only ever be a last resort, but we appreciate that in some circumstances, development has to proceed and there is likely to be damage to

wildlife. In those circumstances, we want to see the best system in place for dealing with that compensation.

Q3 Peter Aldous (in the Chair): Thank you. Moving on, do you feel that the current system of agreeing environmental compensation is too slow? If so, what do you think causes delays?

Frances Winder: The problem is that it is such an ad hoc system. In the past year in discussions about ancient woodland loss, it has been suggested that you could have twice and 75 times the hectareage of compensation. The lack of clarity and the lack of an understandable process to go through are definitely slowing down the issues. I think this is where the potential for offsetting sits, in that it would provide a clear framework for everybody to follow. It might not be the answer, but there is something that we could all look at and all understand.

John Slaughter: I very much agree with that. I think from our point of view that is probably the issue as well, in that, in the current situation, you often have multiple assessments, because the developer is providing one, the council wants one and maybe third parties want one. The process can be quite slow and it is a little bit opaque, so having, above all, a clear national metric and way of assessing such issues would be very helpful for the industry as well as for planners.

Sandra Bell: We think that clearer national guidance on how to implement the mitigation hierarchy would be valuable. Unfortunately, the new planning practice guidance on the natural environment that has just been issued does not do that job. Clearer guidance would give better clarity to developers and local authorities, and it should be clear in that guidance that avoidance of damage is the starting point. It should be clear that—again, this is already built into the NPPF but is not properly enforced—that applications should be refused if effective avoidance mitigation or compensation is not possible.

Linked to that is the issue of expertise at the local level, which is another gap that really needs to be addressed. Expertise would give a boost to proper surveys and assessments of potential harm. At the moment, only one third of local authorities actually have any ecological expertise, which is a real concern.

Brendan Costelloe: I echo the need for ecological expertise.

The system can be too slow, largely because of the inconsistency and the variety of systems that people use. It will be speeded up only if there is greater consistency, because that brings greater simplicity, and you only get greater consistency if it is mandatory. If developers can opt in and opt out, you do not improve the inconsistencies and will not speed up the system. It must be mandatory for that to happen.

Q4 Peter Aldous (in the Chair): I have a couple of questions that are probably geared towards Mr Slaughter in the first instance, but others may have comments as well. Do you think that the current system lacks certainty for developers and would the Government's offsetting proposals increase or reduce costs for developers?

John Slaughter: Thanks. It is certainly the case that the current system lacks certainty. We have held quite extensive discussions with our members about the offsetting proposals and we genuinely see that the concept of having an agreed national approach and metric that all parties can use where relevant would actually bring real advantages in terms of clarity. It should speed up the process and make the discussion more objective and quicker in principle. It is undoubtedly the case that if you have a process in the planning system that is slower rather than faster, it has costs, which do not necessarily relate to compensation but to delay. If there is a delay between committing capital to a development project and being able to realise an income from selling homes, as in our case, that is a significant business cost. We are looking very much at the potential for this both to add consistency and to speed up the process, which would bring cost benefits for the industry if we can achieve that.

Sandra Bell: On certainty, better spatial planning would also increase certainty for developers, meaning stronger local plans that identify where biodiversity needs to be protected and better connected and where new habitat creation is required. We would also suggest that important sites for nature should actually be part of the housing land availability assessment. That was built into previous guidance and authorities could exclude sites that were described as having nil housing potential, of which SSSIs are a clear example. That would have given much greater clarity to developers as well as providing that stronger protection to such sites.

Brendan Costelloe: To return to the cost, the environment is currently bearing the cost in too many cases and the planning system is failing to follow the polluter-must-pay principle. That is largely around the smaller developments, so this must apply to all developments if we are going to overcome the problem.

Q5 Peter Aldous (in the Chair): I have one final question that is again directed at Mr Slaughter. A couple of weeks ago, we took evidence from you on the housing standards review consultation, which aims to assist house building by rationalising or eliminating some standards and codes. Which of these initiatives, whether biodiversity offsetting or the housing standards review, do you think will make the most difference to the cost of building homes?

John Slaughter: From our point of view, it would undoubtedly be the housing standards review, because it is far more pervasive. I guess that we will go on to debate this later in the sitting, but we see biodiversity offsetting as something that you would use in appropriate circumstances, whereas housing standards, where they are a problem, apply to all developments.

Q6 Dr Offord: The Natural Capital Committee talks about the trade-offs that inevitably arise between different developmental options. The Government present offsetting as a win-win situation. Do you think that that is possible?

John Slaughter: I think it is as a concept, yes. The critical thing is how the system is set up to achieve that. We may, as witnesses, have different views about that, I suspect. I think in principle that it is, but I would focus on this. From our point of view, that will work if this actually improves the planning process. From a commercial perspective, it is whether

this actually makes the planning process better, as well as achieving a good environmental outcome in the process. As long as it can do both of those, the concept is sound, I think.

Q7 Dr Offord: What about some of the NGOs?

Frances Winder: Philosophically, the answer would be no; you cannot value the environment in that way and you can't do that level of trade-off. In a practical realistic situation this could work, but it has got to have enough complexity in it to be able to value properly what you are looking at. Admittedly this is a Green Paper at the moment. Obviously as a Green Paper it is part of a discussion document and so does not have that level of detail in it. The philosophical answers might be there but the detail will be the issue.

Sandra Bell: We are concerned by the talk about the trade-off between the natural environment and development. As has been said, the Natural Capital Committee and the National Ecosystem Assessment both pointed towards the fact that our natural environment is absolutely essential to underpinning our economy and well-being.

At the moment, all too often the natural environment is seen as something that needs to be sacrificed to development. We would say that, wherever possible, you should try to avoid separating development from biodiversity; you should try to avoid separating people from biodiversity.

The design of new developments should aim to integrate biodiversity into the development, protecting what is there but also integrating biodiversity into the development as green infrastructure. That would be for everything from small developments that could have green roofs or walls, to larger housing developments that should incorporate new natural space. That would be good for people's local access to nature as well as maintaining the resilience of the natural environment.

Brendan Costelloe: Undoubtedly, there is a role for offsetting to play in turning some of the smaller cumulative losses into strategic cumulative losses. If you place your offsetting in strategic locations and do it through a local nature partnership, you target it; then you can improve ecological connectivity. There is a real danger, however, in looking to offset areas of real high value. That is very difficult to get right and should only ever be a last resort.

Our concern around the whole process is that there is too much emphasis on offsetting. If the Government isolate offsetting, they do so in the minds of the decision makers. That is probably where they are likely to end up, rather than going through the mitigation hierarchy. One way to overcome that is for there to be very clear guidance on how local authorities look to avoid harm, mitigate harm, and then do your compensation or offsetting. So it is going through the mitigation hierarchy, not guidance and offsetting. I think there is an undue emphasis on offsetting at the moment.

Q8 Dr Offord: Do you think it is meaningful to compare different types of ecosystems, as the Government propose?

Brendan Costelloe: For example, if you are losing some arable margins, I don't see a problem with trading that up and replacing that with a more valuable type of habitat that has been strategically identified. If you are losing a meadow or ancient woodland, for example, those are much more difficult to replace and of much higher value. We should be looking to replace like for like, if you have to allow the development in the first place. Crucially, you should not really be allowing development in the first place. The higher the value of the habitat, the less you should allow development, and the more you would need to replace it like for like. But with lower value, yes, because you can trade up and get ecological gains by doing that.

Q9 Dr Offord: What does the Woodland Trust feel about that?

Frances Winder: We have a clear policy that is like for like. We also have a very clear policy that ancient woodland is irreplaceable. Restoration ecology is a very new science and there is not enough information about how you do restoration. The longest history we have is perhaps in agri-environment. Even there, you can show benefits for some of the common species and the common ecosystem benefits. But if you look at pollinators, when you put in your flower-rich margins, what you get are the common bees and the common hoverflies. The specialists are not there and are not benefited by this sort of stuff. I am concerned that we do not have enough information about some of these issues and enough depth of ecological knowledge here yet. That is why some of the more common things, such as the trading, would be fine, but the more complex things—the concept that you could ever replace ancient woodland, when that ecosystem might have taken over 1,000 years to develop, does not work.

Q10 Dr Offord: To drill down on that, are you saying that you certainly do not agree with a common measure for gains and losses in biodiversity?

Frances Winder: The metric as it is is not sufficient, in that it does not include species, and it does not include network and connectivity. The concept is a starting point, and I think it is a very valuable starting point, because it makes people understand that there is a benefit and a value to some of this habitat that you are losing. That is what has always been missing. That is why, when Highways put in a road application, they can say, “Oh, we'll plant twice as many trees,” because they do not understand the value of what they are taking away. The common metric is really useful because it sets that understanding framework. I do not think it is complex enough yet.

Q11 Dr Offord: May I ask Friends of the Earth?

Sandra Bell: I want to come back to the more fundamental point about: “Is offsetting a win-win situation?” We are concerned that offsetting is being touted by, for example, the Environment Bank and the Ecosystem Markets Task Force as the way to restore nature, and we need to be really clear that that is not the case. Offsetting will never deliver the kind of vision set out in the Lawton report, for example; it can only ever, at best, be an improvement

on existing compensation schemes, but it is a much higher-risk strategy than enforcing what is there already.

To deliver on Lawton, we need to look at a whole range of ways of restoring nature: through better use of public subsidies, for example; through the common agricultural policy; through real landscape-scale initiatives, such as nature improvement areas; and through improvement of the existing planning system. It is really false to see offsetting as some kind of silver bullet that is going to restore nature in this country.

Brendan Costelloe: To expand on that, I would agree that offsetting is essentially direct compensation for a specific loss. It is not going to address our historic ecological deficit, and it will not make up for funding deficits. It cannot do that; it is very specific for a specific loss.

On the subject of value, I disagree with the Government's preference for a national metric for national values. There are some habitats that are nationally important, such as ancient woodland and heathland, which should have a minimum score, and that should essentially be the highest score. But some local authorities do not have much natural habitat, so woodland that might not be considered high quality in Hampshire, for example, would be very high quality for those local authorities. There needs to be flexibility for that to be reflected in the score or the value that they would attach to that habitat. They all need to use the same system, but there needs to be flexibility for local authorities to give relative value.

Q12 Dr Offord: Mr Slaughter, to go on to an area that is probably more applicable to you, what wildlife assessments are completed before sites are considered appropriate for development?

John Slaughter: A standard thing that developers would do is have a survey carried out, partly because it is part of the risk management of any development. At an early stage of acquiring any site of any great value, you would want to have a fairly clear idea of what the environmental impact issues and the biodiversity impact issues would be, because you would expect that you would then have to deal with those issues in terms of taking a planning application forward.

In that sense, where we see the advantage of the potential offsetting system is that it would give you clarity. If you used the metrics at that stage of site acquisition, you would have a way of actually evaluating, from a commercial perspective, what the potential costs and issues might be. It would help you better to understand whether the site was troubled in terms of taking it through the planning system, or whether it was manageable. The situation at the moment is that developers do undertake these assessments because they know they have to deal with the issues anyway. The question is whether the new system would improve that process internally as well as through the planning system, and I think it could.

Q13 Dr Offord: I am going through an issue in my own constituency, with Bury Farm. Some people want to put a golf course on a mediaeval farm, so I am experiencing some of these considerations personally.

I would like to ask the other members of the panel about measuring and compensating environmental damage. The Chair and I have discussed developers and their approach to the environment in the past, and in our experience developers are more likely, I believe, to seek out sites that have less ecological value. I wanted to ask the NGOs their view on that. Is that more likely to happen?

Brendan Costelloe: If the metrics are right and the multipliers are right. Offsetting needs to act as a disincentive to do harm, but if your multipliers are weak, it will not do that. Fundamentally, it depends on local authorities adhering to the mitigation hierarchy.

Frances Winder: There is some evidence that when PPS9 was introduced, which said, “Don’t build on ancient woodland,” the small developments started avoiding ancient woodland because it became too difficult for them to get permission. So if we can get the metric right, it would make people reassess where they are going to put things.

It also goes back to local planning policy. We have this system where you could combine local nature partnership knowledge, local planning and local plans, and identify where there are going to be real problems and where you really shouldn’t build. That is already in the Government’s biodiversity strategy, which is not referenced in the Green Paper. Why do we have a biodiversity offsetting Green Paper that does not reference the Government’s own biodiversity strategy? Well, we have already answered some of these questions.

Sandra Bell: I would certainly echo that and my previous point that, absolutely, social planning through strong local plans should be the starting point. That gives clarity as to where land is suitable for development.

There are a couple of points about the assessment and the metric. Some of the surveys that are carried out at the moment are known to be pretty poor quality, so it is a question of whether we really know what the value of a site is: if Buglife were here, for example, they would say that invertebrate surveys are often very poor and do not pick up on the true value of brownfield sites.

We have a number of concerns about the metrics being used at the moment and whether they really represent the true value of a natural site. There is no way of assessing ecosystem services, whether that is pollination, access to nature or climate mitigation. It is very complex and difficult to build that into the metric. I don’t know whether access to local nature will come up in other questions about location, but at the moment, the metric has no way of assessing the social and cultural value of a wildlife space to local people. That is really essential, because it is clear in the Defra proposals that they are considering a scheme where you can accept biodiversity loss in one part of the country in return for a promise of biodiversity gain in another part of the country.

John Slaughter: This is an important issue. Very briefly, we agree that getting the metric right is crucial in terms of sending the right signals. We certainly have no agenda to trouble ancient woodlands or limestone caves. We accept that.

In terms of the points that have been made about adding other things into the metric, that is where I start to get concerned. First, you are trying to do more than one thing through

the metric, which in policy terms is always quite troubling to do. Secondly, the more complexity you build into the metric, the more you start to worry that you lose the potential benefits of speeding processes up and providing clarity. Assessments will become more costly and more complex and there will be potentially more room for debating particular issues and judgments within them, so then the benefits of speeding up the process and simplifying the planning system might be threatened. There is quite a tension in terms of how we get this right to everyone's satisfaction.

Dr Offord: Thank you very much. That is very helpful.

Peter Aldous (in the Chair): Before I hand over to Mark Spencer, the clock is ticking, so I will just say to the panel that there is no need for everyone to answer every single question.

Q14 Mr Spencer: I could probably predict some of the answers here and now. What habitats are not suitable for offsetting?

Frances Winder: Obviously, I am going to say ancient woodland. If you look at the expectation of how this is going to be delivered, I feel that, for any site where it is going to take more than 50 years to develop a functioning ecosystem, it is not practical to do it. That would include anything that has ancient soils, raised bogs, all that sort of thing. It is illogical to try to put those into this process.

John Slaughter: I have already touched on this briefly, but perhaps it is worth making it clear that there are some situations where you do not necessarily build on the site of special ecological value, but maybe there is an effect nearby. These are trickier issues. We had an example with habitats directive sites in south-east England a few years ago, where effectively we had a form of offsetting agreed. That was a way of dealing with impacts that did not take away the area of the habitat as such, but potentially had some impact on the habitats. It is important to allow the system to deal with those situations as well.

Q15 Mr Spencer: The Government's current thinking is that you first try to avoid development on ancient woodland or SSSIs, then you try to mitigate if you can, and if you have done those two things, then offsetting should apply. Do you agree with that?

Frances Winder: You cannot mitigate for the loss of ancient woodland, so you either avoid it or we have to go into compensation.

Q16 Mr Spencer: Right. That is the only alternative?

Frances Winder: Yes, you cannot mitigate. You've either left it alone or you've damaged it and that's it. It is no longer ancient woodland.

Brendan Costelloe: The mitigation hierarchy applies to all biodiversity and wildlife and the various specific policies in the NPPF relating to irreplaceable habitats and SSSIs. That also sets a much higher threshold by which you have to prove that the development is

necessary. So there has to be a much higher burden of proof for why that development has to proceed on top of the mitigation hierarchy.

Mr Spencer: I understand that you cannot move an oak tree, but you can move a hedgehog. So how should that apply to species in those habitats?

Frances Winder: What are you going to do with your poor little hedgehog when you have moved it? Is this really practical? We can move some species and it has worked, but there is a series of species for which it doesn't work. We are back to complexity and knowing enough about what we are trying to do. The theory is, currently, because it only includes habitat, that you move the habitat and the species will run along behind. It doesn't necessarily work. As I have said previously about agri-environment, we have been able to show that we get a lot of the common species, but some of the rarer species don't come and we have to take very special measures for that. These are expensive and is this really the right mechanism to do it? We don't know.

The other thing about the irreplaceability angle and not including ancient woodland, for example, is that there will always be a democratic decision that is made which says: "No, that road really is key; we have to put that road there, so what are we going to do?" The way the current Green Paper is written just says that ancient woodland is irreplaceable and irreplaceable habitats cannot be compensated for. But what happens when that democratic decision is made? How will we deal with that? Our starting point is that, at that stage, it has to be at least the maximum. It has to be a bespoke response, but it has to be at least the maximum that the metric has suggested. I would look for 35 or 40 times the amount of land to be put into some form of compensation package.

Brendan Costelloe: The crucial thing in terms of getting this right and being able, first, to understand properly the potential harm and, secondly, the value of the site is for local authorities to have ecological expertise. Developers will submit their own assessment and, although those assessors may be accredited, they are not independent and they have their own commercial interests. The planning system fundamentally depends on independent arbitration and you cannot independently arbitrate if you do not understand the information in front of you. Local authorities have to be able to verify that and they can do it only with the proper ecological expertise

We are in a situation now where less than 30% of local authorities have any ecological expertise, so it would be really interesting to hear from the Secretary of State later to see if he has any plan for addressing that. If it is not addressed, it would be a bit of a disaster to introduce more offsetting.

Q17 Mr Spencer: So having got to the end of the process and decided that you're going to try to move the habitat, how close a match does the habitat have to be?

Frances Winder: There are two angles to this. One is the local angle, and we have been running a campaign for our members and supporters, trying to explain this process and what it means. I am sure that you are aware that, by and large, the public hate offsetting. They view it as a licence to trash and there is a lot of concern out there. So we specifically asked

our supporters how local they wanted it, and their response was that it should be within the village, town or city, in other words, as close as possible.

I was talking to a specialist on offsetting the other day and there are two sides to it. There is the biodiversity angle, so for high value biodiversity we need to follow the Lawton principles. That is using your local nature partnerships, identifying where things need to go. But we also need to look at the local side of it. What are the local people achieving from what is there, what will they lose and how can we replace that? The things that they will lose are the feeling of walking under trees throughout the season, the ability to hear a tawny owl. They are replaceable and we could do that. So we need to look at the ability to provide composite compensation packages.

Q18 Caroline Nokes: I want to go back to Mr Costelloe on his point about independent expertise and draw on the example—this might not surprise you—of Hampshire, where I represent a constituency, and particularly the borough which contains not only some spectacular, proper, ancient woodland, but also the valley of the River Test heritage area and the biodiversity that comes with that. And it is in the south-east, so obviously there are massive development pressures. Do you agree that it would be possible for local authorities to buy in outside expertise, given the diversity of the borough, or are you necessarily saying that all local authorities should have expertise to cover all eventualities in-house?

Brendan Costelloe: It doesn't matter whether they are in-house or brought in. The fact is that they are basically being employed by the local authority. So they are independent.

Frances Winder: There has to be some democratic accountability.

Q19 Caroline Nokes: That comes from the councillors, not the council officers.

Frances Winder: Yes, so as long as your expertise is not a 10-year contract which you cannot stop because they are not delivering—as long as there is democratic accountability on those processes and the oversight of it—then it is fine. It does not really matter who it is.

John Slaughter: That is another important aspect of the consultation. We have had a bit of a think about this. From our point of view, clearly, it would be best if we could avoid multiple assessments. If there is scope for the professional bodies that deal with the representation and the interests of the ecologists to perform a role in providing assurance about the independence of assessments through their own processes, through the training they do, through potentially a sort of brokering or arbitration service that they might be able to provide as an alternative to what we have at the moment, which is often dual or multiple assessments that end up being debated, as a way of simplifying the process, that is something that we would want to consider as a possible way forward on this.

Q20 Dr Whitehead: You mentioned, Ms Winder, that local people feel very strongly that offsetting should be as close as possible to their local community, but the Green Paper simply says: "Compensatory habitat can be provided away from the development site by

specialists on less-expensive land.” It appears to imply that that can be anywhere. What is your view of that question of location? How close to the original development might the offset be? How do you deal with the question of how close to the original habitat that close site needs to be?

Frances Winder: There are some severe biodiversity implications here. Professor Lawton in “Making Space for Nature” set a clear idea of how we add value to our protected sites. That is looking at more, bigger, better, joined; looking at what we have got, how to improve it, and how to make sure that we have network connectedness. The only way to do that is to empower local nature partnerships to provide opportunity maps and look at it in that way. So from a biodiversity point of view, that gain from compensation should be through that process. However, that ignores the local people aspect. For local people, we have to take account of their concerns and what is important to them.

As part of this process—poor Defra—we have asked our members to write to Defra and tell them what is important about their location and what they would miss. So they have had a whole series of things about tawny owls and trees. A lot of it could be put in place through good, green infrastructure partnerships and delivered through that. Again, we are back to local plans, spatial planning, local nature partnerships, opportunity maps, tying it all together and empowering people to get involved.

Sandra Bell: From a biodiversity perspective, you really have to consider the connectivity issues. You cannot simply shift nature to another part of the country. If you take out a chunk of hedgerow and move it 100 miles away, you will lose connectivity.

The value to local people absolutely has to be taken into account. It seems that the thinking behind the proposal in the Green Paper that offsetting could be on a national basis is to free up development land in areas of high development pressure and provide offsets in areas where land is cheaper. That seems to contradict totally the commitments made elsewhere. For example, in the “Natural Environment” White Paper there is a clear commitment to improve access to nature for local people, particularly those who live in areas that, at the moment, do not have much access to green space. From our perspective, it is absolutely crucial that people have that access.

It has been recognised by the Natural Capital Committee and the National Ecosystem Assessment that there is real value, such as health benefits, from people having access to nature. There are benefits to children’s development and even benefits to property prices that accrue with having nature close to people. Those need to be recognised.

John Slaughter: There is a danger, in that case, that the benefit to property prices comes from the fact that there is not enough of it and the market is being undersupplied. There is a real tension there.

From our perspective, there are probably two points to make. One is the classical biodiversity impact that Frances talked about. That is entirely valid. Although not a scientist myself, I think there is a case for a strategic approach in that respect. And there is what I would call more questions of amenity for the local population.

Those two things may not be exactly the same. It is perfectly valid to plan for both, but, as I said earlier, there are risks in trying to load too many different facets of consideration and judgment into one set of metrics. You could over-design it, which would be unhelpful and could make it very difficult to achieve development objectives in particular areas. I do not think that we want that outcome.

Sandra Bell: Sorry, but I think we need to be really clear that, where studies have shown real benefits to people from having access to nature, that is access to nature—natural green spaces. You cannot replace that with amenity space: it does not give the same benefits to people.

Brendan Costelloe: I agree. There is a difference between areas where people can walk their dogs and those where people can see nature. It is valuable to society that people have access to nature. There is a real tension here.

Perhaps the two biggest problems facing biodiversity in this country are a lack of ecological connectivity and a lack of cultural—or social—connectivity with nature. In trying to improve the former, you have got to be very careful that you do not exacerbate the latter. That said, you need to get it right ecologically; that is the fundamental principle. Also, I would say, on high value land in areas of high development pressure, those are probably also the areas that are closest to breaching environmental limits: where people already do not have much access to nature.

Q21 Dr Whitehead: That appears to suggest a non-negotiable point particularly in urban areas, where the need to have access to biodiversity, as you put it, as opposed to walking the dog, is unlikely to be replicated in that zone.

Brendan Costelloe: Exactly. It is very difficult to offset the social impact and local authorities need to take that into account. That is part of why there needs to be flexibility in how local authorities value different areas of habitat, because it will be of more value in a local authority than in a rural area.

Sandra Bell: Of course, green infrastructure is essential in urban areas in a changing climate, for climate change resilience and adaptation.

John Slaughter: But you are in danger of saying that you should not have any development in certain areas. It is a massive social problem if you say that.

Sandra Bell: Not at all. We are saying that biodiversity should be incorporated into development, but it can be part of good quality development.

John Slaughter: I think you are quite close to saying that.

Peter Aldous (in the Chair): We have caught up with time well. I thank the panel.

Sandra Bell: One thing. This is really important and we have not touched on it. There is no clear evidence from all the other countries that introduced offsetting schemes that they deliver gains for biodiversity, or even achieve no net loss. Even in Germany, where there

have been 20 years of offsetting, a recent assessment showed that only a third of the offset sites delivered biodiversity gain. The UK pilots have not even finished yet, so it is absolutely premature to introduce this. I really suggest that you ask the Secretary of State where the evidence base is—he has actually claimed that offsetting guarantees no net loss, but there is no evidence base for that.

Peter Aldous (in the Chair): We've got some pretty gruelling questions for the Secretary of State and will take those points up with him. Thanks very much to the panel for your input.

I will now hand over the Chair to Dr Whitehead.

Examination of Witnesses

Witnesses: **Tom Tew**, Chief Executive, Environment Bank, **Janice Bradley**, Head of Conservation Policy and Planning, Nottinghamshire Wildlife Trust, and **Andrew Clark**, Head of Policy, National Farmers Union, gave evidence.

Dr Alan Whitehead (in the Chair): Good morning. Could you please introduce yourselves for the record?

Andrew Clark: Good morning. I am Andrew Clark, head of policy services at the National Farmers Union.

Tom Tew: Good morning. I am Tom Tew, chief executive of the Environment Bank.

Janice Bradley: Good morning. I am Janice Bradley, head of conservation policy and planning for the Nottinghamshire Wildlife Trust. I am here representing all 47 wildlife trusts.

Q22 Dr Alan Whitehead (in the Chair): May we start by asking you to give us your experience of how well offsetting pilots have worked so far? Perhaps we could start with Mr Clark.

Andrew Clark: It is so early in the pilot projects that very few farmers have reached the stage of being asked to provide an offset. A couple that I am aware of are still considering the agreement that has been offered. I know through colleagues in my department that they have come to look at the liabilities and the offsetting cost. So, at the moment it is too early to tell.

Tom Tew: The Environment Bank is a broker for biodiversity offsetting and we are a formal partner with two of the six Defra pilot county councils. We are partnering with Essex and Warwickshire. In both those counties, there has been significant progress and there are lots of planning permissions in the pipeline that are bringing offsetting into place. The first offsetting scheme was completed two or three weeks ago. Two hectares of calcareous grassland in Oxfordshire are now going to be restored as a result of offsetting. However, the general comment is that under a voluntary, entirely permissive system, it will be very slow to operate.

Janice Bradley: Obviously, I have taken soundings across all the trusts involved in all the pilot schemes across the country. I agree with the other witnesses. It is early days yet. The pilots are only 18 months into a two-year programme. That is not a great deal of time to allow a planning application to go through the process of consideration for offsetting, then to go through the necessary evidence chasing and checking, and then to go through the planning process.

Looking across the country as a whole, one of those counties with which Mr Tew is involved, Warwickshire, seems to have made the greatest progress in pushing offsetting. But most of the others—for example, Nottinghamshire, Essex, Norfolk and Doncaster—each have only one or two schemes currently under consideration. That does not mean that they have actually progressed to a determination of a planning permission. So it is very, very early days yet to see how it plays out on the ground in the reality of a local planning authority situation.

Q23 Dr Alan Whitehead (in the Chair): You all said that it was very early days and that there are not many offsets. Does that conclusion surprise you at all? Perhaps there should have been more offsets. Why do you think that demand has been so low so far?

Tom Tew: From our point of view, it is to do with the speed of the planning system. It is just taking a long time for decisions to grind through the system. As long as offsetting remains an entirely voluntary option for developers, there is unlikely to be high demand. Without high demand, it is hard to engage the farming community, for example, because there is no great demand for the supply sites that we think farmers would be natural providers of. This is a pilot. The Green Paper could go on and give strong signals, and that would stimulate the market.

Andrew Clark: From the farming point of view, as Tom has indicated, there is potential. We are interested in the principle. It is a very interesting concept to have conservation as a crop and a new income stream. The potential and willingness are there and we have many farmers who participated voluntarily in the Campaign for the Farmed Environment, for example, looking at offsetting the impact of set-aside when that was lost in early 2007. The issues are around delivery and making it operational. At present, it is in the very early stages and we have not really moved beyond the principle.

Q24 Dr Alan Whitehead (in the Chair): Perhaps I could ask you to expand a little on the view of offsetting as a crop. What sort of considerations would be in farmers' minds when they decide whether to make land available for offset schemes, particularly on the implied permanent nature of the offset?

Andrew Clark: That is the first point that we need to take into account. When we are working with NFU members who are thinking about offsetting or any habitat creation scheme, it is actually about the length of that agreement and the impact on the farm business. It says “in perpetuity” in the Green Paper, so it is really important that farmers entering into this agreement understand that this has a permanent impact on their farm business. It is a permanent change in land use and a permanent restriction on what can and cannot be done on that farm. That is the principal issue for farmers. They will obviously then need to think about

how that works with the rest of the farm business. Will it make the rest of the farm business less or more economic, or less or more productive and profitable?

There are also complex administrative burdens—the hassle factor. The agri-environment schemes that we currently go into are five, 10 years and they are relatively easy to understand and relatively simple and set a contract to supply for that period. As I said, because of the longevity of these types of agreements and the potential high quality habitat you need to create, there are liabilities, which ultimately need to be reflected in the price. Only those with long-term interest in land can actually participate in this market, which means landowners as opposed to agricultural tenants. We are concerned about the impact on the tenancy sector as well as the landowning sector.

Those are some of the issues. I will get on to the practicalities and whether we can create habitats later.

Q25 Caroline Nokes: We heard concerns from the previous panel about the metrics being used to measure offsetting. Do you think they are measuring the right things? If not, how could they be improved?

Andrew Clark: May I quickly say one thing? I am afraid that we are discussing concepts again, but the concept of having a consistent metric that applies across the country does have some attractions for us, because we would at least know in what market we are playing. Having this unique biodiversity unit and clarity about biodiversity and not other elements of the environment is helpful, but I will leave whether that reflects the complexity of the situation to the experts.

Tom Tew: May I stress the dangers of fiddling while Rome burns? We are facing massive environmental degradation and it is happening in the wider countryside. Offsetting is not aimed at protecting our designated sites. It will have its biggest impact in helping planners take into account the environmental value of relatively low value sites, which we are losing by the hundreds each year. Planning decisions are being made that do not take into account that environmental value. The biodiversity offsetting metrics are very good at capturing those low levels of biodiversity impact and allowing developers to take that into account when they put forward their mitigation and compensation schemes. Setting up straw men and then arguing about the nuances of extremely complicated ecological questions is missing the point. That is not where offsetting is targeted and that is not where it will have its biggest effect.

Janice Bradley: Let me make a few points. From the perspective of trying to deliver offsetting on the ground in a pilot area and talking to colleagues trying to do the same elsewhere, we believe that the metric is not complex enough, because, as Dr Tew has said, ecology is a complicated thing. At the moment, the metric is too simplistic even to capture effectively some of the value of those lower value habitats, particularly because there is not a species component. That, we believe, would be very important in any offsetting scheme, were it to go forward. There would have to be some kind of species component and not just the habitats as they are now.

The metric would also need to have some sort of rigorous, nationally adopted, consistent template, with calculations set in it and a very clear way of showing how decisions and judgments have been made. There would need to be a check and balance process for that, because however clever the metric is, it is still only as good as the ecological interpretation that is put into it. A planning officer sitting in a local planning authority without in-house ecological expertise cannot work their way through a series of tables and come to a reasoned judgment on the ecological impact. At every level, you also have to have significant ecological expertise in the system. Having a national metric does not remove the planning system's need for ecological expertise as it interprets the NPPF along with all the wildlife legislation. Those are the elements that I think will be very important.

There are a number of other elements that are not included in the current metric. One is the indirect effects, which are not easily captured in how the metric works at the moment. Those are critical for habitats and species. There is a multiplier in the system to allow for the fact that you get a time lag. Obviously, if a development was to proceed and the offsetting was to be done elsewhere, unless the offsetting was done in advance, there would be a time lag. While there are multipliers in the metric at the moment that mean that you have to make more habitat to accommodate the time lag, you are not overcoming the fact that there is a time lag. If you are a species in one area of habitat and another area of habitat is being created, it does not matter how close or far away it is; if it is not there at the point at which your habitat is destroyed, that is a real time lag, whether or not you have got a technical multiplier in the metric system to accommodate that. That is an important consideration in how the system will work. Somehow, that needs to be resolved as well.

Tom Tew: I agree with much of what Janice says. As ecologists, we could discuss this issue for hours and hours. My point is that no one is making even the crudest value judgments at the moment, and that is where the system is failing. Much of our environment's death by a thousand cuts is happening because planners do not have the tools to make even simple value judgments. The offsetting metrics are simply a tool to allow planners to do that.

Q26 Caroline Nokes: I want to move on to a question that might quite specifically be directed at Janice, which is about ecological networks and corridors. The Lawton review stressed their importance. How well do the proposed metrics assess a site's contribution to the wider ecological networks?

Janice Bradley: At the moment, insufficiently. It is a very valid point. As was alluded to by the previous panel, offsetting can be seen as only one part of what needs to be a wider vision for delivering Lawton's vision. At the moment, there is not a coherent national strategy to do that. Offsetting would be one small part within that at a more local level, with ecological networks. The metric has a multiplier score for the creation of an offset site within an area that had been identified as being part of an important ecological network, perhaps through a county-wide biodiversity opportunity mapping process, which gives it greater value, effectively, because you would need to create less habitat than if it was outside. However, it does not account for the fact that you might be taking the habitat out of an existing ecological network. There is a value for putting it into a new one, but there is not a value for the loss of the habitat in its current location if it falls within a network. That is hard to accommodate in the current metric, which does not place a value on it in a meaningful way. Does that answer your question?

Caroline Nokes: Yes, thank you.

Tom Tew: I think I am the only person in the room who was on John Lawton's panel. The answer to your question is that the spatial maps, many of which are based on the excellent work of the Wildlife Trusts and other NGOs, allow you to use offsetting to give real financial traction to choosing strategically where you want to create your ecological networks. None of those wonderful maps will be delivered unless we have a funding source for habitat creation in the wider countryside to give to the farmers and the NGOs. Offsetting is not a panacea or a silver bullet. It does not answer all the questions, but it provides one funding source for doing that.

Andrew Clark: May I just add very quickly on the targeting that it will be very helpful to have this information in any case, whether there is an offsetting regime or not? At present, for farmers and environmental groups generally, it is not clear exactly where the hope value is, where the best sites are and what will be best to do in terms of conservation management. In other words, as a farmer, which bits of my farm do you want? Where can I best target my HLS agreement or biodiversity offsetting? This type of mapping is going to be important, irrespective of whether the proposal goes forward.

Caroline Nokes: Thank you.

Q27 Neil Carmichael: Janice, you are obviously not overly impressed with the metric. I suppose you would agree that the assumption or belief that it will take only 20 minutes to complete is evidence that it is too simplistic. What would you do to answer some of the comments you made earlier about its simplicity? How would you strengthen it?

Janice Bradley: Certainly adding a species factor and a way of calculating things such as the importance of the site to wider metapopulations of species is very important. If you remove an area of habitat that is part of the species' life cycle, where they move around to different areas, you are obviously taking out a building block. That is complicated, but it is essential to making the metric work meaningfully. Those are two significant factors.

There should probably be a more sophisticated way of working the time risk, with more elements to the multiplier. The other element we feel could be improved—again, this is something that we have come across when we tried to work it through in a couple of planning examples in Nottinghamshire—is that you also need to have more degrees of assessment of habitat quality or habitat condition. At the moment, there are essentially three categories. We feel that there needs to be a lot more because there is a lot more variation in the quality of habitat than that. That would give the developer greater guidance about what is needed, and it would also be helpful from the perspective of offset providers.

Q28 Neil Carmichael: Andrew, from the NFU's perspective, do you agree with that? Do you think that there are issues around making sure that it can be applied easily across farming and farmers?

Andrew Clark: Yes. It does need to be. I am conscious that ecology is complex, as you have been describing. From an offset provider's point of view—the farmer's

perspective—what is being asked for needs to be clear, so I will always fight a little bit against the complexity and try to get it 100% correct. If the result is complex, it either takes ages to do or is inexplicable to the farmer/provider. Ultimately, the provider needs to understand what they are trying to create and what is desired.

It might be simply impossible to do some of the things to get a complete replicate. We need to have a sense of reason and proportionality about the measurement. However, I understand the points about species, location and proximity to impact. I can see that those sorts of things would be potential multipliers. If it is important to get a location close to the loss, presumably that would mean that the site, from an offset point of view, is as valuable as the development proposal was, so there are issues there as well.

Q29 Neil Carmichael: It is also about striking a balance between ensuring that you have good habitat management and enabling other things to happen that are consistent with the interests of the habitat. That is clear enough. I suppose the other question that has to be addressed is how we guarantee consistency, because that is certainly something that farmers would want to see, and it is also in the interests of NGOs interested in this area. Tom, would you like to comment on consistency?

Tom Tew: I suppose I would say that a very good way of doing that is to use an accredited independent broker. The point about consistency is very good; you need to be consistent when you are assessing your loss from development and your gain from habitat creation. If you have two different systems operating, there is a risk of it going badly wrong. We would say, “Use your independent broker, who is doing both those things,” but within that, house developers want to be treated consistently, so that someone building a development in Stoke is treated the same as someone doing so in Chelmsford, and farmers want to be treated consistently. The answer is to put in place a rigorous system that is accredited, in which people like us are verified and regulated in some way.

I entirely endorse Janice’s comments, by the way. Having a system that looks very simple is actually quite hard to operate. You end up making a lot of value judgments in there, because there are not enough categories to choose from. I think there is a middle ground of making it a bit more nuanced, which will make it easier to operate.

Q30 Neil Carmichael: There is an issue about judgment versus box-ticking. Would it not be wise to have more judgment in a system such as this, where appropriate, because not all circumstances are the same? And yet, to meet Janice’s objectives, there are going to be more sections and bits to salute, if you like, which might mean that the judgment bit goes astray. Would anybody like to comment on that?

Janice Bradley: Fundamentally, this comes back to the point about the availability of independent ecological expertise that Tom referred to, and the point that local authorities should have that easily available to them, because yes, you do have to make judgment decisions. As we all know from the current planning process, there is always a debate to be had on both sides about how the judgment has been made and people’s interpretation of it. I cannot really see how you can get away from an element of that, but to make it smoother, if you have in-house ecologists in each local planning authority, they become used to these

systems and know how to work them. They become familiar with them, and then they become quicker. Part of the issue with the pilot at the moment is that, obviously, we are all learning. It is about working it through with different examples and seeing what pans out. Having ecologists who are accredited, as Tom suggested, and familiar with how to make the system work would speed up the judgment process, which would therefore lead to speeding up some of the box-ticking, but obviously, you cannot remove it. That would make a big difference.

At the moment, the lack of ecological expertise available to local planning authorities is absolutely fundamental. Some of them do outsource their work at the moment—small amounts, through service level agreements. Some wildlife trusts have service level agreements with planning authorities. In some cases, staff like mine give free advice to local planning authorities on ecological matters, but again, that is not consistent nationally and that is not helpful to the system, either. The other fundamental problem is poorly resourced local record centres, because if they do not have the data, no one has anything to make any judgments or do box-ticking on.

Tom Tew: May I say, Mr Carmichael, that at the heart of your question is how the environmentalists are engaging with the planning system? The problem at the moment is that the environment is seen as a blocker. When a developer spots a newt wandering across the site, his heart sinks, because the perception is, “Here we go. We’ve got six months of surveys, and the thing will be delayed by a year.” It is not a constructive engagement with the environment. We do not want to create another massively complicated bureaucratic system. We want to give John his streamlined, effective system that allows them to get permission efficiently, at the same time as taking on their environmental obligations.

Q31 Neil Carmichael: I have one last question for Andrew. How does all this fit with the existing ELS activities through the common agricultural policy? Is there not potential for contradiction and friction?

Andrew Clark: That is an interesting question. At present, we are just coming up to consultation on the next implementation of CAP reform and a new agri-environment scheme. It is not clear, to be frank, how this fits with an ELS or HLS agreement, except that the Green Paper is clear that if that habitat is already provided to a high level, there is no additional gain, so you cannot sell the site again; you cannot sell it twice.

I expect that there are many sites that are currently being restored under HLS or ELS, or even voluntary management, that could provide further enhancement in future and could come into the market. It could relate to that. I am also interested in knowing how it relates to other forms of environmental offsetting. I would like to see a carbon market for carbon sequestration in soil, or timber. There might be a water quality management market as well. I expect that there are other aspects of the environment that can also become commodities.

We need to explore how those could be managed and enhanced, and become part of the “conservation as a crop” concept. This could be the start of a rather larger way of bringing

new funds and new rewards into the farming community for new types of management of the countryside.

Q32 Neil Carmichael: You are going down the natural capital route there to some extent, aren't you?

Andrew Clark: Yes. The Ecosystem Markets Task Force produced some very interesting ideas, but again—it is a bit like this biodiversity offsetting project—it is too early to tell my members whether it is something to go for or not, because there is not actually a market. There is not a carbon market there, and that has been talked about for even longer than biodiversity.

Q33 Neil Carmichael: This is probably not the forum in which to develop this point much further, but you have certainly raised an interesting question about commodity and the natural environment.

Janice Bradley: The wildlife trusts are very supportive of the idea that there should be other mechanisms to pay landowners to deliver the ecosystem services. Those are obviously the sort of thing that Andrew is talking about, such as clean water and supply, and carbon sequestration and so on. There should be a mechanism to reward farmers better when they contribute to those essential services on which our society depends. That would be useful to explore, though perhaps not today, as you say.

Andrew Clark: We should explore it. Going back to the agri-environment schemes, currently the reward for those schemes is simply for income forgone and the cost of the management required. Say that I create a feature on the farm—a pollen and nectar mixture, for example, which is very attractive to pollinators—I get rewarded for that, but I do not get any reward for landscape value, carbon sequestration or the water protection function. There are many other functions and many benefits from a single management intervention in a field or a single bit of habitat creation. I guess that reflects the argument that we have already had.

Q34 Neil Carmichael: Would you drop the Committee a line on this idea? It could provoke a useful discussion in due course.

Andrew Clark: Yes.

Q35 Neil Carmichael: Do you endorse that as well, Janice?

Janice Bradley: Yes, absolutely. Could I also add the element of scale to that? That comes back to the point about whether offsetting should be mandatory or not. Again, until there is a necessary scale of applications that are suitable for offsetting in places where it can be used, there never will be any certainty for farming offset providers, or any other offset providers. Obviously, in some cases, NGOs such as ours will be offset providers.

There is no certainty; there is not enough to make any sort of market work. To give an example, in the 18 months of the pilot—we screen all planning applications in Nottinghamshire—we screened just over 10,500 planning applications. Out of all of those, only three possibly suitable for offsetting have come forward. In two of the cases, the developers have just walked away and said that they are not interested in that approach. It is all in negotiation with the planners at the moment. That gives you an idea of the small number of planning applications that are potentially suitable, the way the current system is, without it being mandatory. I think that is really important, because until we get it, Mr Slaughter’s clients do not really know what is going to happen; nor do the offset providers at the other end.

Dr Alan Whitehead (in the Chair): I think we will briefly explore some of those points further with Mark Spencer.

Q36 Mr Spencer: I just want us to clarify something. Clearly, Andrew, you are saying that if you are part of an HLS or ELS scheme, that could be used for offsetting. I am wondering whether you would then twist it round: if you are providing land for offsetting and you get payment for that offsetting, can you include that parcel of land or new development in an HLS scheme to boost your points?

Andrew Clark: I suspect it depends on what you are paid for under the HLS scheme. For example, under HLS, you can get archaeological management and water protection management, but under this scheme, we are talking about biodiversity offsetting. It goes to the point that I just made to Mr Carmichael: what is the product that is being sold?

Q37 Mr Spencer: I think the question is: can you sell it twice? That is what I am asking.

Tom Tew: I think the answer is that you should not. This is a fantastic funding opportunity for farmers, but not to be paid again for what they are already delivering under HLS. Additionality is the key. This is extra funding for delivering extra biodiversity gain.

Q38 Mr Spencer: Let us look at the marketplace. How desirable is it to increase the number of providers to reduce the cost of that offsetting? Is that a desirable thing or not?

Andrew Clark: From my point of view, it would be most desirable to see a real market; that would attract more farmers to participate in this market. I have had conversations with many farmers who have gone into voluntary management for conservation, because they do not want to go into a higher level stewardship scheme or an ELS scheme. They do not want to be tied in by the management agreements that are required with that. They are interested in the potential of a private sector arrangement.

Q39 Mr Spencer: If I were a developer, I could choose a brownfield site, where there might be industrial waste or a cost to developing the site, or I could look at a greenfield site,

where the value of the offsetting would be x amount. I put it to you that if you create a system where there is a race to the bottom and you reduce the cost of that offsetting, in effect you are incentivising greenfield development, rather than brownfield. You almost need the offsetting to be at a high value, rather than a low value. Is that correct, or am I misguided?

Tom Tew: No, you are getting to the crux of some very complicated free-market questions. First, in terms of the developer, it is right that we put a price on those environmental costs. If he is having an environmental impact, we need to start costing those. At the moment, they are not costed, and that is why at the moment a developer will choose to develop a good wildlife site—because he does not have to pay for it. That is the first issue.

In terms of the supply of credits through farmers, we have not talked about how to value your conservation credits, but it is a cost-based system. We say to the farmers, “You come up with a long-term land management plan for recreating some chalk grassland on your farm, and you tell us how much that will cost. You tell us how much you would want to charge for those credits.” This is not a taxpayers’ money, ELS, £1.25-per-metre-of-hedgerow thing, where the farmers just get told there is a price. This is the farmer saying, “I’d like to do this, on that field, and this is how much I would charge for that.” Then we, as a broker, will try to sell those credits at that price to the developer. If the farmer has set his costs unreasonably high, no one will buy them. The danger then is that the farmers will feel the free market driving those prices down, and the ultimate answer to your question is that there needs to be a floor below which you will not allow the price of your credits to drop. Where banking has failed in the States, for instance, is where we have underestimated the costs of long-term land management. Farmers need to be paid a fair price, reflecting all their costs, for that credit.

My final comment is that developers, in our experience, are not that price sensitive. If it means that they are going to get planning permission quickly and effectively, they are happy to pay what they consider to be a fair price.

Q40 Mr Spencer: In Nottinghamshire, you obviously have all these former coalfield sites compared with greenbelt development.

Janice Bradley: The trouble is that it is obviously not as straightforward as that. Some brownfield sites also have high value for wildlife, so there is not a direct trade-off in that sense. For example, some of our Nottinghamshire former coalfield sites are the most important breeding sites for certain schedule 1 and annexe 1 birds in the county, particularly nightjars and woodlarks. The same applies in other areas, so that a trade-off is not quite so simple. I absolutely agree with you and Tom that there cannot be a race to the bottom in terms of pricing, because you are simply not going to be able to create a habitat and manage it adequately.

The other issue to remember is that until there are enough offset providers in enough different natural character areas on different soils, for example, the system cannot work. With the best will in the world, if one of Mr Clark’s members has come forward with a fantastic farm that could offer calcareous—calcium loving—grassland creation, that is absolutely no use whatsoever if, for example, the site that has been damaged through development is a heath land site that would need to be recreated on acidic, sandy, free-draining soils. Similarly,

you could not exchange a woodland that was growing on deep, damp clay soils with something that was on free-draining calcareous soils. It is not as simple as being able to think that most farms would be able to host most habitats, because of the specific substrate needs and hydrological needs of a lot of habitats. There will be only limited places within a county, for example, where they could physically go, so until you have enough offset providers coming forward to offer a whole range of different potential habitats on their land, the system again cannot work. There is quite a long way to go until you can get to a point where the system can function, particularly for habitats that rely on really specific conditions.

Tom Tew: If we cannot provide the developer with the right type of offset in the right place at the right time at the right scale, it is no use to him.

Q41 Mr Spencer: So there would be little point in making offsetting mandatory, because you might not be able to deliver what is required.

Tom Tew: No. You get the supply side when you make it mandatory. If you do not make it mandatory, you will not get the demand, and then you will not fully engage Andrew's members. If I am a random farmer saying, "Well, this could work for me", for me to sell those credits, I need a developer close by who wants to buy my sort of grassland restoration at that scale at that price, and that is only going to happen when you have a mandatory system.

Janice Bradley: I absolutely agree. You will just not get the number of offset providers unless it is mandatory. If it is mandatory, you will also, potentially, capture offsetting from smaller developers. With due respect to the HBF, a lot of its members are very large developers, who generally take a professional approach to doing ecological impact assessments prior to planning applications and try to get everything in place. However, in a huge number of developments out there—not just smaller house building schemes, but employment developments, such as business parks, offices and things like that—developers do not provide all the information up front. Planning applications can, frankly, be appalling in terms of what the poor planner receives on their desk, and it often takes so much effort for all the consultees to work with that kind of applicant that they sometimes tend to be ones that really slip through the system. A mandatory system would pick them up as well.

Q42 Mr Spencer: We have gone down the route of mandating offsetting. Local authorities tend to work in cycles that tend to be simultaneous if you have lots of local authorities in the same area. You have built up this enormous pressure of requirement, so would you say that banking those credits is the way to go? Should offsetters be allowed to bank those areas that will be allowed to offset?

Tom Tew: There are two fundamental ways of doing this. Habitat banking is what they do in the States, whereby they take huge areas of land out of production and create wetlands, manage them for 20 years, and only then do they sell the credits on to the market. For that to happen, you need a huge amount of federal underpinning of the system to give people the confidence that they will be able to sell the credits in 20 years.

In this country, and in Europe and in Australia, we use another way. We say, “We are going to allow offset schemes to come forward and sell their credits, and then we will deal with the issue of the long-term delivery of that.” So in this country, all you need to do to stimulate demand is send market signals that there is potential funding for people who want to enter offset schemes. It can happen very quickly. We have lots of interested people who would put schemes forward were the Government to send a signal about mandatory offsetting.

Janice Bradley: Some of the evidence from the pilots exactly endorses that. A small number of schemes are coming forward around the country, where there is an agreement between the local planning authority and the applicant that offsetting may be a correct approach. However, in a couple of cases, such as Warwickshire, I know that the planning authority has given permission but subject to section 106s, which then require the offset scheme to be developed post-determination, whereas other schemes have not been determined because they have got to that stage where there is an applicant who is willing, but potential offset sites have not been found. Then, you are introducing more of an issue about potential time lag between destruction of habitat and creation of the offset.

Q43 Mr Spencer: Could it be argued then that Andrew’s members are receiving that federal underpinning through HLS and ELS, and if they were allowed, if you like, to double bank or double sell those schemes, most of those schemes could provide those offsetting sites with the support of those two schemes?

Andrew Clark: I don’t want to give any illusions that I imagined that farmers are going to get paid exactly the same product price, much as it would be quite ideal. I know that we have limited funding for environmental stewardship going forward—the second pillar of the CAP. Potentially, this provides a long-term funding source well beyond and without any time constraint, because it is in perpetuity for permanent habitat creation. However, that is considerably more expensive for the host business and host landowner in terms of management, and it is much riskier than the HLS scheme, which can be adapted.

Tom Tew: A final point on scale. Even in a fully functioning offsetting market, with the projections we have, it is 5,000 or 10,000 hectares a year going into offsetting schemes. It is a tiny percentage of land that is currently farmed. I do not want to overrate this as being some revolution to farming income, but it will be a small and targeted amount in consolation.

Dr Alan Whitehead (in the Chair): We have to leave it there now. An interesting strain of discussion has developed, but I am afraid that we have run out of time. May I thank you for attending this morning? We will no doubt be pursuing the matters further.

Now that we are in the Guinness book of records for the most Chairs in one session, I will hand over to our actual Chair, Joan Walley.

Examination of Witnesses

Witnesses: Right Hon Owen Paterson MP, Secretary of State for Environment, Food and Rural Affairs, **Chris de Grouchy**, Head of Biodiversity, Defra, and **Will Armitage**, Head of the Major Infrastructure and Environment Unit, Defra, gave evidence.

Q44 Chair: Thank you for coming to our third session panel of the morning on offsetting. Secretary of State, I would like to thank you for coming back to the Committee. I welcome you here on this most important subject.

We have just been looking at offsetting, in particular the offsetting pilots. We wondered if you could just share with the Committee the risks that you feel the pilots have highlighted.

Mr Paterson: Good morning, and thank you very much for inviting me along. May I introduce Chris de Grouchy and Will Armitage, who have done a lot of work on this? I am absolutely delighted that the Committee is taking an interest as we are coming to the final couple of weeks of our consultation on the Green Paper.

The pilots are voluntary. I think that is the first lesson. I have been to Warwick to see what is going on, and you can see that on the ground there is real interest in offsetting and that they can deliver, but they are in the early days. The pilots show the conundrum of whether this system should be obligatory or entirely voluntary. From the pilots we have seen in this country, there is not an enormous amount that has come forward so far. The lessons I really learned were from going to Australia, which we may come to in a minute, where there were very clear lessons to be learned from what we saw in Victoria and in New South Wales.

Q45 Chair: But particularly risks associated with offsetting—have you identified any of those in respect of the pilots that have been carried out?

Mr Paterson: The risk in offsetting is getting the detail right. If we get this right, it could be of enormous benefit to the environment. In certain cases, it could be of help to those with economic projects, because it could give clarity, transparency and speed. Instead of a lot of money being wasted on delay and on legal fees, if a mitigation cannot be arrived at in what will probably be quite a small number of cases, you could see money being dedicated for the long term for environmental benefits. That is how I see the balance. The real risk in this is the detail, which is why I am very interested to hear what your Committee comes up with. If we get this wrong, it will not help the environment and it will not help the economy. If we get it right, I think it could really help both.

Q46 Chair: In this session, we are interested in looking at some of the detail, because obviously the detail will determine how the scheme will actually proceed if it does go forward. It was interesting that you just mentioned words like “quicker and more transparent, certain and consistent”, which were the words highlighted in the Green Paper. I just wondered whether the experience of the pilots in Nottinghamshire and places elsewhere has argued or shown that that outcome has been achieved from the pilots. Mr de Grouchy, did you wish to comment?

Chris de Grouchy: Thank you very much, Chair. It is true to say that they have had a mixed experience and they have struggled to make quite as much progress as perhaps initially we thought. On the other hand, I think they have shown some very clear things, among them some of the issues that I am sure we are going to come on to discuss, and which we have reflected in the Green Paper as important matters.

In relation to your question, the key thing perhaps they have shown is around the pilot metric that has been used—the formula for establishing the value of potential habitat. Our experience in talking to the pilots and those around them is that that framework has very much been welcomed as one that does bring greater clarity and transparency to all parties. That side of it has worked well. The things that have been a little bit more problematic are the challenge for the individual pilots, working on their own without any sort of national framework, of essentially reinventing the wheel. They are doing their best to negotiate deals on an individual basis with developers, and that has not led, as you know, to a large number of real outcomes in terms of offsetting schemes. However, a number of them have got close—Warwick, Essex and Doncaster—and they have still got a little bit of time to run.

Q47 Chair: We will come on to the metrics in a moment, but I am still not sure of the risks that have been exposed. Coming back to the Secretary of State for a minute, I know that your previous Minister stated that there would be proper, full evaluation of the pilots before any firm decisions were taken. I just wonder how the timeline on all this is going forward. We are aware that the consultation has got a further two weeks, and I just wonder what independent evaluation there will be, and how it is proposed to link the outcomes of this to the way in which you take the policy forward.

Mr Paterson: I hope that we will get a lot of interesting results from the consultation that is going on, from all parties. We need to sit down and evaluate them. Obviously, this year's legislative session is fully booked up, but if legislation was required, I would be hoping to make a bid for next year. I do think this is of real value and could be of enormous long-term benefit for our environment.

Q48 Chair: Can you say a little bit about how the independent evaluation will take place?

Mr Paterson: We will do that within Defra. Don't forget that we have had strong recommendations on this. We set up the Natural Capital Committee, for a start. Dieter Helm and his team are looking at it. Some of them, such as Kerry ten Kate, who has been working on offsets for a long time, are real experts, who we can consult. Secondly, you have the ecosystems task force. Of all the things it came up with, its No. 1 recommendation was to promote a system of offsetting, because it thought that that would be a real advantage. We have a whole range of people who we can bring in, but ultimately this is a Defra responsibility and we will have to persuade Government colleagues that it deserves time. What we come up with may require legislation.

Will Armitage: In terms of the details on assessing pilots, we have a contract already with a firm that is assessing the pilots on an ongoing basis and will provide information back to us. As the Secretary of State said, if we want to take it forward, we think that we would

want legislation to do that, but alongside legislation there are a large number of areas where we would have to set out the details of the scheme and how it works in guidance. We would have to be able to take on board the lessons we would get from the assessment of the pilots, which we would get shortly after they finish in April next year. We would be able to take that into account as we are developing the details of the scheme in the guidance, which goes alongside the legislation.

Q49 Chair: So that would inform the further process. How will the pilots inform that decision if we have not had the full outcome of the pilots as yet? Is it cart before horse?

Will Armitage: We have had quite a lot of dialogue with the pilots throughout the whole process, and that has already fed into some of the issues we were exploring in the Green Paper.

Q50 Chair: But, with all due respect, that is not the same as independent evaluation, is it? Having contact with the pilots is not the same as independent evaluation.

Mr Paterson: We have a nationwide consultation going on. There will be a whole host of responses coming in—we hope—and the pilots will form part of that. There will be clear evidence from the pilots. To go back to my first comment, the pilots were voluntary. There are also lessons to be learnt from the 20-odd other countries that have introduced such schemes. I was particularly struck by what we saw in Australia. There will be a range of different bits of evidence that we will take into account, but ultimately, it is for the Government to decide and it is for me, with Defra, to make our case, should we have to legislate, to make a bid for parliamentary time.

Q51 Chair: All I am trying to do is establish what role the pilots are playing in the formation of policy. Would you have gone ahead with the policy without having had the pilots?

Mr Paterson: They will obviously provide helpful evidence, because they are the first formal offsetting set up by local authorities. There are of course other examples of offsetting that have gone ahead outside the pilots. I was in Didcot last week and learnt about one there. In the Vale of the White Horse, Taylor Wimpey has put up a building project that has been offset. We should not get too hung up about the small number of pilots organised in a few areas; there are other areas where we have already seen offsetting happening in this country.

Q52 Chair: Just for the record, as I understand it, the former Minister, Mr Benyon, told that House that any decision on the greater use of offsetting would be made after the pilots had finished and had been independently evaluated, so is that still the case or not quite the case?

Mr Paterson: We will take into account a wide range of evidence, including that which we receive from the pilots.

Q53 Chair: That is not quite the same as independent evaluation.

Mr Paterson: I think we are tumbling around with words here. These are being assessed as we go along, aren't they?

Will Armitage: They are. It is an ongoing assessment approach. We are getting feedback from that. Our timetable would have a chance to take into account the proposals that would be put forward, alongside any legislation or anything, if that came through, and to take in the full assessment that is planned for when the pilots finish.

Q54 Mr Spencer: The Green Paper talks about environmental offsets coming off the shelf. What risks, if any, do you see in making nature a commodity in that way?

Mr Paterson: Obviously, if you get the metric wrong, there could be a risk, but I see real advantages for nature in this. Immediately, all parties would have to recognise the metric. One of the interesting lessons from Australia was that there has been an 80% reduction in applications to build on grassland. In Victoria, where it is mandatory, every developer doing anything knows that they will have to evaluate the impact of their proposed project on the environment. What is quite interesting there is the fact that they have steered developments away from grassland before they even start. If we can get it right, and we set the metric right, everybody involved in any project will see that there is a value on the environmental asset, which might be affected. So on the current planning system, you go straight into the existing mitigation hierarchy. That does not change. This only comes right at the end, when you may not be able to mitigate. What is fascinating about the Australian example is that it has already changed people's behaviour.

Q55 Mr Spencer: So it would depend on how comparable the habitats were, and how meaningful it is in the metric to say that you are moving nightjars, but it does not matter because we have the habitat of a hedgehog. You cannot compare the two. How close do those habitats have to be?

Mr Paterson: On species—I would be interested to hear the Committee's view on this—the ones that come up the whole time are newts. There is frequent publicity about them. You could make some of this species-relevant. If it was a newt habitat that was being endangered, you might get a long-term programme of development and, importantly, money. So we would have long-term investment, which is important to me, in an enhanced habitat. Do not forget that the White Paper, to which we are committed, says that we want to leave the environment better than we found it. On all this, I would like to see an enhanced habitat created. You could do that on certain species, and the newt would be an obvious one.

Q56 Mr Spencer: The Green Paper set out the metric. Do we look at any other metrics? How many other examples were looked at?

Mr Paterson: Will came down with me to Australia, and went into real detail on that. Do you want to elaborate?

Will Armitage: The metric was developed for Defra by Natural England with a number of experts who have experience and who have looked at metrics internationally and drawn on those. There is quite a lot of commonality between our metric and the metrics that are being employed elsewhere. I am thinking about some of the key features around it and of looking at its being based around the area of habitat, taking account of the distinctiveness of the habitats. That means looking at them and separating them out by how important they are in terms of their rareness and their contribution to looking after species. Lastly, we should look at their quality. So although it may be given a type of habitat, it can be in a different state. Those are features that are present in other metrics that have been used elsewhere. That process, which took place in 2010 and 2011, of developing the metric drew on that expertise to bring it together and look at it and at what was appropriate in our circumstances.

Q57 Mr Spencer: Within the metric you have gone with, corridors are quite important. That is set out not only in the Lawton review, but in the “Natural Environment” White Paper, which talks about this multiplier effect—when you can join up different areas into a larger area. Can you, in fairly simplistic language, explain how that multiplier works?

Will Armitage: Effectively, you have two sides of the equation in an offset transaction. That is if you get to the point where you think compensation is required. You have one side, which is the developer saying, “What impact am I having on biodiversity?” and then a provider, who is offering to put in place habitat restoration or recreation to generate an environmental gain which earns offset credits. The whole idea is that those two sides have to be equal. If they are not equal, you are not avoiding net loss of biodiversity.

A number of things affect the value to the offset provider of that. One of those in the current pilot metric is a locational aspect. The pilots have been asked to set out strategies of where they want their offsets to go in their regions, taking account of the Lawton agenda of how you can create bigger sites, high quality sites and sites that are more joined together. That sets out a strategy. Basically, what happens is that if an offset is provided that is consistent with that strategy, it effectively gains more points than an offset that is not consistent with that strategy. That should incentivise and bring people through, because it will be more economically viable for people to provide offsets that help deliver the Lawton agenda in line with the strategy the local authority has drawn up. In crude terms, if you are outside the strategy, your offset is worth a third of what it would be if it was consistent with the strategy.

Q58 Mr Spencer: Does that metric focus solely on the UK? If you take land out of beef production to offset a development down the road, and that then basically delivers south American beef into the market to supply a supermarket, and that beef is reared on reclaimed rain forest and shipped round the world with aviation fuel, that doesn’t seem to make the metric work very well.

Chris de Grouchy: The Green Paper seeks to be clear that we are only talking about offsetting within England. That is the Secretary of State’s responsibility. We are not talking about international offsetting, and we specifically ruled out that idea. It is a whole separate concept and is not proposed here. I hope that addresses the question.

The point about whether the offsets should be near to the point where the development is or might be in some other part of the country—that is, in England—has certainly been raised frequently during the workshops we have been holding during the consultation and in the other various responses we have had. That is something on which we will be very interested to hear the Committee's views.

Mr Paterson: If I may, I will hand these maps around. Ten days ago I was in Northamptonshire and the nature improvement area there is working with 25 different organisations. The map shows all the schemes in ELS and HLS, which are basically around the water system of the River Nene. It cuts across Bedfordshire and goes to Peterborough. As an example, I thought it was an interesting base to go on. I am genuinely very interested in your views on what the geographical area is.

To answer Mark Spencer's particular point, emphatically this has to be within England. But I think that, in order to get people's support, it has to be reasonably local and within reasonably easy reach. If people are going to lose an environmental asset and they want to enjoy something else, I think it has to be reasonably close. The scheme on the map seemed an interesting model to me. My view would be that you could then have a clear, long-term plan to enhance environmental assets within this area. There is already a very good NIA, there is the nature partnership, and as I say there are 25 different organisations; I was there with Stephanie Hilborne from the Wildlife Trusts. What you could have is a very clear, strategic, long-term plan to enhance massively the whole ecosystem, wherever it happens to be. I will hand the maps around. One is ELS and one is HLS.

Q59 Peter Aldous: How would you define local? Looking at my own neck of the woods, if you look at the area of the Broads, which is a sensitive landscape, you might say that we could allow a particular development in, say, Wroxham in Norfolk, and offset that 25 or 30 miles away, in the Broads in my constituency—say at Oulton Broad. I am not sure the people in Wroxham would necessarily relate that to being particularly local. Is that the sort of feedback you have received?

Mr Paterson: We have had various feedback, which is why I am genuinely very interested in your views. This is something that we are very much consulting on. The point you make is a very good one. I think if we make it too distant, we will not get the support on the ground. People will feel that they have had their environmental asset taken away, because a new road has gone through, say, and they have lost a bit of wetland for good—they will never see it again. They have to feel that they are within reasonable distance of seeing an enhanced asset.

I also feel very strongly, however, that the problem with the current planning system is that you get these little islands of activity, some of which are tokenistic. So you might get some new housing estate with just a token pond in the middle. It would be much better to have that money devoted to enhancing an existing ecosystem or adding to it. Again, there is an interesting project that I saw up in north Yorkshire three weeks ago, where there are small pockets of suitable habitat for the Duke of Burgundy butterfly. It would be much better if you had a really serious long-term plan for 25, 30 or however many years, funded by a trust fund set up with money from an offset with a proper programme of development. You get the real long-term injection of money. You get a real, long-term strategy. Instead of little

bits and pieces like we get at the moment, you would have a serious strategy to enhance and really improve the environment. Don't forget that is what we are trying to do. We are constantly looking to improve the environment.

Q60 Mr Spencer: In terms of staying as local as possible, you could see a circumstance where a developer tries to offset very close to the development and then that development wants to spread. Is it possible to offset an offset?

Mr Paterson: You then get into the interesting idea of a market. If this system took off, I hope that people would come forward with bits of land—it might be marginal and not of any great value for agriculture—which could be seriously enhanced by the injection of money from an offset. I think that possibly answers your question. I hope that people would bring land forward and then there would be more choice locally. This is a real conundrum. It is the conundrum between delivering what Peter Aldous wants, which is a benefit to local people, who see they have lost something but that they have also gained something, which might be an enhancement, but also doing it in a way that delivers a real environmental gain and is not just a tokenistic tack-on. This wants to be something that goes long term with a real strategy behind it and a clear vision of how you can enhance what would normally be an existing ecosystem. It might be a river system; it might be woodland or whatever.

Q61 Chair: Could they be sold on? Can the offsets be offset?

Chris de Grouchy: They could be sold on. There is the question of the long-term security of the offset, once it is created, which is a separate matter. The Law Commission has been looking at whether covenants might be placed on the land to protect them. In theory, they could pass from one owner to another, but if they have been designated as an offset, they will be protected for that purpose by the covenant. That is the proposal. That is something else on which we are keen to have views.

Mr Paterson: We saw that in Australia, didn't we? Once that land had been given over for an offset, the trust fund had been set up and the management established to enhance whatever the environment was, that was set. I don't think that could be sold.

Will Armitage: There is the question of who owns the land that has the offset on it. In theory, if there were conservation covenants, they would ensure that even if it passed between owners, the new owner would still have the duty and obligation to manage and look after it and the liability for doing that. On the question of whether that could then be offset, first you would not expect people who own land that has strong ecological benefits and who have a liability to look after it to be looking to develop it. Secondly, you would have an area that is of high ecological value because we have created an offset and we give that a strong protection in our planning system anyway. The signal that offsetting would give is that you would not want to go near developing that because it is a really important thing. I don't think we would want to rule out ever allowing development on an offset. If that is where you need to put the flood defences to protect an area of housing and that is the only option, there might be a case. But I don't think it is something you would see happening routinely.

Q62 Chair: Secretary of State, you mentioned Australia a couple of times and obviously what you saw there impressed you. I am just thinking about how policy will be informed by the pilots and by your experience in Australia. Are there any visits or any reports that have been done that would help the Committee to share your experience in looking at the different examples in Australia?

Mr Paterson: We would be very happy to work with you. We think that about 20 other countries have done this in different ways. Some of the states in America have done this.

Will Armitage: There are several studies giving international comparisons and looking at what has happened in a number of different countries which we can provide.

Chair: That is very helpful. Thank you.

Q63 Peter Aldous: Secretary of State, you mention 20 countries. Australia has extensive land, as does America. Land is in relatively short supply in Britain. Of those 20, do some of them have the same land constraints as we do?

Mr Paterson: Helpfully, a map has appeared just under my nose. They vary, actually, looking at the map. We can certainly provide you with this sort of detail. There will be parts of the States which are quite open, and bits of Canada—I think that was your question. Then we have somewhere like France or Germany, which is rather more densely populated, like we are. Obviously, you cannot translate everything that happens in one country. What was striking where we were in Australia was that it was all very similar countryside; it was wide open country with gum trees—it was all very similar. Things are a lot more complicated, as you can see from the map, in Northamptonshire. But I still think there are lessons to be learnt, and the benefits could still be delivered—that is the key point.

Chair: It would be helpful if you could share that map with us.

Mr Paterson: I would be very happy to.

Q64 Caroline Nokes: We have already got quite heavily into the question of how far away you would be prepared to see offset sites located from the original site. I do not think we are going to get a radius out of you, are we?

Mr Paterson: No, because I think it is going to be around a natural system. You could say it is so many minutes' driving time, but I deliberately brought those maps to show how you have to do it around a natural system and enhance a natural ecosystem, which, often, I think, will be around water systems.

Q65 Caroline Nokes: But you do not envisage a situation where, for example, in relation to a development in the south-east of England, where land prices are very high, you would welcome offsetting happening in the north of the country?

Mr Paterson: No.

Q66 Caroline Nokes: So there would be a limit to it?

Mr Paterson: Again, it is important that we bring local people with us. The intention is to improve the environment. Local people want to see that their local environment has been improved.

Q67 Caroline Nokes: I was interested in your comment about tokenism—that, in discussing the environment of local people, you might, in the current situation, see developments with quite small environmental enhancements. I think you used the example of a pond. Do you think there is a danger with offsetting that we will see large developed areas with little in the way of green space?

Mr Paterson: No, I think it is the other way round. The example I am thinking of is a housing estate where, after a long battle, there is a decision to put a small pond in, which is of no great environmental value and actually seriously degrades the value of the development. The development would have been much better if it had gone ahead in its entirety and then got a substantial offset value added to an ecosystem nearby. That is actually much better. So what I see is the opposite: you get more concentrated, better value out of developments—I am thinking of housing developments at the moment—and then a decent slug of offset, which is of real value in enhancing a nearby environment long term.

Q68 Caroline Nokes: Have you done any work on the impact and the benefit for people, as opposed to the wildlife? Is there any research we can look at in which you have assessed the value of greater environmental enhancements to nearby residents, as opposed to wildlife and biodiversity?

Mr Paterson: That is a very good question.

Will Armitage: Our impact assessment looks at the costs and benefits of offsetting. The benefits of offsetting come from studies that have looked at the values that people attach to the goods and services and the benefits that come from nature. We have monetised and looked at the proper provision of environmental compensation for impacts, based on what people have told us they care about and value. That is all fully referenced in the impact assessment. The studies are available, and we can share them if anybody wants to look at them in more detail.

Q69 Chair: On that, the RSPB launched a report last week looking at access to nature and the connectedness of young people and children to nature. Are you involving any of the NGOs with this work you are doing on the value to people, which Mr Armitage just referred to?

Mr Paterson: Very much so. Before we started the Green Paper consultation, we had many NGOs in—and some of the developers too—just to go over the broad principles of where we thought things might be going. We picked up some of their ideas, which we put in

the Green Paper. We have consulted as widely as we possibly can. I would urge those who are watching and listening to put in their ideas over the next couple of weeks, because the more people's ideas we can blend into the final version, the better.

Chris de Grouchy: There is a very close link to the work we are doing on ecosystem services within the Department. As Mr Armitage says, the benefits we assessed in the impact assessment draw very much on that work, which, as you will know, goes beyond biodiversity and looks at wider benefits to the community from the environment.

Q70 Mr Spencer: I know that you are not keen to talk about this across international boundaries, but I am concerned that if you are offsetting into land in UK food production at the moment, given the pressures on energy prices and food prices, you might inadvertently be using land that, in a global sense, is much more environmentally sensitive to produce the UK's food and energy than the land you are using to offset. Nowhere in the matrix is there any consideration for biodiversity internationally.

Mr Paterson: You need to get the area in perspective. In the White Paper, we are talking about possibly 5,000 hectares a year. There are 13 million hectares across the whole of England, so, in English terms, we are talking about a small percentage of land. I would hope that this will bring forward land of no great environmental benefit at the moment that may not be that productive agriculturally, so that we could enhance it. That gets back to the previous question on getting public benefit.

Q71 Chair: Before we leave this area of discussion, the borders are wider than just England, so what discussions are there with Wales and Scotland on the wider aspects of this policy?

Chris de Grouchy: We have a regular dialogue with Wales, Northern Ireland and Scotland through the four countries group, which I chair—in fact, I am chairing it tomorrow. Biodiversity offsetting is one of the topics on which our colleagues in the other countries have regularly asked to be kept informed. They will be able to speak for themselves as to the interest they are taking in it. At the minute, I interpret it as a watching brief: they are keen and interested to see what we are doing, then they may draw their own conclusions from that.

Q72 Peter Aldous: The Green Paper sets out the mitigation hierarchy, which requires that offsetting should be used only as a last resort after looking at efforts to avoid and then mitigate harm. How will the mitigation hierarchy be protected under the offsetting proposals?

Mr Paterson: Emphatically, there will be no change to it at all. This is just adding on. We are trying to resolve the conundrum at the end when something cannot be mitigated. So, absolutely emphatically, all the existing mitigation arrangements carry on; that does not change at all. What we are trying to get away from is the rather sterile, lengthy and very costly legal battles under the current system that cannot be resolved through mitigation.

Q73 Peter Aldous: So could a local planning authority still refuse to allow an offset arrangement, perhaps because it felt that a developer had not done enough to avoid or mitigate harm in the first place?

Mr Paterson: Yes. There always has to be an ability to say that. Some assets will not be offsettable and there has to be some power—

Q74 Peter Aldous: Who would adjudicate in that instance?

Mr Paterson: I would always be keen to keep the decision making at local level, so the relevant planning authority.

Q75 Dr Offord: Do you believe that offsetting should be mandatory, or should developers be able to choose whether to use it?

Mr Paterson: Having seen it in two places—I keep banging on about Australia, but I have seen it working there—there are clear advantages if the system is mandatory, because I think you would get more people coming forward with potential sites. However, there are those who would prefer to see a voluntary system. I think we will get a clear view from the consultation. We have seen that with the pilots that the Chair has mentioned several times. If it is voluntary, it will work in certain areas but it obviously will not be picked up quite so quickly. If it is mandatory, it becomes absolutely part of the process so that anyone doing any sort of development will know immediately that they will have to study the metric and see what the value of the impact is, and it will just speed up the whole system. But there is a clear case that you could start in a voluntary manner to see how it worked.

Q76 Dr Offord: What would be the financial benefits of making it mandatory? Would there be any?

Mr Paterson: What we saw clearly in Australia was that the gain for those involved in economic activity—building a road, putting up buildings or whatever—was speed and the avoidance of lengthy legal processes. There was a significant cost saving. Because you didn't have what I call the tokenism—the pond in the middle of the housing development—there was much better value for the developments that they were engaged in. They got the full value of the whole site because the environmental damage was offset elsewhere. Those are the real gains for those involved in an economic project: speed, savings on legal costs and getting the full value out of whatever the development is.

Q77 Dr Offord: What input have other Government Departments had into developing a biodiversity offsetting process?

Mr Paterson: Obviously all Departments have been involved. They were all involved in approving the Green Paper.

Q78 Dr Offord: Do you have any examples of how they have been involved? For example, DCLG would be interested in the construction of more houses.

Mr Paterson: The key ones are obviously DCLG and the Treasury, and they have been involved. But nothing is set in stone. This is a Green Paper—this is an absolutely genuine consultation. This will not work if we do not get the support and endorsement of very large numbers of people on both sides of the argument.

Q79 Dr Offord: But do you have any practical examples of what they have contributed, rather than just general support for the principle?

Chris de Grouchy: It is a hard question to answer. They have contributed in terms of their own fields of expertise, clearly. On the process, there is a cross-Government group, chaired by the director of sustainable development, Robin Mortimer, that meets as part of the project work that is going on in this area. It meets monthly or so and brings together the departments that the Secretary of State has mentioned—the Treasury and DCLG—as well as the Cabinet Office, DECC and I think the Department for Transport. They also potentially have an interest in offsetting through infrastructure. I think you can imagine the directions from which they are coming. Clearly DCLG brings expertise in the planning system, which is hugely important for this. We have a dialogue with DECC and Transport, for example, about any potential implications or issues for large-scale infrastructure schemes.

Chair: Unless any of my colleagues have any further questions, that brings us to the end of our sitting. Secretary of State, thank you once again for coming along. It will be an interesting debate as it goes forward and I hope very much that the Committee's deliberations can inform the way that the policy progresses.

Mr Paterson: Thank you. We very much look forward to seeing your report.