

Environmental Audit Committee

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# The role of natural capital in the UK's green economy

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First Report of Session 2024–25

HC 501

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# Environmental Audit Committee

The Environmental Audit Committee is appointed by the House of Commons to consider to what extent the policies and programmes of government departments and non-departmental public bodies contribute to environmental protection and sustainable development; to audit their performance against such targets as may be set for them by His Majesty's Ministers; and to report thereon to the House.

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# Summary

Nature and the ecosystem services it provides underpin both the domestic and the international economy, yet the UK is one of the most nature-depleted countries in the world. This has led to the UK economy being limited by the state of nature and nature's ability to provide the benefits the UK relies on.

Historically, public money has paid for the maintenance of these ecosystem services and has countered the damage to nature caused by growth and development. This is no longer feasible as the level of investment in ecosystem services required to deliver the Government's ambitions for nature in England, and to meet current targets for the environment, outstrips the sums available for investment from the public purse without regulatory changes.

A natural capital approach by Government which allows for the restoration and enhancement of England's environment is welcome and long overdue. Natural capital policies, when properly designed, can nurture and enhance nature and result in substantial financial inflows into ecosystem services.

Suitable structures for responsible investment are being designed and implemented, though the supply of investment schemes (such as biodiversity net gain) is still at a very early stage. Demand for means of investment in the enhancement of ecosystem services in England is currently lower than expected. While voluntary nature credit markets are useful for encouraging investment into nature recovery, the necessary level of demand to achieve Government targets cannot be delivered through voluntary schemes alone. There are more options the Government could implement to increase demand, including through increasing compliance obligations to increase market integrity. There is evidence from other jurisdictions that compliance obligations are effective in driving private investment into nature markets. Provision of blended finance combining the public and private sector (such as through the National Wealth Fund) may inhibit confidence in the development of markets which represent real demand.

Credits produced for offsetting nature degradation must be of high quality to ensure that there is confidence in the market and that genuine benefits can be realised. To do this, regulation is required that inhibits the production of poor-quality credits. There is emerging evidence of a correlation between low levels of investment and the poor quality of units provided to the market.

Although the recent consultation on a Land Use Framework is promising, the absence of a comprehensive framework to guide the use of land in England is limiting engagement from land managers and is inhibiting the supply of natural capital assets.

Gaps remain in establishing a strong natural capital market. Compliance markets in England are in their infancy and a number of key aspects have yet to be finalised. There is insufficient baseline information on ecosystems and there are concerns around offshoring environmental impacts or the risks of greenwashing. Recent speculation over the long-term future of the biodiversity net gain policy in the light of the proposed introduction of a Nature Restoration Fund risks inhibiting the development of a strong UK market in natural capital assets.

Long-term Government direction and market certainty is necessary to ensure confidence in both the supply and demand side of the market. Land managers require assurance that their up-front investment will provide income, investors require assurance that their investments will provide a return, and developers must have confidence that the requirements put upon them will remain for the foreseeable future.

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# 1 The green foundations of the UK economy

## The value of nature

***Natural capital underpins all economic activities and human well-being; it is the world's most important asset.***

[Biodiversity, Natural Capital and the Economy: A Policy Guide for Finance, Economic and Environment Ministers](#), Report prepared by the OECD for the G7 Presidency of the United Kingdom, 2021

1. A review of the economics of biodiversity commissioned by the then Chancellor of the Exchequer in 2019 and conducted by Professor Sir Partha Dasgupta reported that the world's societies, economies and financial systems are embedded in, and reliant on, nature—not external to it.<sup>1</sup> In 2024, the World Wildlife Fund and Zoological Society of London Living Planet Report estimated that over half of global GDP (55%)—or US\$58 trillion—was “moderately or highly dependent” on nature and its services.<sup>2 3</sup>
2. The UK economy, like any other, relies on natural resources and the full range of benefits that nature supplies.<sup>4</sup> According to the Office for National Statistics, the total asset value of ecosystem services in the UK in 2022 was around £1.8 trillion—equivalent to 72% GDP in that year.<sup>5</sup> In the same year the annual value of UK ecosystem services was £87 billion—equivalent to 3.5% of GDP.<sup>6</sup>

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1 HM Treasury, [The Economics of Biodiversity: The Dasgupta Review](#), February 2021, page 31

2 WWF, [Living Planet Report 2024 – A System in Peril](#), 2024, pp 12, 78

3 The Office for National Statistics states that ecosystem services “estimate the contribution of natural assets to the economy and society, in either physical volume or monetary value. These include: provisioning services, such as food, water, and non-renewable natural resources like minerals, oil and gas, regulating services, such as pollution removal, cultural services, such as recreation.” Office for National Statistics, [UK natural capital accounts: 2024](#), 8 December 2024, section 4

4 Natural England, [State of Natural Capital Report for England 2024: Risks to nature and why it matters](#), Natural England Research Report (NERR) 137, 9 October 2024

5 Office for National Statistics, [UK natural capital accounts: 2024](#), 8 December 2024, section 1

6 The comparison with annual GDP percentage is calculated on the basis of the ONS seasonally adjusted chained volume measure series published at <https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/abmi>



3. Human actions threaten species with global extinction more now than ever before. The most recent study by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) estimated that an average of around 25 per cent of species in assessed animal and plant groups were under threat, suggesting that around one million species already face extinction—many within decades—unless action is taken to reduce the intensity of drivers of biodiversity loss.<sup>7</sup>
4. The UK is itself experiencing significant biodiversity loss. In the 2023 State of Nature report, a coalition of conservation NGOs, research institutes and statutory nature conservation bodies claimed that the UK has experienced a substantial decline in biodiversity and is now one of the most nature-depleted countries on Earth.<sup>8</sup> The report supports the contention that, despite recent ecosystem restoration and conservation efforts, the state of the UK’s nature continues to decline: it provides evidence that between 1970 and 2021 there had been an average decline of species abundance of 19% across 753 indicator species.<sup>9</sup>

### What is natural capital?

HM Treasury’s most recent Green Book: *Appraisal and Evaluation in Central Government*, gives the following definition of natural capital:

Natural capital includes certain stocks of the elements of nature that have value to society, such as forests, fisheries, rivers, biodiversity, land and minerals. Natural capital includes both the living and non-living aspects of ecosystems.

Stocks of natural capital provide flows of environmental or ‘ecosystem’ services over time. These services, often in combination with other forms of capital (human, produced and social) produce a wide range of benefits.

These include use values that involve interaction with the resource and which can have a market value (minerals, timber, freshwater) or non-market value (such as outdoor recreation or landscape amenity).

They also include non-use values, such as the value people place on the existence of particular habitats or species.<sup>10</sup>

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7 Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, [Global Assessment Report on Biodiversity and Ecosystem Services of the Intergovernmental Science-policy Platform on Biodiversity and Ecosystem Services](#), May 2019.

8 State of Nature Partnership, [State of Nature 2023](#)

9 See previous reference

10 HM Treasury, [The Green Book \(2022\)](#) [last accessed 23 April 2025]

## What is ‘the green economy’?

The United Nations Environment Programme defines “an inclusive green economy” as one “that improves human well-being and builds social equity while reducing environmental risks and scarcities.”<sup>11</sup>

In its simplest expression, a green economy can be thought of as an economy which is low carbon, resource efficient and socially inclusive.<sup>12</sup>

5. Analysis undertaken for the Green Finance Institute found that this deterioration in the natural environment could slow economic growth and could result in UK gross domestic product (GDP) being 6% lower than it would have been otherwise by the 2030s.<sup>13</sup> Conversely, a recent research study suggests that investments in nature, when well designed, can generate considerably more social welfare than their cost—up to a maximum of around £3 of welfare from every £1 spent. These gains accrue from a strategic approach to expenditure on the promotion of nature recovery.<sup>14</sup>
6. The Department for Environment, Food and Rural Affairs (DEFRA), in its guidance to Government departments on the use of natural capital in policymaking, highlights that an economic valuation of nature allows for a greater understanding of the relevance and benefits of nature in decision-making and can ensure true costs, benefits and impacts are considered.<sup>15</sup>

## Natural capital risks to the UK economy

7. In October 2024, Natural England issued its State of Natural Capital Report for England for 2024. In this report, Natural England highlighted that the poor state of England’s natural capital had left society and the economy facing substantial risks including from greater climate change impacts, more severe flooding and a loss of pollinators.<sup>16</sup> The poor state of ecosystems in England means they are currently ill-equipped to cope with

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11 UN Environment Programme briefing note, [Why does green economy matter?](#) [last accessed 23 April 2025]: “An inclusive green economy is one that improves human well-being and builds social equity while reducing environmental risks and scarcities.”

12 UN Environment Programme briefing note, [About green economy](#), [last accessed 23 April 2025]

13 Ranger, Nicola and others, [Assessing the materiality of nature-related financial risks for the UK](#). Green Finance Institute, 2024

14 Brett Day and others, ‘[Natural capital approaches for the optimal design of policies for nature recovery](#)’, *Philosophical Transactions of the Royal Society B*, vol. 379 issue 1903, 10 June 2024 7

15 Department for Environment, Food and Rural Affairs, [Enabling a Natural Capital Approach \(ENCA\): guidance](#), January 2020 [updated February 2025]

16 Natural England, [State of Natural Capital Report for England 2024: Risks to nature and why it matters](#), Natural England Research Report (NERR) 137, 9 October 2024, p 6

the impacts of future environmental change. In Natural England’s view, the ecosystem assets and the benefits they provide are currently at “high or medium-high risk”.<sup>17</sup>

8. The potential consequences of such high risks range from a decrease in levels of economic resilience to shocks with an impact on food and water security. Benefits from nature include produce from the sea, timber production, pollination and pest control. These benefits underpin industries such as fishing, farming and construction, supporting jobs and growth.<sup>18</sup> In her evidence to us in December 2024, the Minister for Nature, Mary Creagh CBE MP, signalled that she thought businesses were beginning to realise the risks posed to them by ecosystem collapse and ecosystem degradation.<sup>19</sup>
9. Natural England highlighted three main ways to reduce risk to natural capital:
  - Restore ecosystems;
  - Reduce impacts of drivers of change, and
  - Make natural capital central to decision-making.<sup>20</sup>
10. The UK Government has not provided a formal response to the report. Although we were encouraged to hear the Minister for Nature’s remarks on the value of a natural capital approach, there is no compelling evidence that the Government is fully embedding natural capital into its decision-making at all levels. We address this issue in greater detail later in this chapter.

### About this inquiry

11. In June 2023, the Environmental Audit Committee appointed in the 2019–2024 Parliament opened an inquiry into the current and potential future role of natural capital in the green economy, and the Government’s proposals to increase private investment in measures to support nature recovery. The Committee set out to investigate the potential contribution private capital investment could make to measures to secure nature recovery, the role financial markets can play in investing in natural capital and how any investment could best be aligned with environmental benefits.<sup>21</sup>

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17 [Natural England Research Report \(NERR\) 137](#), p. 7

18 [Natural England Research Report \(NERR\) 137](#), p 28

19 [Q469 \(HC 501 \(2024–25\)\)](#)

20 [Natural England Research Report \(NERR\) 137](#), p 8

21 The terms of reference of the predecessor Committee’s inquiry are available at <https://committees.parliament.uk/call-for-evidence/3499>

12. Shortly after that Committee held the last session of oral evidence scheduled in the inquiry, with Ministers and officials from the Department for Environment, Food and Rural Affairs and HM Treasury, Parliament was dissolved for the July 2024 general election, and no report of that Committee’s inquiry could be produced. Having regard to the importance of the topic and the substantial evidence taken by our predecessor Committee, we undertook in November 2024 to revive the inquiry with similar terms of reference. We held two further sessions of oral evidence: in the second of these, with the Minister for Nature, we examined to what extent the policies of the current administration were continuing those of its predecessor.
13. Over the course of the two Parliaments, the inquiry received 63 pieces of written evidence and had six oral evidence sessions during in which a total of 31 witnesses were questioned across 11 panels.<sup>22</sup> We appointed Dr Sophus zu Ermgassen, a postdoctoral ecological economist in the Department of Biology in the University of Oxford, as specialist adviser to our inquiry: we are very grateful to him for his advice in the preparation of this report.<sup>23</sup>
14. The predecessor Committee commissioned the National Audit Office to study and report on the progress the Department for Environment, Food and Rural Affairs and Natural England had made in implementing the statutory biodiversity net gain (BNG) provisions of the Environment Act 2021, explored further in Chapter 2, and whether they had done so in a way that maximised benefits and effectively managed risks. The report of that study was issued in May 2024.<sup>24</sup> Its findings have informed the analysis of the Government’s approach to implementing statutory BNG, regarded as a significant element of its approach to encouraging capital investment into nature recovery. We are very grateful to the Comptroller and Auditor General for accepting the commission and to the National Audit Office for the thorough and informative study which has been undertaken.

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22 The oral and written evidence taken during the initial and revived inquiries is listed at pages 63-64 and 65-67 respectively. The evidence taken in the 2023-24 session was reported to the House as HC 280 (Session 2023-24); the evidence taken in the current session has been reported as HC 501 (Session 2024-25).

23 Dr zu Ermgassen made the following declaration to the Committee in advance of his appointment: “I undertake occasional small-scale freelance consultancy work on the design of nature markets, biodiversity offsets, and company sustainability strategies. Recent clients include the Woodland Trust and WWF UK. The focus of these projects has been on outlining what high integrity markets could look like which deliver high-quality positive ecological outcomes.”

24 National Audit Office, [Implementing statutory biodiversity net gain](#), HC 729 (2023-24)

## The development of a natural capital approach in Government

15. In this section, we examine how the Government’s approach to natural capital has developed. The current policy approach to natural capital across Government appears to date back to October 2011, when the Coalition Government published a Natural Environment White Paper. This claimed to set out the Government’s vision for the natural environment over the subsequent 50 years as well as setting out actions to be taken to deliver its goals.<sup>25</sup>
16. Following the White Paper proposals, in 2012 Ministers set up the Natural Capital Committee (NCC) to provide independent expert advice on protecting and improving natural capital in England.<sup>26</sup> The NCC was appointed for two terms—2012 to 2015 and 2016 to 2020—with separate remits for each. It was not reappointed for a third term, though a number of its functions, such as scrutiny of the 25 Year Environment Plan progress report, have been taken up by the Office for Environmental Protection, which was established in 2021.<sup>27</sup>

### The Economics of Biodiversity: the Dasgupta Review

17. In the February 2021 report of his review of the economics of biodiversity, commissioned by the then Chancellor of the Exchequer in March 2019, Professor Sir Partha Dasgupta defined natural capital as

the stock of renewable and non-renewable natural assets (e.g. ecosystems) that yield a flow of benefits to people (i.e. ecosystem services). The term ‘natural capital’ is used to emphasise it is a capital asset, like produced capital (roads and buildings) and human capital (knowledge and skills).<sup>28</sup>
18. The Dasgupta Review made clear that an approach to national accounting based on a concept of ‘inclusive wealth’ (an aggregate value of a nation’s produced capital, human capital and natural capital), and the changes in such wealth, can ensure that the value of nature is properly embedded into a nation’s policymaking processes.<sup>29</sup>

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25 HM Government, [The Natural Choice: securing the value of nature](#), Cm 8082, June 2011

26 HM Government, [The Natural Choice: securing the value of nature](#), Cm 8082, June 2011, p. 8

27 Department for Environment, Food and Rural Affairs, [Natural Capital Committee: terms of reference, second term](#), March 2016; Natural Capital Committee, [End of Term Report to the Domestic and Economy Implementation Committee of the Cabinet](#), November 2020, p 1

28 HM Treasury, [The Economics of Biodiversity: The Dasgupta Review](#), February 2021, page 506

29 HM Treasury, [The Economics of Biodiversity: The Dasgupta Review](#), February 2021, preface

19. In its July 2021 response to the Dasgupta Review, the then Government committed to “ensuring economic and financial decision-making, and the systems and institutions that underpin it, supports the delivery of [a] nature positive future”.<sup>30</sup> The headline goal of this ‘nature positive’ future was twofold: to leave the environment ‘in a better state than we found it’, and to reverse biodiversity loss globally by 2030.
20. The Government also made a commitment to leveraging private sector finance to enhance the UK’s natural environment and to encourage private sector-led, market-based solutions.

### The Environmental Audit Committee and natural capital

21. The Committee has previously encouraged the Government to take a natural capital approach. In its 2021 report: *Growing back better: putting nature and net zero at the heart of the economic recovery*, our predecessor Committee called on Ministers to consider how nature recovery could be used to rebalance the UK economy by supporting communities most in need.<sup>31</sup> The Committee further recommended that the Government, in developing further its strategy for economic recovery, give greater priority to strategic projects aimed at encouraging nature recovery.<sup>32</sup>
22. The Committee’s June 2021 report on *Biodiversity in the UK: bloom or bust?*, made several recommendations for policy actions with the objective of sustaining and improving levels of UK biodiversity.<sup>33</sup> In its response to that report, the Government indicated a number of steps it was taking to improve the state of nature in England and the related actions being taken by the devolved administrations towards the same overall goal, including:
  - the piloting of a Natural Capital and Ecosystem Assessment (NCEA) for England, using emerging earth observation technology to provide long term monitoring of the environment and to improve the evidence base for natural capital, habitat and ecosystem policies;<sup>34</sup>

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30 HM Treasury, [The Economics of Biodiversity: The Dasgupta Review – Government Response](#), CP 504, July 2021, para 1.1

31 Environmental Audit Committee, Third Report of Session 2019–21, [Growing back better: putting nature and net zero at the heart of the economic recovery](#), HC 347 (2019–21), para 49

32 Environmental Audit Committee, Third Report of Session 2019–21, [Growing back better: putting nature and net zero at the heart of the economic recovery](#), HC 347 (2019–21), para 188

33 Environmental Audit Committee, First Report of Session 2021–22, [Biodiversity in the UK: bloom or bust?](#), HC 136 (2021–22)

34 Environmental Audit Committee, Third Special Report of Session 2021–22, [Biodiversity in the UK: bloom or bust?: Government Response to the Committee’s First Report](#), HC 727 (2021–22), p 9

- the introduction of the mandatory biodiversity net gain requirement as a planning condition from November 2023, supported by the Green Infrastructure Framework (February 2023), the Environmental Benefits from Nature Tool (beta version July 2021) and guidance on a natural capital approach to planning;<sup>35</sup>
- collaboration with the Financing UK Nature Recovery Coalition on recommendations designed to scale up private finance into environmental markets,<sup>36</sup> and
- working with the Taskforce on Nature-related Financial Disclosures (TNFD) on the framework of metrics it is developing to enable companies and financial institutions to integrate nature into their decision making.<sup>37</sup>

**23.** Our predecessor Committee, in the output of its 2022 short inquiry into *Aligning the UK’s economic goals with environmental sustainability*, raised these issues with the then Chancellor of the Exchequer and the Office for National Statistics. It called for measures of GDP growth to be presented in the context of environmental impact in order to provide more comprehensive information for policymakers, commentators and the media to judge the performance of the economy.<sup>38</sup> In response to this letter, the ONS clarified that they would be increasing the prominence of ‘Beyond GDP’ elements of their outputs<sup>39</sup> and the Treasury highlighted that the government recognised the limits of GDP as a metric and were providing financial support to the ONS to implement work in development of its ‘Beyond GDP’ initiative.<sup>40</sup>

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35 See previous reference. p. 19

36 See previous reference, p. 28

37 See previous reference, p. 37

38 Environmental Audit Committee, [Letter from the Chair to the Chancellor of the Exchequer relating to the Aligning the UK’s Economic Goals with Environmental Sustainability inquiry](#), 5 April 2022

39 Environmental Audit Committee, [Letter from the National Statistician responding to the Committee’s 5 April letter on the Aligning the UK’s Economic Goals with Environmental Sustainability inquiry](#), 26 April 2022

40 Environmental Audit Committee, [Letter from the Exchequer Secretary to the Treasury responding to the Committee’s 5 April letter to the Chancellor of the Exchequer on the Aligning the UK’s Economic Goals with Environmental Sustainability inquiry](#), 16 June 2022

## Establishing nature markets to drive investment

24. In the 2021 Spending Review, the then Government set a goal to grow annual private investment flows to nature in England to at least £500 million every year by 2027 and to more than £1 billion by 2030.<sup>41</sup> An essential element of the Government’s strategy to enable firms to mobilise this investment was the development of nature markets with a high level of integrity (‘high-integrity markets’).<sup>42</sup> The Nature Markets Framework, issued in March 2023, provided further detail on how the Government planned to support the flow of private finance to support the ‘nature positive economy’.<sup>43</sup> The Framework intends to support the development of these markets by setting out principles, standards and governance arrangements for their operation.

### What are nature markets?

Nature markets enable private investment in nature, through creating units or credits that can be bought and sold. The private sector may also invest in nature in other ways, which do not involve the creation of units, for example providing repayable finance to projects, direct investment in benefits to a company’s operations, for example improving water quality or building resilience to climate shocks in its supply chain, or philanthropic funding of nature restoration projects.<sup>44</sup> Nature markets allow for the sale and purchase of ecosystem services, which are commonly defined as the services that nature provides to people.<sup>45</sup>

41 HM Treasury, [Autumn Budget and Spending Review 2021: a stronger economy for the British people](#), HC 822 (2021–22), 27 October 2021, para 2.119

42 The Government explains high-integrity markets thus: “Integrity is the bedrock of nature markets. It means that credits awarded and sold for benefits such as biodiversity, carbon capture or water quality must reflect genuine, lasting and additional environmental improvements, which are robustly verified and transparently documented, with no double counting or room for misleading claims or greenwash.” HM Government, [Nature markets: A framework for scaling up private investment in nature recovery and sustainable farming](#), March 2023, p 13

43 See previous reference, p 5

44 See previous reference, p. 6: “Nature markets enable private investment in nature, through creating units or credits that can be bought and sold. The private sector may also invest in nature in other ways, which do not involve the creation of units, for example providing repayable finance to projects, direct investment in benefits to a company’s operations, for example improving water quality or building resilience to climate shocks in its supply chain, or philanthropic funding of nature restoration projects.”

45 Green Finance Institute briefing note, [Introduction to Nature Markets](#) [last accessed 23 March 2025]: “At their core, nature markets are based on the sale and purchase of ecosystem services, which are commonly defined as the services that nature provides to people.”



- 25.** In her foreword to the Framework, the then Secretary of State for Environment, Food and Rural Affairs recognised that many of the valuable ecosystem services provided by nature, such as carbon sequestration, clean water, biodiversity and natural flood management, were still ‘systemically undervalued’ in the UK economy.<sup>46</sup> The Government committed to addressing this by accelerating the development of high-integrity markets that would enable firms to finance the provision of ecosystem services.<sup>47</sup>
- 26.** The Framework provides:
- a set of core principles for market operation: the Government has undertaken to monitor these markets and support their development in line with the core principles;
  - a restatement of the current rules for how farmers and others managing land and coastal assets can access markets and combine income streams, together with an indication of plans for policy development;
  - an arrangement with the British Standards Institution on the development of high-integrity nature investment standards, to support the development of new markets and the scaling up of existing ones, and
  - an indication of the next steps required to clarify and to develop the institutional and regulatory roles and the market infrastructure required to ensure good governance of these markets.
- 27.** In the 2023 Green Finance Strategy, issued alongside the Nature Markets Framework, the previous administration undertook to consult on “the specific steps and interventions needed to support the growth of high integrity voluntary markets and [to] protect against greenwashing”, and to deliver a UK Green Taxonomy with definitive statements of economic activities which qualify to be labelled as ‘green’: this is intended to support the quality of standards, labels and disclosures used in green finance.<sup>48</sup>
- 28.** In November 2024, the current administration published its principles for voluntary carbon and nature market integrity, intended to guide responsible participation in voluntary markets for buying and selling carbon and nature credits.<sup>49</sup> On 17 April 2025 the Government launched a consultation

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46 HM Government, [Nature markets: A framework for scaling up private investment in nature recovery and sustainable farming](#), March 2023, Preface

47 See previous reference

48 HM Government, [Mobilising Green Investment - 2023 Green Finance Strategy](#), March 2023, p 14

49 Department for Energy Security and Net Zero, [Principles for voluntary carbon and nature market integrity](#), November 2024

on the implementation of the principles for market integrity which will run until 10 July 2025.<sup>50</sup> Also in November 2024, the Government opened a consultation to “gather views on the value case for a UK Green Taxonomy as part of the UK’s wider sustainable finance framework”: the consultation closed in February 2025 and a Government response is awaited.<sup>51</sup>

## The Planning and Infrastructure Bill and natural capital markets

**29.** The Planning and Infrastructure Bill was published on 11 March 2025 and received its Second Reading in the House of Commons on 24 March 2025. The Bill contains provision for establishment of a Nature Restoration Fund into which developers would pay a levy to compensate for the effects of development on the natural environment.

**30.** The Government explains that the establishment of the Nature Restoration Fund “[creates] the opportunity for housing and infrastructure to do more for environmental recovery”:

This is a marked change from the current approach which, at most, requires development to offset its impact and no further, while placing strong emphasis on precisely calculated project-by-project measures. This can slow development coming forward and do little to support nature recovery.<sup>52</sup>

The Bill is currently undergoing scrutiny in Public Bill Committee: a call for evidence was issued on 25 March and the Committee took oral evidence on 24 April.<sup>53</sup>

**31.** We have not had the opportunity to take evidence on the Bill’s provisions as they relate to the Government’s overall strategy to drive private capital into nature restoration and to encourage the development of markets in the improvement of natural capital assets. We nevertheless observe that the Government’s plans to secure the financing of natural capital improvements through a developer levy, the proceeds of which are to be allocated to

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50 Department for Energy Security and Net Zero market notice, [Raising integrity in the voluntary carbon and nature market](#), November 2024; Department for Energy Security and Net Zero consultation, [Voluntary carbon and nature markets: raising integrity](#), April 2025

51 HM Treasury consultation, [UK Green Taxonomy](#), November 2024

52 Ministry of Housing, Communities & Local Government guidance, [Factsheet: Nature Restoration Fund](#) [last accessed 24 April 2025]

53 The written evidence received by the Planning and Infrastructure Bill Committee, the transcripts of oral evidence taken at its sittings on 24 April 2025, and the transcripts of its subsequent debates on the Bill are available at <https://bills.parliament.uk/bills/3946/publications>

nature improvement by Government, appears to be at odds with the encouragement of private sector investment into nature improvement projects. There is a risk that the levy may be regarded by developers as a necessary one-off capital cost of development activity, with eventual environmental mitigations to be put in place by Government, whereas the approach promoted under the Nature Markets Framework seeks to engage capital in a continuing process of nature recovery.

**32.**

**RECOMMENDATION**

The Government should undertake an impact assessment of the Planning and Infrastructure Bill to assess how the Nature Restoration Fund would interact with and impact upon the operation of Biodiversity net gain and of broader Government initiatives to encourage investment into nature markets. The Committee expects this impact assessment to be published prior to the first day of the Bill's Report stage in the House of Commons, to assist the House in understanding the implications of the Bill's provisions for the development of natural capital markets.

**Our view**

**33.**

Successive administrations have demonstrated familiarity with and sympathy for the natural capital principles enumerated in the Dasgupta Review, thereby demonstrating an acknowledgment of the role that delivering nature recovery can play in ensuring the UK's future economic prosperity.

**34.**

**CONCLUSION**

Natural capital assets are an essential foundation of the UK and global economy, and we consider that a natural capital approach is vital if the overall value of nature to the UK is to be properly evaluated and developed.

**35.**

**CONCLUSION**

The work done so far in Government to incorporate natural capital approaches into policymaking and the overall evaluation of the economy is welcome: but there is little evidence to how this approach genuinely informs Ministerial and Cabinet decisions on the economy. The Government is yet to demonstrate how it is fully integrating natural capital and natural capital risk into all of its decisions, including financial decisions. We note with concern that environment and nature are not expressly included in the remits of any of the Mission Boards of the current administration.

36.

**RECOMMENDATION**

We recommend that in its response to this report the Government provide an assessment of the extent to which a natural capital approach is currently incorporated into decisions on policy, how risks to current levels of natural capital are taken into account, and what measures are in place to mitigate those risks.

37.

**RECOMMENDATION**

We expect the Government to use the June 2025 Spending Review to set out how it has taken a natural capital approach to the evaluation of spending decisions as well as to set out how the approaches taken will grow the UK's stock of natural capital; and what the expected benefits of this approach will be for nature and the wider economy.

## The approach taken by the Committee

38. Throughout this inquiry and its predecessor in the last Parliament, the Committee has sought to examine how the Government's Nature Markets Framework is being implemented in practice, and the policy instruments required to achieve the Government's goals for nature recovery through private investment.
39. In the chapters that follow, we will take by turn the three elements which are generally understood to be the prerequisites of well-functioning capital markets in free societies: supply (of nature projects to invest in); demand (from businesses who want to invest in, and make returns from, nature recovery), and market architecture (effective standards and robust governance).<sup>54</sup>

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54 For an alternative analysis structured in a similar way, see Coulter, S. *et al.*, [The nature of our economy: implementing the Dasgupta Review](#), Green Alliance, March 2025, pp 31 ff.

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## 2 Market supply

40. We start by examining market supply: namely the possible availability of land to produce assets for natural capital markets, including for those trading in Biodiversity net gain assets as well as wider offset markets. We then examine the policies being applied to drive the supply of ecosystem assets.

### The scope for improvement of ecosystem services in England

41. According to the land use data series compiled by the Ministry of Housing, Communities and Local Government, in April 2022 (the latest period for which figures are available), the total land area of England was 13,046,000 hectares, (130,460km<sup>2</sup>).<sup>55</sup> 8.7% of this land was classified as of developed use: 91.1% was classified as undeveloped and the remaining 0.2% was classified as vacant.<sup>56</sup> Agriculture makes up 63.1% of the total while forestry, open land and water makes up a further 20.1%. The full breakdown can be found in Table 1.
42. In 2022, the total area of land in higher-level or targeted agri-environment agreements in England was 2.3 million hectares—18.5% of the total land area of England.<sup>57</sup> The total area of land in entry-level agreements was 1.4 million hectares—10.8% of the total land area of England.<sup>58</sup>

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55 Department for Levelling Up, Housing and Communities, [Land use statistics: England 2022](#), November 2022

56 'Undeveloped land' is non-previously developed land including agricultural land and buildings; forestry, open land and water; outdoor recreation space; residential gardens and urban land not previously developed. See the [Technical Notes to the Department's Land Use in England and Land Use Change Statistics](#).

57 Department for Environment, Food and Rural Affairs, [Area of land in agri-environment schemes \(England\)](#) [updated March 2025]. The proportion was calculated on the basis of the 2022 DLUHC value of 13,046,000 hectares, rounded down to 13 million. The higher-level or targeted schemes promote environmental management aimed at: conserving wildlife; maintaining and enhancing landscape quality and character; protecting the historic environment and natural resources; and promoting public access and understanding of the countryside.

58 Department for Environment, Food and Rural Affairs, [Area of land in agri-environment schemes \(England\)](#) [updated March 2025]. The proportion was calculated on the basis of the 2022 DLUHC value of 13,046,000 hectares, rounded down to 13 million. The entry-level type schemes aim to encourage large numbers of land managers to implement simple

**Table 1: Proportion of land use in England by land-use group (2022)**

Land Use Group	Percentage of land covered
Agriculture	63.1%
Forestry, open land and water	20.1%
Residential gardens	4.9%
Transport and utilities	4.4%
Outdoor recreation	2.1%
Other developed use	1.9%
Residential	1.3%
Undeveloped land	0.9%
Community services	0.7%
Industry and commerce	0.4%
Vacant land	0.2%
Minerals and landfill	0.1%
Defence	0.0%

Source: Department for Levelling Up, Housing and Communities, [Land use statistics: England 2022](#), November 2022

43. The Nature Markets Framework issued in March 2023 set out the core principles of a nature market, the current rules for how farmers and land managers can access markets, the arrangement with the British Standards Institution on developing standards and the next steps necessary to clarify and develop regulatory roles and market infrastructure for good governance.<sup>59</sup>
44. Implementation of public policy on the systematic development of natural assets and ecosystem services for public benefit has largely been financed from the public purse. Current schemes in England using public money to secure ecosystem improvements include the Environmental Land Management scheme (ELMs), under which sit initiatives such as the Sustainable Farming Incentive (SFI), Countryside Stewardship and Landscape Recovery:

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and effective environmental management on their land. Higher-level agreements may be underpinned by an entry-level scheme, therefore the areas of land in higher-level and entry-level schemes cannot be added to provide a figure for total area under all schemes.

59 HM Government, [Nature markets: A framework for scaling up private investment in nature recovery and sustainable farming](#), March 2023

- ELMs, which replaced EU-funded schemes under the Common Agricultural Policy, aims to pay farmers and land managers to provide environmental goods and services alongside food production.<sup>60</sup>
  - The SFI pays farmers and land managers to take up or maintain sustainable farming and land management practices that protect and enhance the environment alongside supporting food production and improving productivity.<sup>61</sup>
  - Countryside Stewardship will pay for more targeted actions relating to specific locations, features and habitats.
  - Landscape Recovery will pay for bespoke, longer-term, larger scale projects to enhance the natural environment.<sup>62</sup>
- 45.** In 2023–24, DEFRA spent £806 million on ELMs,<sup>63</sup> including £700 million on agri-environmental schemes such as Countryside Stewardship, £30 million on SFI and £6 million on Landscape Recovery.<sup>64</sup>
- 46.** The Sustainable Farming Incentive scheme (SFI) pays farmers and land managers to take up or maintain sustainable farming and land management practices that protect and benefit the environment, support food production and, improve productivity.<sup>65</sup> On 11 March 2025, the Government announced it had closed the SFI scheme to new applications after using all of the money allocated to the scheme in supporting 37,000 agreements: a “new and improved” scheme offer is to be published in the summer of 2025.<sup>66</sup> The closure of the scheme to new applications, without warning, was poorly received by the sector, in particular by farmers who had been preparing applications to the closed scheme.<sup>67</sup> This approach to communicating with key stakeholders undermines the confidence necessary for land managers to invest in long term nature restoration.

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60 Department for Environment, Food and Rural Affairs policy paper, [Environmental Land Management \(ELM\) update: how government will pay for land-based environment and climate goods and services](#), June 2023

61 Department for Environment, Food and Rural Affairs, [SFI scheme information: expanded offer for 2024](#), 18 February 2025

62 Department for Environment, Food and Rural Affairs policy paper, [Environmental Land Management \(ELM\) update: how government will pay for land-based environment and climate goods and services](#), June 2023

63 Department for Environment, Food and Rural Affairs, [Farming and Countryside Programme annual report: 1 April 2023 to 31 March 2024](#), September 2024, table 1

64 See previous reference, Table 1

65 Department for Environment, Food and Rural Affairs, [SFI scheme information: expanded offer for 2024](#), 18 February 2025

66 [Sustainable Farming Incentive](#), HCWS514, 12 March 2025

67 See for example, National Farmers Union news release, [“Defra delivers ‘another shattering blow’ – sudden closure of SFI applications”](#), 11 March 2025

47. The public purse, through its funding of ELMs, has a significant and continuing role to play in incentivising farmers and land managers to undertake nature restoration efforts, by allowing them to access capital through measures such as species recovery grants.<sup>68</sup> In the absence of major regulatory changes influencing how the economy interacts with nature, the public purse alone is not sufficient to fund nature restoration to the extent now demanded to meet Government targets and commitments.
48. Food security and nature restoration are not mutually exclusive. As the Committee said in its 2023 report *Environmental change and food security*, achieving food security goes hand in hand with achieving net zero and biodiversity targets.<sup>69</sup> A study cited in that report showed that a 30% decline in UK pollinator populations over 10 years would cost nearly £200 million a year in lost crop yield.<sup>70</sup>

49. **CONCLUSION**

Taxpayer purchase of ecosystem services alone is no longer a sufficient mechanism to deliver the overall improvement in ecosystem services necessary for the scale of nature recovery required.

50. **RECOMMENDATION**

The Committee agrees with the Government's current approach to driving investment into nature recovery through drawing in private finance. Whatever the source of the funds, policy should ensure that farmers and land managers are supported to deliver ecosystem improvements while also farming to produce food.

## Limitations in developing supply

51. We examine below current issues affecting the development of supply to nature markets including the effect of landholding size on the supply of land and levers to encourage the supply of more land for natural capital development.
52. Rural land in England is split into relatively small management units. The average UK farm size is 82 hectares: almost half of all UK farms are less than 20 hectares in size.<sup>71</sup> By comparison, the average size of a farm in the

68 [Q16](#) (HC 280 (2023–24)) [Teresa Dent CBE, Game, and Wildlife Conservation Trust]

69 Environmental Audit Committee, Second Report of Session 2023–24, [Environmental change and food security](#), HC 312 (2023–24), p 7

70 Tom D. Breeze and others., "[Pollinator monitoring more than pays for itself](#)", *Journal of Applied Ecology*, vol 58, issue 1 (January 2021), pp 44–57

71 Department for Environment, Food and Rural Affairs, [Farming evidence - key statistics](#), September 2024



United States of America is 189 hectares.<sup>72</sup> The comparatively small scale of holdings means that individual landowners and managers are frequently only able to bring small lots to a natural capital market.<sup>73</sup>

53. One principal issue for market supply arises from the small scale of what can be offered to markets. There is a significant potential mismatch between an investor wanting to invest at scale and a market of small suppliers. In any market this creates a demand for aggregation of suppliers: in this instance the issue can be addressed through the collaboration of suppliers over a larger landscape. Teresa Dent CBE, of the Game and Wildlife Conservation Trust, explained how the Trust was working with farmers to develop environmental co-operatives providing landscape-level cooperation and working together to deliver environmental outcomes on a larger scale which provides the farmers with the ability to negotiate future environmental trades.<sup>74</sup>
54. A second key issue is that there are complications, in any aggregation of supply, of the requirement for any market transaction to carry its costs both in the transaction itself and subsequent requirements for monitoring, recording and verifying compliance and outcomes over the period of the agreement.<sup>75</sup> The Central Association of Agricultural Valuers told us that the inherent complications in verification and compliance of aggregated natural capital improvement schemes was likely to affect the UK's overall competitiveness in natural capital markets that can develop globally.<sup>76</sup> In these markets, trades in substantially larger units than can be supplied from the UK market appear to be the norm.

## Taxation of assets in natural capital schemes

55. Farmers and landowners considering providing land for nature recovery projects will want to do so on the basis of a sound business case. The supply of private land for natural capital schemes rests in part on landowner confidence that it will not result in financial disadvantage. A lack of such confidence is bound to affect participation in environmental improvement schemes, thereby limiting the supply of natural capital assets.
56. A material consideration in developing a business case will be the likely tax implications of any scheme which is developed. Since 6 April 2025, the existing scope of agricultural property relief from inheritance tax (APR) has been extended to land managed under an environmental agreement with,

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72 U.S. Department of Agriculture Economic Research Service, [Farming and Farm Income](#), December 2025. The average US farm size of 466 acres converts to 188.58 hectares.

73 Central Association of Agricultural Valuers ([CAPO021](#))

74 [Q1](#) (HC 280 (2023–24))

75 Central Association of Agricultural Valuers ([CAPO021](#))

76 Central Association of Agricultural Valuers ([CAPO021](#))

or on behalf of, the UK Government, devolved governments, public bodies, local authorities, or relevant approved responsible bodies where the land is not available for agricultural use.<sup>77</sup> From 6 April 2026, APR, currently available at 100% on all agricultural property, will be available at 100% on the first £1 million of property inherited and at 50% thereafter.<sup>78</sup>

57. Including property under environmental management schemes and not available for food production within eligibility for APR is a policy signal designed to encourage supply to the market, albeit that relief on land in such schemes is now likely to be available at 50% rather than 100% where the estate is valued at over £1 million. Policy signals here must be finely balanced: the incentives available to put land into environmental recovery schemes (as opposed to sustainable farming schemes) must not be so generous as to encourage land to be removed from food production in a way which compromises the UK's food security.

## Natural capital supply in a Land Use Framework

58. In 2022, the Government undertook to deliver a Land Use Framework “by 2023”. A stated aim of the project was to ensure the UK met its net zero and biodiversity targets, and helped farmers adapt to a changing climate, whilst continuing to produce high quality, affordable produce.<sup>79</sup> Wildlife and Countryside Link, a coalition of environmental charities, has proposed that a Land Use Framework should inform and incentivise national and local policy-making and decision-making about land uses by setting long-term direction and cross-Government accountability for land use change.<sup>80</sup> It highlights that such a framework could allow for effective strategic planning into nature recovery by ensuring that local efforts add up to a coherent national Nature Recovery Network and should provide holistic consideration to multiple land uses including nature recovery.
59. On 31 January 2025 the Government launched a consultation intended to inform the production of a Land Use Framework.<sup>81</sup> Through this exercise, Ministers aim to deliver “the most sophisticated land use data ever

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77 HM Treasury policy paper, [Summary of reforms to agricultural property relief and business property relief](#), October 2024; HM Revenue and Customs policy paper, [Extension of Inheritance Tax Agricultural Property Relief to environmental land management agreements](#), November 2024; Finance Act 2025, s 61; Qq 430–436 (HC 501 (2024–25))

78 HM Revenue and Customs policy paper, [Extension of Inheritance Tax Agricultural Property Relief to environmental land management agreements](#), November 2024

79 Department for Environment, Food and Rural Affairs policy paper, [Government food strategy](#), unnumbered Command Paper, June 2022

80 Wildlife and Countryside Link policy briefing, [A land use framework for England](#), November 2023

81 HM Government press release, [Government launches “national conversation” on land use](#), 31 January 2025

published”. The Government proposes that a Land Use Framework should provide the principles, advanced data and tools to support decision-making by local government, landowners, businesses, farmers, and nature groups to make the most of land in England.<sup>82</sup>

60. The previous Committee heard that a land use strategy or framework to provide direction on how to balance competing uses of land such as nature restoration, house building and energy infrastructure, and to underpin policies which would facilitate multiple beneficial uses of the same piece of land, would give the best chance for positive outcomes to be achieved.<sup>83</sup> The Central Association of Agricultural Valuers said that such a framework would allow for replication and alignment regarding how to prioritise land for the multiple uses it is expected to deliver.<sup>84</sup>
61. We have not examined the Land Use Framework proposals as part of this inquiry. We nevertheless note that the Government’s initial analysis indicates that approximately 19% of the agricultural land area in England may need to change in either use or management by 2050: 9% (760,000 ha) may need to be taken out of agricultural production, for environmental and climate benefits. While this approach would substantially improve the proportion of land available for environmental improvement, the overall impact on agricultural production and food security would require very careful consideration.

## Our view

62. **CONCLUSION**  
The supply of natural capital schemes to the market is inherently limited by the land space which is in practice available for nature restoration. There are constraints in the UK in delivering projects at the scale seemingly required for the international market. Therefore there is merit in the Government’s support for nature recovery at scale, provided that communities impacted by development also see the benefits of nature recovery.

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82 Department for Environment, Food and Rural Affairs consultation paper, [Land use in England](#), January 2025

83 [Q88](#) (HC 280 (2023–24)) [Tony Juniper]

84 Central Association of Agricultural Valuers ([CAPO021](#))

**63. CONCLUSION**

There is a clear role for Government in encouraging landowners and land managers to engage in the use of land to increase the stock of natural capital assets. One way to do this is through incentivising the allocation of land to natural capital schemes, thereby developing their supply to the market. We recognise the work already undertaken under the Nature Markets Framework to encourage landowners to recognise the potential benefits of participation in nature recovery.

**64. RECOMMENDATION**

The Government should keep under review the effect of its fiscal policy on the availability of land for natural capital investment. In particular, the effect of the inclusion of environmental improvement schemes within the scope of APR relief from April 2025, combined with the changes to APR thresholds to be introduced in April 2026, ought to be monitored for their effects on the supply of land to environmental improvement projects. Care must be taken to ensure that fiscal policy provides appropriate incentives to deliver genuine ecosystem enhancements, rather than providing opportunities to shelter capital from tax obligations, and that it does not encourage the removal of prime land from food production in a way which compromises the UK's food security. We recommend that the Government report to the House on the operation of APR relief in relation to environmental improvement schemes no later than three months from the end of the 2026–27 financial year.

**65. CONCLUSION**

The Government's projections for changes in land use in England by 2050, contained in its current consultation on a Land Use Framework, indicate a potentially substantial increase in the land area allocated to nature recovery, either alongside or instead of agricultural production. Implementation of any land use framework, and the policy instruments put in place to support changes of use, will require careful scrutiny to ensure continued support for food security in England alongside initiatives for nature recovery.

**66. RECOMMENDATION**

We welcome the consultation on a Land Use Framework and look forward to its publication. We recommend that in the Framework Ministers clarify how environmental land management schemes and other nature funding for farmers ought to complement wider nature restoration efforts and funding for nature restoration projects. We expect the Government to set out, by means of the Framework, how Ministers plan to ensure continued food security, given the projected reduction in the land area to be used for food production in England.

## Biodiversity net gain and the supply of natural capital schemes

- 67.** We examine below how the Government’s biodiversity net gain (BNG) scheme is operating as a mechanism to drive biodiversity improvements through schemes to provide credits to companies meeting obligations to improve nature.
- 68.** BNG is an approach to development. It makes sure that habitats for wildlife are left in a measurably better state than they were before the development.<sup>85</sup> In England, BNG was made mandatory from February 2024 under Schedule 7A of the Town and Country Planning Act 1990 (as amended by Schedule 14 to the Environment Act 2021).<sup>86</sup> Developments subject to BNG requirements must deliver a biodiversity net gain BNG of at least 10%. This means a development should result in at least a 10% more or better quality natural habitat than there was before development.<sup>87</sup>
- 69.** For the purposes of BNG, biodiversity value is measured in standard biodiversity units. A habitat will contain a number of units based on size, quality, location and type. These units can be lost through development or gained through work to create or improve habitats.<sup>88</sup> Developers causing the most environmental damage are expected to face the highest costs to steer development towards the least damaging areas and designs.<sup>89</sup>

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85 Department for Environment, Food and Rural Affairs guidance note, [Understanding biodiversity net gain](#), February 2023 [last accessed 23 April 2024]

86 Town and Country Planning Act 1990, [sch 7A](#) (as inserted by Environment Act 2021, [sch 14\(2\)](#))

87 Department for Environment, Food and Rural Affairs guidance notes, [Biodiversity net gain](#), February 2023 [last accessed 23 April 2024]

88 Department for Environment, Food and Rural Affairs guidance note, [Understanding biodiversity net gain](#), February 2023 [last accessed 23 April 2024]

89 Department for Environment, Food and Rural Affairs impact assessment, [Biodiversity net gain and local nature recovery strategies](#), October 2019

- 70.** In the impact assessment produced for the policy on introduction of the Environment Bill in 2021, the Government estimated that 5,428 ha of habitat would be created in England, and 9,644 ha of habitat damage in England would be avoided per year based on a 10-year appraisal period.<sup>90</sup>
- 71.** There are three ways in which a developer can comply with their obligations to deliver a minimum 10% net gain:
- They can create biodiversity on-site (within the boundary of a development site).
  - If developers cannot achieve all of their BNG on-site, they can deliver through a mixture of on-site and off-site. Developers can either make off-site biodiversity gains on their own land outside the development site, or buy off-site biodiversity units on the market.
  - If developers cannot achieve on-site or off-site BNG, they must buy statutory biodiversity credits from the government. This is expected to be an option of last resort. The Government will use the revenue from credit sales to invest in habitat creation in England.<sup>91</sup>
- 72.** The National Audit Office reviewed DEFRA’s initial implementation of BNG legislation.<sup>92</sup> Between 2021–22 and 2023–24 DEFRA spent £54.2 million on preparing for BNG, with an expectation that it would spend nearly £200 million in total by 2032. In return, DEFRA estimated it would produce £9.6 billion of net benefits over the 10-year period 2021–30 inclusive. They estimated that the annual size of the biodiversity units market would be between £135 million and £274 million with the price of units ranging from £42,000 to £650,000 across 54 different habitats.
- 73.** Units provided by the Government as statutory buyers of last resort, as set out in the third bullet above, have been priced at a deliberately high level in order to avoid competing with the private biodiversity units market.<sup>93</sup> Andy Howard, Global Head of Sustainable Investment at Schrodgers, an asset management company, told the Committee that price transparency for different types of units was important in establishing what a fair price would be, both for the provider and consumer, providing confidence in the market.<sup>94</sup>

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90 See previous reference. In April 2022 the land area in England was 13,046,000 ha.

91 Department for Environment, Food and Rural Affairs guidance note, [Understanding biodiversity net gain](#), February 2023 [last accessed 23 April 2024]

92 National Audit Office, [Implementing statutory biodiversity net gain](#), HC 729 (2023–24). The review was undertaken at the request of the predecessor Committee.

93 National Audit Office, [Implementing statutory biodiversity net gain](#), HC 729 (2023–24), p 11

94 [Q126](#) (HC 280 (2023–24))

74. While the Government intends BNG to provide measurable improvements in habitats, it expected the policy to generate a small improvement in biodiversity overall and only to account for a small direct contribution to the UK's biodiversity targets.<sup>95</sup> The financial benefit from BNG is expected to be more substantial: David Hill, Director for Strategy and Water at DEFRA, told the Committee in March 2025 that BNG was currently estimated to raise between £180 and £250 million annually, which he described as an important revenue stream to support action on those targets.<sup>96</sup> As we note at paragraph 83 below, in the first 12 months of the scheme's operation £247,416 was received in credit sales, while the anticipated expenditure on scheme administration costs was £300,000.

## BNG and natural capital improvements

75. BNG is a policy at an early stage of its implementation, and there is as yet no empirical evidence to demonstrate scheme benefits: these may only be able to be quantified fully after 30 years of a project.

76. In the absence of empirical evidence, concerns have been raised about the capacity of the scheme as currently designed to deliver the natural capital benefits envisaged, particularly for on-site schemes:

- On-site BNG schemes are to be monitored and enforced by local planning authorities (LPAs): but these lack sufficient resources and a viable mechanism to undertake this activity.<sup>97</sup>
- On-site BNG delivery will be at a smaller scale in terms of individual project areas than those off-site, owing to limitations in the size of sites: this can impede the successful delivery of outcomes which are net positive.<sup>98</sup>

77. There is also concern across all three aspects of BNG that the long-term delivery of improvements in nature assets requires projects to be sustained for a minimum of 30 years. It is unclear how these assets are to be maintained across this time period and who in practice should be responsible for their maintenance:

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95 National Audit Office, [Implementing statutory biodiversity net gain](#), HC 729 (2023–24)

96 Environmental Audit Committee, [Environmental protection policies of the Department for Environment, Food and Rural Affairs](#), Oral evidence taken on 24 March 2025, HC 805 (2024–25) [Q28](#)

97 Leverhulme Centre for Nature Recovery ([CAP0016](#)); Parliamentary Office of Science and Technology, [Biodiversity net gain](#), POSTnote 728, September 2024

98 Environment Bank ([CAP0004](#)), Gresham House plc ([CAP0042](#))

- For on-site gains (for instance where property is being developed), it is unclear whether the developer, the estate management company or the property owner should be responsible for maintaining the asset over the 30 years.<sup>99</sup>
- For off-site gains, the developer will be responsible for asset maintenance overseen by either local planning authorities (LPAs) or responsible bodies. There is no standardised provision establishing responsibility for checking on continued delivery of gains: arrangements vary between legal agreements. The remedies available to ensure gains are delivered in all eventualities (for instance, if a developer ceases trading or if the projected biodiversity improvements are not delivered) remain unclear.<sup>100</sup>

- 78.** The NAO raised concerns about the implementation of on-site BNG, highlighting that the devolved nature of local authorities gave rise to compliance and enforcement risks.<sup>101</sup> Further complexity arises from the ability of LPAs to adopt locally specific BNG policies in their local plans which developers must take account of when delivering BNG.<sup>102</sup>
- 79.** Academic research on voluntary BNG, undertaken in 2023 before statutory BNG was launched, identified substantial limitations on LPA capacity. These limitations, combined with ambiguity about responsibilities for monitoring and enforcement in respect of on-site gain, were significant enough to call into question whether the gains expected could be delivered with any certainty.<sup>103</sup>
- 80.** The new planning and enforcement requirements brought about by the introduction of statutory BNG have only increased the demand for ecological expertise. The Chartered Institute of Ecology and Environmental Management has identified a ‘capacity crisis’ and a sectoral skills gap.<sup>104</sup> The Government has allocated additional funding to local authorities in the light of their increased responsibilities: authorities with an estimated demand of up to 500 applications within the scope of statutory BNG were allocated £26,807 each in 2022–23 and 2023–24, and those with an

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99 [Qq248–251](#) (HC 280 (2023–24))

100 [Qq278–279](#) (HC 280 (2023–24))

101 National Audit Office, [Implementing statutory biodiversity net gain](#), HC 729 (2023–24), p. 12

102 Parliamentary Office of Science and Technology, [Biodiversity net gain](#), POSTnote 728, September 2024

103 E. Rampling, S. zu Ermgassen, I. Hawkins and J. Bull, ‘[Achieving biodiversity net gain by addressing governance gaps underpinning ecological compensation policies](#)’, *Conservation Biology*, volume 38, issue 2, April 2024 (paper first published October 2023; accessed March 2025).

104 National Audit Office, [Implementing statutory biodiversity net gain](#), HC 729 (2023–24), p. 11



estimated demand of 501 applications or more were allocated £43,467. This equated to approximately 0.33 FTE and 0.66 FTE ecologists, respectively, with an additional 0.2 FTE per authority for monitoring and enforcement.<sup>105</sup>

81. The adequacy of the Government’s estimates and funding allocations has been disputed by the Association of Local Government Ecologists. The outcome of their survey of planning authorities in England indicated that, of the 202 responses received, 45% estimated a need for at least one FTE ecologist to deliver and implement BNG.<sup>106</sup> 50% estimated a need for more than 2 FTE ecologists.
82. A substantial proportion of the net gain to be delivered through statutory BNG scheme is expected to be delivered through on-site schemes: estimates range from 50% to 90%.<sup>107</sup> The responsibility for this delivery rests with local authorities: it is therefore vital that those authorities are in a position to deliver the regulation, monitoring and enforcement activity required at a consistent level and to a high standard.

## Expenditure of funds raised from BNG credit sales

83. The use of revenue accruing from the sale of biodiversity credits is restricted by statute to habitat enhancement work in England, the securing of land for habitat enhancement work, or the operation or administration of the BNG scheme.<sup>108</sup> In the first annual report on the operation of the sale of credits, the Government indicated that from February 2024 to January 2025, £247,416 had been received from credit sales for the first 12 months of the scheme’s operation. The ‘relatively low’ figure was attributed to the early stage of the policy’s implementation: the Government also argued that it showed that BNG was “operating as expected, with statutory credits being used for their intended purpose as a backstop for the market”.<sup>109</sup> The funds had not yet been spent on habitat enhancement as the income was not yet at a high enough level for efficient large-scale investment. Ministers plan to

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105 National Audit Office, [Implementing statutory biodiversity net gain](#), HC 729 (2023–24), p 29

106 National Audit Office, [Implementing statutory biodiversity net gain](#), HC 729 (2023–24), p 29

107 Economics for the Environment Consultancy Ltd (EFTEC), in its [Biodiversity Net Gain: Market analysis study—Final Report to Department for Environment, Food and Rural Affairs](#) (February 2021, p iii), assumed (“based on the expert judgement of the project team and external stakeholders”) that on-site BNG delivery would be 50%; E. Rampling, S. zu Ermgassen, I. Hawkins and J. Bull, ‘[Achieving biodiversity net gain by addressing governance gaps underpinning ecological compensation policies](#)’, *Conservation Biology*, volume 38, issue 2, April 2024 (paper first published October 2023; accessed March 2025).

108 Environment Act 2021, [s 101\(6\)](#)

109 Department for Environment, Food and Rural Affairs, [Biodiversity net gain statutory credits: annual report 2024 to 2025](#), 14 March 2025

use the revenues to fund habitat creation and enhancement and to support the development of the off-site unit market. In the financial year 2024/25 the Government expected to spend £300,000 on administration costs.

84. The NAO highlighted that, as of May 2024, DEFRA had yet to develop a mechanism that would allow it to spend income from statutory credit sales on biodiversity enhancement in a way which was consistent with HM Treasury rules on managing public money.<sup>110</sup> Ministers expect to release further details of the planned approach to credits investment later in 2025.

### Our view

85. At present, the overall supply of investable nature recovery projects in England is relatively small: this clearly inhibits investments at scale. To increase the sustainable supply of domestic natural capital, landowners require trusted assurance that engaging in nature restoration on their land over the minimum period required to show sustained ecosystem improvements will result in a return which merits the commitment. For farmers, a decision to include BNG designated land in the area of a farm reckoned for inheritance tax relief purposes is unlikely to incentivise them to engage in BNG projects unless BNG units are priced at a sufficient level to offset the costs.
86. The Government has an overall commitment to protect 30% of land in England for nature by 2030. This will inevitably require that a proportion of the land currently allocated to agricultural use is brought into protection. Ministers have acknowledged that new contributions towards the area designated as protected land will have to be made on a voluntary basis, and recognise the necessity of encouraging and supporting participation of landowners and land managers.<sup>111</sup> While Ministers have indicated that they will be exploring “new mechanisms and incentives” to increase the area of protected land in England, details of policy proposals remain unclear.

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110 National Audit Office, [Implementing statutory biodiversity net gain](#), HC 729 (2023–24)

111 Department for Environment, Food and Rural Affairs policy paper, [30by30 on land in England: confirmed criteria and next steps](#), October 2024. The criteria the Government plans to use to assess whether land is ‘protected’ for the purposes of the 30by30 commitment are “that in-situ conservation will be sustained over the long term (at least 20 years), and that the area will be protected against loss or damage to important biodiversity values, through legal or other effective means.”

87.

**CONCLUSION**

To ensure the effective delivery of its commitments to protect 30% of land in England for nature, the Government will need to consider how to make environmental land management more accessible and attractive to landowners and land managers. This will require the removal of any existing barriers to engagement and a thorough review of incentives, so as to give the sector certainty in the returns to be received from allocating land to environmental protection. As well as supporting landowners directly through taxpayer purchase of ecosystem improvements, the Government ought to prioritise delivery of measures designed to encourage provision of offsite BNG schemes for investment.

88.

**RECOMMENDATION**

We recommend that as part of the forthcoming Land Use Framework the Government undertake a thorough review of its approach to incentivising the allocation of privately held land to nature recovery, in particular in respect of changes of use of agricultural land to deliver more environmental benefits alongside agricultural production, or in respect of changes away from agricultural use. This should include a review of current barriers to the supply of land for nature recovery projects supported by private investment.

89.

**CONCLUSION**

Ministers have set out the criteria they plan to use to establish whether land in England is considered to be ‘protected’ for the purposes of the 30by30 commitment. We note that an area is to be considered ‘protected’ if it can be shown that it is “protected against loss or damage to important biodiversity values, through legal or other effective means”.

90.

**RECOMMENDATION**

We recommend that in its response to this report the Government clarify—

- what it considers to be ‘effective means’ of protection against loss or damage to important biodiversity values for the purposes of designating land in England as ‘protected’ for the purposes of the 30by30 commitment;
- how it is proposed to monitor whether land designated under the commitment continues to be protected from biodiversity loss and damage, and
- what recourse is available to Ministers to ensure protection in circumstances where the arrangements in place for protection have proved ineffective.

91.

**CONCLUSION**

For successful nature markets to be delivered there needs to be an effective balance between efficiencies of scale and local accountability which brings about local buy-in and transparency, ensuring that offsets are being delivered to a high standard. A method for this to be achieved is through facilitating developers to pool their BNG requirements across multiple developments, while ensuring that the benefit from nature restoration is available to local communities.

92.

**RECOMMENDATION**

The Government should continue to demonstrate leadership on natural capital markets by evaluating and reviewing the BNG policy and whether its design, metrics, and implementation remain effective in increasing investment into natural capital projects and delivering measurable improvements in nature recovery. Estimates of the investment to be generated from BNG (currently £9.6 billion over ten years) should be kept under regular review, with the Government publishing annual updates of progress.

93.

**RECOMMENDATION**

We are concerned to note that the Government has not yet published full details of its approach to the investment of revenues from the sale of BNG credits. The Government must demonstrate that it is committed to this approach to nature renewal, rather than treating it as another source of revenue to the Exchequer. We recommend that Ministers publish as soon as possible their plans for the use of such revenues as remain after the costs of administering the credit sale scheme have been met.

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## 3 Market demand

94. We examine below several of the issues entailed in generating market demand for natural capital assets.

### Markets in natural capital assets

95. Definitions of natural capital assets vary, and consequently the overall size of the global market for such assets is difficult to assess with any certainty. Andy Howard, Global Head of Sustainable Investment at the investment managers Schroders, estimated that natural capital assets account for around 0.2% of all assets managed by asset managers globally.<sup>112</sup> PwC has estimated that in 2023 the value of all assets under management was \$128.9 trillion.<sup>113</sup> On that basis the likely value of natural capital assets under management globally is around \$257.8 billion (roughly £200 billion).
96. The UK Government's 2021 Autumn Budget and Spending Review included a target to raise at least £500m in private finance for nature restoration in the UK every year by 2027, increasing to £1bn annually by 2030.<sup>114</sup> Although a specific target was set, in December 2024 the Nature Minister told us that the Government did not yet have the information required to build a comprehensive understanding of the overall size of the UK market in private finance.<sup>115</sup> In 2022, the public sector, NGOs and the private sector together committed to spend £700 million per year on nature.<sup>116</sup> In the same period, at one estimate, private investment in nature in the UK stood at around £95 million per year.<sup>117</sup>
97. Demand for natural capital assets arises from voluntary decisions to invest as well as through the need for compliance with regulatory requirements:

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112 [Q101](#) (HC 280 (2023–24))

113 PwC Global briefing, [Asset and Wealth Management Survey 2024](#) [last accessed 23 April 2025]

114 HM Treasury, [Autumn Budget and Spending Review 2021: a stronger economy for the British people](#), HC 822 (2021–22), 27 October 2021, para 2.119

115 [Q423](#) (HC 501 (2024–25))

116 S. zu Ermgassen, J. Bull, and B. Groom, [Correspondence: UK biodiversity: close gap between reality and rhetoric](#), *Nature* 595 (2021), p 172

117 UK Infrastructure Bank, [Our role in Natural Capital Markets](#), November 2022

- Voluntary demand can be encouraged through markets which allow companies wanting to meet environmental and climate targets or goals to invest in environmental projects.<sup>118</sup> It can also be encouraged through public pressure arising from mandated disclosures such as those set out by the Taskforce on Nature-related Financial Disclosures.
- Demand can be generated by compliance requirements and regulatory obligations where companies are required by law to deliver environmental improvements.<sup>119</sup> These can arise from Government policy, levies on business for non-compliance and the development of compliance markets.

**98.** The UK Government is relying on a limited number of policy levers to deliver the increase in investment it envisages. On the voluntary side it is supporting the development of adequate standards via the British Standards Institution to provide confidence in nature markets, and is currently consulting on its proposed policy and governance framework for helping to ensure the integrity of voluntary carbon and nature market credits and the use of credits; on the compliance side, the Nutrient Mitigation Scheme and statutory biodiversity net gain are the principal current drivers.<sup>120</sup>

## Demand for investment into voluntary markets

**99.** There is evidence that the UK is highly regarded among investors seeking to participate in markets in natural capital assets. The Investment Association told us that they considered that the UK has demonstrated leadership and ambition in its approach to natural capital and integrating private finance into nature markets.<sup>121</sup> The CityUK, Aviva Investors and the Bennett Institute for Public Policy said that the UK had a reputation as an early leader in developing voluntary carbon markets, including the Woodland Carbon Code and the Peatland Code.<sup>122</sup>

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118 HM Government, [Nature markets: A framework for scaling up private investment in nature recovery and sustainable farming](#), March 2023, p 12

119 HM Government, [Nature markets: A framework for scaling up private investment in nature recovery and sustainable farming](#), March 2023, p 12

120 HM Government, [Nature markets: A framework for scaling up private investment in nature recovery and sustainable farming](#), March 2023

121 The Investment Association ([CAP0005](#))

122 TheCityUK ([CAP0010](#)), Aviva Investors ([CAP0046](#)), Bennett Institute for Public Policy et al ([CAP0025](#))

- 100.** Voluntary actions, such as those demonstrated in the net zero transition plans of some private sector organisations, have stimulated more companies to engage on how they can deliver net zero goals.<sup>123</sup> Voluntary markets have a role in driving such action as they indicate the likely future direction of Government regulation and public expectations. They also allow for companies to demonstrate their ‘green’ credentials and for companies to compensate for or contribute to the repair of impacts they cannot avoid,<sup>124</sup> without Government mandating they do so.<sup>125</sup> Nevertheless their impact in terms of delivering nature recovery is more limited and they cannot be relied on to deliver the totality of necessary nature restoration.<sup>126</sup> Evidence provided to the Committee by the Environment Bank suggested that a voluntary biodiversity credit system could possibly reach a third of the size of a mandated scheme.<sup>127</sup>
- 101.** While voluntary ecosystem service markets do operate in the UK, the Forestry Commission told the Committee that uptake had been low in comparison to the potential size of the market,<sup>128</sup> demonstrating that a progressive shift in business mindset and the reliance on voluntary actions do not of themselves provide sufficient demand for nature markets to deliver current Government ambitions. Positive Money told the Committee that there were significant challenges to mobilising private capital at the level needed to secure nature recovery through voluntary, market-based approaches, as institutional bodies required investments to meet several criteria such as competitive returns, large transaction sizes and standardised investment terms, which were rarely met by nature-based assets.<sup>129</sup>

## Risks in a voluntary market

- 102.** Voluntary markets are seen as higher risks for investors than compliance markets. Gresham House told the Committee that, in the absence of compliance requirements, they would not have invested in nature recovery through the Environment Bank owing to the uncertainty and levels of risk inherent in a voluntary market of this type.<sup>130</sup>

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123 [Q66](#) (HC 280 (2023–24))

124 [Q139](#) (HC 280 (2023–24))

125 [Q147](#) (HC 280 (2023–24))

126 [Q60](#), [Q174](#) (HC 280 (2023–24))

127 Environment Bank ([CAP0004](#))

128 Forestry Commission ([CAPO008](#))

129 Positive Money ([CAP0019](#))

130 Environment Bank ([CAP0004](#))

- 103.** Part of the risk stemming from a voluntary market is that it currently provides relatively low and uncertain returns.<sup>131</sup> Given that levels of financial return are the primary driver for decisions by private companies and investment firms, this can be prohibitive.<sup>132</sup>
- 104.** In view of the increased market risks in a voluntary credits market, Green Alliance believes that the Government, as an investor that can accept higher risk and lower rates of return than a private company, has the capacity to bolster the case for investment in natural capital projects and develop the market by making early investments.<sup>133</sup>

## The use of blended finance in encouraging demand in voluntary markets

- 105.** The Government can also use blended finance, where public and private money is invested together, to de-risk investments and encourage greater participation by private finance.<sup>134</sup> This blended finance has already been undertaken in some cases and shown to provide nature recovery through woodland creation and management.<sup>135</sup>

### What is blended finance?

Blended finance is an umbrella term that covers a wide variety of different roles for governments, including covering the costs of baselining sites to give private landholders an understanding of the potential value of their land for natural capital, providing grants for developing investment readiness, and underwriting some of the risks of investment for mainstream investors.

- 106.** One means by which the Government can encourage blended financing is through the National Wealth Fund (NWF), a HM Treasury-owned but operationally independent organisation which has £27.8 billion of finance to partner with the private sector and local government to support projects.<sup>136</sup> Ministers have set the NWF objectives including mobilising private investment at scale, supporting the transition to a low carbon economy

<sup>131</sup> [Q60](#) (HC 280 (2023–24)), The Investment Association ([CAP0005](#)), TheCityUK ([CAP0010](#))

<sup>132</sup> Aviva Investors ([CAP0046](#)), Positive Money ([CAP0019](#)), Kana Earth ([CAP0041](#))

<sup>133</sup> Green Alliance, [The role of the National Wealth Fund in boosting private finance for nature, November 2024](#), IEMA (Institute of Environmental Management & Assessment) ([CAP0048](#))

<sup>134</sup> TheCityUK ([CAP0010](#)), Marine Conservation Society ([CAP0015](#)), Dr Pernille Høltedahl (Research Fellow at Centre for Climate Finance & Investment, Imperial College Business School) and others ([CAP0018](#))

<sup>135</sup> Forestry Commission ([CAP0008](#))

<sup>136</sup> National Wealth Fund briefing note, [About us](#) [last accessed 23 April 2025]



and creating jobs as part of a broader strategy to drive investment and growth.<sup>137</sup> While the NWF, under its former name of the UK Infrastructure Bank, has already invested in nature markets,<sup>138</sup> it has not yet made nature recovery a specific target.<sup>139</sup> The Government has an opportunity, should it wish, to integrate the UK’s biodiversity targets into the NWF’s statutory objectives and to require the NWF to monitor the impact of its investments on nature.<sup>140</sup> The Government’s capacity to alleviate some of the higher-risk aspects of investment can create an environment in which investors can follow.<sup>141</sup>

## Demand through compliance

107. Demand for investment is also prompted by compliance requirements and regulatory obligations where companies are required by law to deliver environmental improvements.<sup>142</sup> The main compliance market in England is biodiversity net gain.
108. Compliance markets in and of themselves do not strictly need blended finance in order to function; if regulations create a driver of demand for ecosystem service improvements that needs to be met, then developers have a legal obligation to meet those requirements, and the market will incentivise innovations that help satisfy this demand. For example, the United States wetland compensation markets—currently the world’s largest nature markets—developed largely without blended finance, with wetland banks funding their activities predominantly through the advanced sale of credits.<sup>143</sup> In principle, the requirements of biodiversity net gain and England’s compliance markets can do the same.

## Biodiversity net gain and compliance markets

109. As we set out above, BNG is a mechanism to use development activity to secure nature recovery. The biodiversity net gain policy (which we discussed in greater detail in Chapter 2) is one of the world’s most wide-ranging mandatory markets for biodiversity credits: comparable policies in other jurisdictions largely apply only to specific habitat types or specific forms

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137 HM Treasury, [National Wealth Fund: Mobilising Private Investment](#), October 2024

138 [Q439](#) (HC 501 (2024–25))

139 [Q438](#) (HC 501 (2024–25))

140 Green Alliance briefing note, [The role of the National Wealth Fund in boosting private finance for nature](#), November 2024

141 [Q213](#) (HC 280 (2023–24))

142 HM Government, [Nature markets: A framework for scaling up private investment in nature recovery and sustainable farming](#), March 2023, p 12

143 See S. Theis and M. Posech, ‘[Mitigation bank applications for freshwater systems: Control mechanisms, project complexity, and caveats](#)’, PLoS ONE 19(2), February 2024

of land clearance.<sup>144</sup> The Government aims to drive private investment into nature principally through direct investment in on-site or off-site ecosystem creation. If a developer cannot achieve this ecosystem enhancement, they can buy biodiversity credits from the Government.<sup>145</sup> The price of these credits is based on the cost to create, maintain and monitor different habitat types with an additional mark-up to prevent statutory credit prices undercutting the off-site market.<sup>146</sup>

110. Biodiversity net gain obligations are intended to provide a commercial incentive for landowners to generate biodiversity units and enable the creation of a credit market surrounding the industry.<sup>147</sup> These credits can then be sold to developers to meet their off-site obligations for a price that is determined by the exchanging parties alongside the wider credit market.<sup>148</sup>
111. As previously stated, between 50% and 90% of gains have the potential to be delivered on-site.<sup>149</sup> Current governance arrangements to ensure delivery of on-site units have been assessed as extremely weak: the risks of non-compliance are therefore very high.<sup>150</sup> Every non-compliant unit delivered on-site is one unit of demand that is stripped from the off-site BNG market: this undermines the scale of nature finance flows into nature. Therefore, any on-site gains must be supported by sufficient resources to ensure compliance.

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144 TheCityUK ([CAPO010](#)), Aviva Investors ([CAPO046](#))

145 Department for Environment, Food and Rural Affairs guidance note, [Understanding biodiversity net gain](#), February 2023

146 Department for Environment, Food and Rural Affairs guidance note, [Statutory biodiversity credit prices](#), July 2023

147 Parliamentary Office of Science and Technology, [Biodiversity net gain](#), POSTnote 728, September 2024

148 Department for Environment, Food and Rural Affairs guidance note, [Selling biodiversity units as a land manager](#), February 2023

149 Economics for the Environment Consultancy Ltd (EFTEC), [Biodiversity Net Gain: Market analysis study—Final Report to Department for Environment, Food and Rural Affairs](#), February 2021; E. Rampling, S. zu Ermgassen, I. Hawkins and J. Bull, ‘[Achieving biodiversity net gain by addressing governance gaps underpinning ecological compensation policies](#)’, *Conservation Biology*, volume 38, issue 2, April 2024 (paper first published October 2023; accessed March 2025).

150 E. Rampling, S. zu Ermgassen, I. Hawkins and J. Bull, ‘[Achieving biodiversity net gain by addressing governance gaps underpinning ecological compensation policies](#)’, *Conservation Biology*, volume 38, issue 2, April 2024 (paper first published October 2023; accessed March 2025).

## Taskforce for Nature-related Financial Disclosures (TNFD) recommendations and compliance markets

**112.** Target 15 of the Kunming-Montreal Global Biodiversity Framework (GBF), agreed in December 2022 at the 15th Conference of Parties to the UN Framework Convention on Biological Diversity in Montreal, provides that businesses should assess, disclose and reduce biodiversity-related risks and negative impacts. It requires governments to take legal, administrative or policy measures to encourage and enable businesses, and in particular large and transnational companies and financial institutions:

- regularly monitor, assess, and transparently disclose their risks, dependencies and impacts on biodiversity, including with requirements for all large as well as transnational companies and financial institutions along their operations, supply and value chains and portfolios;
- provide information needed by consumers to promote sustainable consumption patterns, and
- report on compliance with access and benefit-sharing regulations and measures, as applicable;

in order to progressively reduce negative impacts on biodiversity, increase positive impacts, reduce biodiversity-related risks to business and financial institutions, and promote actions to ensure sustainable patterns of production.<sup>151</sup>

**113.** One means whereby the UK Government can not only secure compliance with target 15 of the GBF but also drive market demand is to add GBF reporting to the mandatory requirements of UK companies. This can be done by mandating UK companies to use the reporting indicators and metrics recommended by the Taskforce on Nature-related Financial Disclosures (TNFD).<sup>152</sup> This framework is designed to provide useful information to capital providers and stakeholders seeking to understand a business's nature-related exposure, namely the dependency of the business on nature, the impacts on nature caused by the business, the risks stemming from the dependencies and impacts as well as the opportunities for the business that benefit nature.<sup>153</sup>

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151 UN Convention on Biological Diversity, [Decision 15/4 adopted by the Conference of the Parties to the Convention on Biological Diversity](#), CBD/COP/DEC/15/4, 19 December 2022, p 11

152 Taskforce for Nature-related Disclosures, [Recommendations of the Taskforce on Nature-related Disclosures](#), September 2023 (updated November 2024);

153 TNFD briefing note, [Why nature matters: The fundamentals of nature and why it matters to the global economy](#) [last accessed 23 April 2025]

- 114.** TNFD recommendations and guidance aim to provide investors and other capital providers material information to better manage risk and make capital allocation decisions. It has the ambition of helping company boards and management teams identify, assess and manage nature-related issues to improve the resilience of their organisations in the face of accelerating nature loss.<sup>154</sup>
- 115.** The Country Land and Business Association told the Committee that regulation on corporate reporting and increasing expectation of business environmental responsibility would be important to stimulate demand for ecosystem services to make the private capital investment a viable route.<sup>155</sup> ShareAction said that a mandatory disclosure requirement was a key factor in driving demand:
- Mandatory, industry-wide disclosure reporting is essential to ensure real, high-level change and this will not happen without the relevant legislation to steer financial institutions in the right direction.<sup>156</sup>
- 116.** In the UK’s National Biodiversity Strategy and Action Plan for 2030, issued in March 2025, the UK Government recognised the TNFD framework as a leading mechanism through which target 15 of the GBF might be given effect.<sup>157</sup> Despite this, the Government is yet to mandate disclosures such as those set out in the TNFD. The Minister for Nature told the Committee that the Government was a supporter of TNFD and would consult on how the UK should adopt International Sustainability Standards Board standards.<sup>158</sup>
- 117.** The predecessor Committee heard that mandatory compliance regulations, whether legislated for, or as a direction of future regulation, must be supported by consistent messaging from the Government otherwise market confidence risks being undermined. Potential investors in the creation of biodiversity sites want to know that they are investing in a regime which will stay consistent, has a clear set of rules and is set in a fair market.<sup>159</sup>

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154 TNFD briefing note, [Why nature matters: The fundamentals of nature and why it matters to the global economy](#) [last accessed 23 April 2025]

155 The CLA ([CAP0009](#))

156 ShareAction ([CAP0030](#))

157 UK Government, Scottish Government, Welsh Government and Northern Ireland Department of Agriculture, Environment and Rural Affairs, [Blueprint for Halting and Reversing Biodiversity Loss: the UK’s National Biodiversity Strategy and Action Plan for 2030](#), February 2025, p 30

158 [Q463](#) (HC 501 (2024–25)). The International Sustainability Standards Board (ISSB) was established by the International Financial Reporting Standards (IFRS) Foundation in November 2021, “following strong market demand for its establishment”: the Board is developing “standards that will result in a high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of investors and the financial markets.” IFRS Foundation, ‘[International Sustainability Standards Board](#)’ [last accessed 23 April 2025].

159 [Q173](#) (HC 280 (2023–24))

## Stacking and bundling of assets

- 118.** ‘Stacking’ or ‘bundling’ natural capital assets is where nature can provide multiple benefits simultaneously. Stacking refers to when different ecosystem services on a piece of land are sold as separate units of trade or credits while bundling refers to when more than one ecosystem service produced on a piece of land is sold as a single trade or credit to a single buyer.<sup>160</sup>
- 119.** Where stacking or bundling successfully takes place it can allow the delivery of multifunctional benefits to society,<sup>161</sup> but concerns have been raised that the complexity arising from stacking and bundling assets could make it hard to discern the origin of an assets creation.<sup>162</sup>
- 120.** As it stands, the long-term rules on stacking and bundling of assets have not yet been clarified. This acts to limit investment by introducing regulatory risks. Clarity from the Government on the status of stacking and bundling ecosystem services would provide certainty in the market<sup>163</sup> while encouraging the delivery of multiple benefits as opposed to the maximisation of one, less than ideal output.<sup>164</sup>

### Our view

- 121. CONCLUSION**  
Compliance, or an expectation of compliance with a future regulation, is a significant driver of demand for nature markets. Clarity and investor confidence in regulatory rules and functions is essential to maintaining stable demand and driving opportunities for investment.
- 122. CONCLUSION**  
Regulatory requirements are typically seen as an obstacle to market efficiency. In the case of BNG, compliance consistency is fundamental to trust in the system and the fair and transparent operation of the market.

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160 For the definitions, see Institute of Environmental Management and Assessment (IEMA) blogpost, ‘[New IEMA Paper on Stacking and Bundling in Nature](#)’, October 2023 [last accessed 23 April 2025]

161 Forestry Commission ([CAP0008](#))

162 [Q216](#) (HC 280 (2023–24))

163 The CLA ([CAP0009](#))

164 Game & Wildlife Conservation Trust ([CAP0033](#))

**123. RECOMMENDATION**

We recommend that the Government consult on measures to increase compliance as a market driver, potentially through expanding BNG requirements or mandating corporate disclosure of nature-damaging activities.

**124. RECOMMENDATION**

The Government should also ensure that on-site gains have sufficient transparency and scrutiny of delivery—through sufficient funding of local authorities to deliver checks, and provision to local authorities of the capacity to undertake enforcement action—with a commitment to reforming the delivery of on-site gains if widespread non-compliance is detected. We recommend that Ministers now commit to reviewing the effectiveness of on-site delivery of BNG at the end of the third BNG reporting year in February 2027, and to issuing the report of the review by the end of May 2027.

**125. CONCLUSION**

For the Government to determine whether it has delivered on its target to deliver £1 billion of private investment into nature recovery annually by 2030, it must have primary data on relevant financial flows to provide a thorough understanding of investment levels, which it currently lacks.

**126. RECOMMENDATION**

The Government should urgently address the gaps in its data and understanding around the level of investment into nature recovery projects. We recommend that within 12 months of the date of publication of this report the Government provide a report to the House on current and projected levels of private investment into nature recovery in England and performance against the targets set by Ministers in the 2021 Spending Review.

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## 4 Market structure and mechanisms

- 127.** Markets provide a means for investment capital to support nature recovery projects. Existing UK nature markets include those based on the Woodland Carbon Code and the Peatland Code.<sup>165</sup> These voluntary markets are relatively small. We examine below the structures the Government is putting in place to support the development of high-integrity markets in the UK on which natural capital assets can be traded.

### Market integrity

- 128.** The Minister for Nature told the Committee that integrity must be the keystone of scaling up investment in nature markets.<sup>166</sup> The Government, in its Nature Markets Framework, states that:

Integrity is the bedrock of nature markets. It means that credits awarded and sold for benefits such as biodiversity, carbon capture or water quality must reflect genuine, lasting and additional environmental improvements, which are robustly verified and transparently documented, with no double counting or room for misleading claims or greenwash.<sup>167</sup>

- 129.** As we discussed above, the lack of substantial high-quality natural capital, and the impact this can have on ecosystem services provided by nature, is a key concern. UBS, an investment bank, told the Committee that this exposure to risk ought to create a strong economic case for providing investors, finance and corporates with data to analyse their impact and dependence on natural capital. Data from the Natural Capital Ecosystem

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<sup>165</sup> Scottish Forestry, [UK Woodland Carbon Code: the quality assurance standard for UK woodland carbon projects](#) [last accessed 23 April 2025]; International Union for the Conservation of Nature UK National Committee Peatland Programme, [Peatland Code](#), version 2.1, October 2024

<sup>166</sup> [Q426](#) (HC 501 (2024–25))

<sup>167</sup> HM Government, [Nature markets: A framework for scaling up private investment in nature recovery and sustainable farming](#), March 2023

Assessment (NCEA), a joint programme currently being undertaken by DEFRA and Natural England, which sets out to baseline the entire country's natural capital assets, could facilitate this.<sup>168</sup>

- 130.** The Forestry Commission said that in voluntary markets the integrity of the 'unit' covering the natural capital asset was critical to market confidence:<sup>169</sup>

For example, if the additionality of the improvement provided for by investors is contested, or the ownership of the improvement is divided in ways that are not clear, then there is little market confidence and the unit becomes devalued, as has been seen in a wide range of commercially operated carbon offsetting schemes.<sup>170</sup>

- 131.** Financial additionality, whereby it is assumed that projects are additional if project proponents claim that their projects would not have been economically viable without the revenues from natural capital credits, remains a risk to voluntary markets.<sup>171</sup> The Forestry Commission stated that they would welcome a set of overarching principles applying to all green finance investments so as to ensure clear rules for measuring additionality.<sup>172</sup>

- 132.** One of the key challenges for BNG implementation is regulating and auditing the delivery of biodiversity units.<sup>173</sup> For instance, off-site BNG providers can sell credits for other benefits from the same piece of land, such as nutrient mitigation, to 'stack' multiple credits, with clear challenges to effective auditing.<sup>174</sup> The NAO identified risks that local authorities would not be able to discharge legal, compliance and enforcement obligations in relation to BNG, and questioned whether Defra would be able to monitor their performance effectively.<sup>175</sup>

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168 [Q57](#) (HC 280 (2023–24)); UBS ([CAP0012](#)). Further information on the Natural Capital Ecosystem Assessment programme is available at <https://www.gov.uk/government/publications/natural-capital-and-ecosystem-assessment-programme>

169 Forestry Commission ([CAP0008](#))

170 Forestry Commission ([CAP0008](#))

171 Leverhulme Centre for Nature Recovery ([CAP0016](#)). For a discussion of current issues in financial additionality in relation to carbon offsets, see, for example, Stockholm Environment Institute and Greenhouse Gas Management Institute, [Carbon Offset Guide: Additionality](#) [last accessed 23 April 2025]

172 Forestry Commission ([CAP0008](#))

173 Parliamentary Office of Science and Technology, [Biodiversity net gain](#), POSTnote 728, September 2024

174 Parliamentary Office of Science and Technology, [Biodiversity net gain](#), POSTnote 728, September 2024

175 National Audit Office, [Implementing statutory biodiversity net gain](#), HC 729 (2023–24)



133. UK nature markets standards are being developed,<sup>176</sup> but researchers suggest suitable governance frameworks need to be in place that at minimum regulate fraud and deception.<sup>177</sup> Governments can take on the role of regulator to avoid or address market failures.<sup>178</sup> Academic commentators have suggested separating regulator and BNG market operator roles, with Defra auditing these operators to avoid the issues that have occurred in the carbon offsetting market.<sup>179</sup>

## Baselining

134. Measuring and evaluating natural capital development and nature restoration, thereby determining the number of credits produced by a project, requires there to be an established baseline of the environmental condition of a site before any work to improve its condition is undertaken, so as to provide a robust basis for assessing the extent of recovery achieved.<sup>180</sup>

### What is a baseline survey?

A baseline survey maps the size, state and presence of differing patches of vegetation types on a development site using the UK Habitat Classification. The survey involves quantitative data and judgements about habitat classification, condition and landscape-scale ecological significance.

In order to ensure that the minimum 10% net gain is delivered for BNG schemes, there must be an adequate and accurate baseline before any work is undertaken to allow for a comparison between the original site and any improvements in order to determine whether the 10% net gain has been achieved. These baselines can provide insight into what is present in a given landscape and what it can feasibly deliver.<sup>181</sup>

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- 176 British Standards Institution press release, [BSI launches UK nature markets principles standard for consultation](#), 21 March 2024
- 177 Written evidence received for the House of Lords Land Use in England Committee's inquiry into Land Use in England, Professor Mark Reed, Co-Director, Thriving Natural Capital Challenge Centre, Scotland's Rural College (SRUC) ([LUE0014](#)), April 2022
- 178 Parliamentary Office of Science and Technology, [Biodiversity net gain](#), POSTnote 728, September 2024
- 179 See previous reference, and see also Parliamentary Office of Science and Technology, [Carbon offsetting](#), POSTnote 713, January 2024
- 180 UCL Institute for Sustainable Resources ([CAP001](#))
- 181 Rampling, E. E. et al., '[Achieving biodiversity net gain by addressing governance gaps underpinning ecological compensation policies](#)'. Conservation Biology, volume 38, issue 2, October 2023

**135.** The benefit of baselining is that it allows an objective and clear comparison between the before and after effects of any nature restoration work and therefore establishes the number and quality of any produced nature credits.<sup>182</sup> Ensuring any credits are of high quality is vital in the development of a functioning and confident market, as poor-quality credits have the potential to undermine the market as a whole through perceived greenwashing of projects and products.<sup>183</sup>

**136.** This baselining methodology needs to be able to flex based on the area, the ecosystem present and what change can reasonably be delivered,<sup>184</sup> but as it stands there are more than 60 methodologies that could be used for baselining.<sup>185</sup> Work to undertake this baseline work has already started in some forms. For example, the Forestry Commission is using information gathered through their National Forest Inventory surveys and Natural Capital Ecosystems Assessment Project to provide sample data on biodiversity change in woodlands and can establish a baseline to measure the change and direct investment.<sup>186</sup> UBS told the Committee:

National datasets of natural capital are important stepping stones towards measuring a nation's true wealth, in keeping with the Dasgupta Review's concept of 'Inclusive Wealth' that looks beyond Gross Domestic Product (GDP) to include natural capital (among other things) as a broader yardstick of prosperity.<sup>187</sup>

**137.** The inherent variation present in nature means that one simple metric of nature abundance is not sufficient to deliver a comprehensive understanding of an ecosystem.<sup>188</sup> Any metric of baselining must take account of the particular locality, its native biodiversity and how intact the biodiversity is in that area.<sup>189</sup>

**138.** The Country Land and Business Association said that the Natural Capital and Ecosystem Assessment programme, a partnership programme managed by DEFRA which maps the size, location and condition of England's natural capital and ecosystems, will in their view not provide sufficient granularity of detail to support decisions by farmers at a farm holding level.<sup>190</sup>

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182 UCL Institute for Sustainable Resources ([CAP0011](#))

183 Aviva Investors ([CAP0046](#)), Marine Conservation Society ([CAP0015](#))

184 [Q15](#) (HC 280 (2023–24))

185 [Q55](#) (HC 280 (2023–24))

186 Forestry Commission ([CAP0008](#))

187 UBS ([CAP0012](#))

188 [Q58](#) (HC 280 (2023–24)) [Dr Juniper]

189 See previous reference

190 The CLA ([CAP0009](#))

**139. CONCLUSION**

It is vital to develop a substantial baseline to measure natural capital improvement metrics against. This is already taking place in some respects (for instance, Natural Capital Ecosystem Assessment (NCEA) data for woodlands) but the current programmes arguably do not provide sufficient granularity to support decisions at farm level. The British Standards Institute’s nature investment standards principles, both published and in development, should provide the baseline requirements that all natural capital markets should meet to ensure genuine net gains for nature in regard to additionality and other standards.

**140. RECOMMENDATION**

The Government must continue to work with both public and private sector organisations, including the British Standards Institute and the International Sustainability Standards Board, so as to establish a clear and robust baseline assessment methodology against which all gains will be measured. The Government should do this not later than 12 months of the date of publication of this report.

## Offshoring

**141.** The nature that underlies the biodiversity or nature credit is location-specific, both domestically and internationally as biodiversity is inherently different from one location to another.<sup>191</sup> This spatial specificity means that the credits themselves are less fungible than other credit assets such as carbon credits.<sup>192</sup> If this specificity is not taken into account, then there are risks that certain ecosystems or types of biodiversity will be negatively impacted.

**142.** According to Peter Bachmann, Managing Director at Gresham House, a specialist alternative asset manager, the UK consumes 2.6 times its domestic production.<sup>193</sup> This means the UK is outsourcing productive capacity to other countries.<sup>194</sup> In order to prevent the UK from producing credits which effectively offshore activity that causes environmental degradation, international standards must be established for offset

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191 Wilder Carbon ([CAP0044](#))

192 For a discussion of the limitations on the fungibility of biodiversity credits *vis-à-vis* carbon credits, see, for example, World Economic Forum Community Paper, [Biodiversity Credits: Demystifying Metrics for Nature Markets](#), September 2024, p 7

193 [Q264](#) (HC 280 (2023–24))

194 [Q264](#) (HC 280 (2023–24))

markets, allowing trust to be built in the system and providing sufficient clarity to the market to support achievement of the UKs domestic and global climate and nature goals.<sup>195</sup>

- 143.** In November 2024, the Government announced that it saw a clear and appropriate role for the responsible use of high-integrity carbon and nature credits by companies or other organisations that wished to do so as part of their climate and nature strategies. Its consultation on market integrity, issued on 17 April 2025, is intended to gather views on the steps the Government could take to assure the integrity of UK markets.<sup>196</sup>

## Greenwashing

- 144.** Greenwashing presents a significant obstacle to genuine efforts to tackle climate change and environmental degradation.<sup>197</sup> Through deceptive marketing and false claims of sustainability, greenwashing misleads consumers, investors, and the public, hampering the trust, ambition, and action needed to bring about global change and secure a sustainable planet.<sup>198</sup> In natural capital markets, greenwashing can arise due to poor quality credits which do not translate to genuine environmental impacts or whether companies use credits with high integrity.<sup>199</sup> Evidence provided to the Committee stated that the risk of greenwashing could be completely mitigated<sup>200</sup> but that without standards in a credits market, the market could be undermined by low quality products.<sup>201</sup>
- 145.** The risk of greenwashing in nature markets can be mitigated through a number of methods, including:
- the establishment of stringent criteria that allows for a quantifiable benefit to nature,
  - the evaluation of investments based on scientifically supported methodologies which can assess the impacts of projects on biodiversity and ecosystems, and

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195 Dr Amama Shaukat (Reader in Accounting and Finance at Brunel University London); Professor Grzegorz Trojanowski (Professor of Finance at University of Exeter); Dr Quintin Rayer (Head of Research and Ethical Investing at P1 Investment Services Ltd.) (CAP0014)

196 Department for Energy Security and Net Zero market notice, [Raising integrity in the voluntary carbon and nature market](#), November 2024; Department for Energy Security and Net Zero consultation, [Voluntary carbon and nature markets: raising integrity](#), April 2025

197 Greenwashing is defined as ‘the creation or propagation of an unfounded or misleading environmentalist image.’ Oxford English Dictionary, ‘[greenwashing \(n.\)](#),’ December 2023.

198 United Nations Climate Action, [Greenwashing – the deceptive tactics behind environmental claims](#) [last accessed 23 April 2024]

199 [Q162](#) (HC 280 (2023–24))

200 The Land Trust ([CAP0002](#))

201 Environment Bank ([CAP0004](#))

- the establishment of outcome-based metrics that track tangible improvements and are aligned with overarching nature recovery goals.<sup>202</sup>

**146.** Organisations must be held accountable to these standards through independent verification and assessments of investments;<sup>203</sup> and robust reporting and disclosure practices should be in place to allow for transparency and accountability.<sup>204</sup> Continuous monitoring and sustained enforcement is necessary to ensure commitments to nature positive actions endure.<sup>205</sup>

## Transparency across BNG schemes

**147.** In February 2024, the Government made available a register of biodiversity gain sites which allows the public to inspect the details of off-site BNG schemes. The data available on the register include details of the location, site boundary, type of habitat created or enhanced, habitats on sites that are allocated to a development and the relevant local planning body or responsible body.<sup>206</sup>

**148.** The number of existing biodiversity units on the site is calculated on the basis of a baseline survey. The statutory biodiversity metric tool developed by DEFRA is used to determine how many units are expected to be generated through planned activities to create or to enhance habitats. The site must be recorded on the national public register, together with details both of its location and of the units on the site which have been sold to a developer or developers in lieu of on-site gains.<sup>207</sup>

**149.** While the register of off-site schemes is open to inspection by the general public, this is not the case for on-site gains. The sites of on-site gains are registered as part of planning permission provided by local authorities and embedded within planning approvals. Therefore, for the public to find all of the sites within a single local planning authority they would require significant time and effort. This makes it difficult to determine where the entire collection of on-site BNG resides and limits local authority capacity to create a comprehensive plan for delivering BNG.

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202 Environmental Industries Commission ([CAP0022](#))

203 Wilder Carbon ([CAP0044](#))

204 Dr Amama Shaukat (Reader in Accounting and Finance at Brunel University London); Professor Grzegorz Trojanowski (Professor of Finance at University of Exeter); Dr Quintin Rayer (Head of Research and Ethical Investing at P1 Investment Services Ltd.) ([CAP0014](#))

205 Leverhulme Centre for Nature Recovery ([CAP0016](#))

206 Department for Environment, Food and Rural Affairs guidance, [Search the biodiversity gain sites register](#) [last accessed 23 April 2025]

207 Parliamentary Office of Science and Technology, [Biodiversity net gain](#), POSTnote 728, September 2024

**150. CONCLUSION**

The ability for nature credits to be traced through clear and transparent means is key to ensuring market integrity. Although a register of BNG sites available for offsite investment has now been established, the public interface is still not fully accessible and overall visibility of financial flows into onsite and offsite BNG schemes is low.

**151. RECOMMENDATION**

We recommend that not later than 12 February 2026—the start of the next biodiversity net gain reporting year—the Government establish a comprehensive and publicly accessible register of:

- the location of onsite and offsite assets being developed under statutory provision for biodiversity net gain;
- the identity of investors in such assets, and
- the identity of the owners of statutory biodiversity credits issued by Government.

Such a register will provide improved transparency.

## Market certainty

- 152.** Certainty is fundamental to confidence in nascent markets, and the lack of confidence is a key barrier for land managers and farmers considering whether to engage with private finance to support nature recovery on their land. Several witnesses told the Committee that in order to establish this certainty, the Government needed to provide long-term direction together with a policy framework that would enable land managers and farmers to trust that their investment and engagement in this sector would result in adequate returns.<sup>208</sup> Some indicated that a mandated regime that required companies to partake in compensation and restoration of nature through mechanisms such as biodiversity net gain or nature-related financial disclosures would provide confidence in the market to those developing credit supply.<sup>209</sup>

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208 Central Association of Agricultural Valuers ([CAP0021](#)), Sustainable Soils Alliance ([CAP0027](#)), Kana Earth ([CAP0041](#)), IEMA (Institute of Environmental Management & Assessment) ([CAP0048](#))

209 Environment Bank ([CAP0004](#)); Gresham House plc ([CAP0042](#))

- 153.** Recent reports claiming that Government advisers had been questioning the long-term value of BNG policy, in the light of proposals to establish a Nature Restoration Fund, threatened to put at risk the long-term credibility of markets based on BNG credits.<sup>210</sup>
- 154.** The Government has an opportunity to drive significant demand and bolster market certainty through its promotion of Nationally Significant Infrastructure Projects (NSIPs), to which BNG is expected to apply from November 2025.<sup>211</sup> The BNG requirements of NSIPs are likely to be greater than can be delivered through onsite or offsite delivery, and will therefore have to be satisfied through the acquisition of credits. The resultant demand is likely to be substantial.<sup>212</sup>
- 155. RECOMMENDATION**  
The Government must set out unequivocally its support for BNG policy and ensure that it continues to deliver genuine habitat net gains and supports a thriving market in natural capital credits. The Government should make use of Nationally Significant Infrastructure Projects as a method to drive support for BNG.

## Data

- 156.** High quality datasets are necessary to deliver certainty and confidence in the nature market. The lack of standardised data prevents accurate measuring of impacts from investments and subsequent reporting accuracy.<sup>213</sup>
- 157.** Natural England told us that as part of the Natural Capital Ecosystem Assessment, they were working to make it easy to understand, to make comparable judgments between datasets from different places, and also to make it cost-effective to collect that data.<sup>214</sup>
- 158.** Sufficient direction from Government on what good biodiversity data looks like would strengthen confidence in the market.<sup>215</sup> For example, a barrier to reliable interpretation of natural capital data is a lack of

210 See ENDS Report, '[BNG: No 10 raising questions over flagship nature policy in growth push – sources](#)', 11 February 2025

211 Department for Environment, Food and Rural Affairs blogpost, [The Biodiversity Net Gain Statutory Instruments – explained](#), 29 November 2023 [last accessed 23 April 2025]

212 UK Infrastructure Bank ([CAP0051](#))

213 The Investment Association ([CAP0005](#))

214 [Q59](#) (HC 280 (2023–24))

215 TheCityUK ([CAP0010](#))

accurate information on the prevalence of variation in organisms present depending on the season: this can be addressed by establishing sufficient understanding as to the patterns expected across all seasons.<sup>216</sup>

## Standards

159. An additional factor in delivering a successful nature market is to ensure that standards, such as those being produced by the British Standards Institute (BSI) or the International Sustainability Standards Board (ISSB), are robust enough to provide confidence to the market.<sup>217</sup>
160. BSI has partnered with DEFRA, devolved administrations and industry to establish a standards framework to address barriers to investing in nature.<sup>218</sup> This work on nature market integrity is expected to assist in setting the required principles for establishing and maintaining these markets and having a basis for assessing the robustness of investments.<sup>219</sup> The Country Land and Business Association believed that this work was essential, as it would forestall any potential market failure arising from excessive risk.<sup>220</sup>
161. BSI issued its Overarching Principles Standard—a standard for how nature markets should function to be considered as high integrity markets—in March 2025. The Government expects this standard to boost investment in nature and help clamp down on greenwashing.<sup>221</sup> The Director General of the BSI announced that the principles were designed “to provide consistency and rigour for high-integrity UK nature markets that trade in real, measurable environmental benefits.”<sup>222</sup>
162. BSI standards in this area seek to establish principles which underpin the integrity of the processes in nature markets.<sup>223</sup> They are being developed under the BSI Flex programme, which is intended to provide for “rapid and flexible standardisation in situations where ideas are developing”.<sup>224</sup> The Overarching Principles Standard is intended to contribute to “a sound

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216 [Q200](#) (HC 280 (2023–24))

217 Environment Bank ([CAPO004](#)).

218 British Standards Institution, [The Nature Investment Standards \(NIS\) Programme](#) [last accessed 23 April 2025]

219 Forestry Commission ([CAPO008](#))

220 [Q10](#) (HC 280 (2023–24))

221 Department for Environment, Food and Rural Affairs press release, [New world-leading nature finance standards launched to encourage green investment](#), 25 March 2025

222 See previous reference

223 Integrity, in this context, is defined as the fairness, honesty and other characteristics that contribute to trust in a market.

224 British Standards Institution, [Principles of BSI Flex Standardization - BSI Flex 0](#), August 2022 [last accessed 23 April 2025]



governance framework that will increase confidence and participation in nature markets, unlocking their potential to facilitate higher investment flows for nature recovery and sustainable farming.”<sup>225</sup>

## Direction from Government

- 163.** Biodiversity net gain legislation came into effect in February 2024,<sup>226</sup> but it did so before the Government had all elements in place that would ensure it was a success in the long term.<sup>227</sup> In May 2024, the NAO reported that DEFRA did not have access to all the information it needed to understand how well BNG is working including lacking a fully developed approach to monitoring and evaluating BNG. An example of this was that Natural England had access to information from the statutory biodiversity register, but this only related to off-site gains. It did not have a comprehensive source of information about on-site gains. At the time that the NAO issued the report of its study, DEFRA was exploring what information might be available from the reports of local authorities on their compliance with the statutory biodiversity duty: this information will in any case only be available at five-yearly intervals.<sup>228</sup> Without information that is complete and of good quality, there is a risk that the Government will not know whether statutory BNG is working as intended, and could miss insights useful for DEFRA’s wider work to leverage green finance for environmental improvement.<sup>229</sup>
- 164.** The previous Government committed to publishing a Land Use Framework in 2023.<sup>230</sup> In its 2024 report on Environmental change and food security, the previous Committee called for the Government to explore ways to grow the controlled environment agriculture sector in an environmentally responsible way, such as through its Land Use Framework and its Environmental Land

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225 British Standards Institution, [Nature markets – Overarching principles and framework – Specification](#), BSI Flex 701 v2.0:2025–03, March 2025, para 0.4

226 Department for Environment, Food and Rural Affairs guidance notes, [Biodiversity net gain](#), February 2023 [last accessed 23 April 2024]

227 National Audit Office, [Implementing statutory biodiversity net gain](#), HC 729 (2023–24), p 14

228 National Audit Office, [Implementing statutory biodiversity net gain](#), HC 729 (2023–24), p 12 (summary para 18). Local authorities are under a duty to produce five-yearly reports on how they have observed the statutory biodiversity duty established under the Natural Environment and Rural Communities Act 2006 and augmented by the Environment Act 2021: Natural Environment and Rural Communities Act 2006, [Part 3](#), as amended by Environment Act 2021, [s 102](#)

229 National Audit Office, [Implementing statutory biodiversity net gain](#), HC 729 (2023–24)

230 Department for Environment, Food and Rural Affairs, [Government food strategy](#), CP 698, June 2022, p 11, “We will publish a land use framework in 2023 to ensure we meet our net zero and biodiversity targets, and help our farmers adapt to a changing climate, whilst continuing to produce high quality, affordable produce that supports a healthier diet”; see also House of Lords Environment and Climate Change Committee, Second Report of Session 2022–23, [An extraordinary challenge: Restoring 30 per cent of our land and sea by 2030](#), HL Paper 234 (2022–23), July 2023, para 23.

Management schemes, as well as through the business rates regime.<sup>231</sup> This framework is yet to be published, though as we have indicated above the Government opened a consultation on a land use framework in January 2025.<sup>232</sup>

- 165.** In November 2024, the Government launched the UK Green Taxonomy consultation envisaged by the previous administration. The purpose of implementing a green taxonomy is to support investment into activities aligned with sustainability goals, and to mitigate greenwashing.<sup>233</sup> This consultation sought views on whether a UK green taxonomy would be additional and complementary to existing sustainable finance policies, including in supporting market participants to make sustainable investment decisions, and the specific market and regulatory use cases which facilitate this. The consultation closed on 6 February 2025 and the Government is yet to respond.<sup>234</sup>

### Our view

**166. CONCLUSION**

Our inquiry has found many financial mechanisms that can be employed to fund nature recovery: nature markets are one piece of the puzzle. Natural capital assets cannot be directly traded with the same ease as carbon dioxide allowances or carbon credits, owing to their inherent locational basis. In addition to complexities of measurement, the Nature Markets Framework requires nature credits to be non-fungible, as they must be traceable. Units are therefore not interchangeable: the flow of goods in nature markets cannot be traded in the same way as fungible goods such as coffee or crude oil.

**167. RECOMMENDATION**

The Government should clearly define its expectation for the level of nature recovery in England which is likely to be achieved through the operation of nature markets, and should set out the criteria against which progress will be evaluated. In doing so, the Government should set, and publish, a target for the growth of the UK's natural capital as well as establishing milestones in pursuit of that target.

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231 Environmental Audit Committee, Fourth Special Report of Session 2023–24, [Environmental change and food security: Government Response to the Committee's Second Report](#), HC 646 (2023–24), March 2024

232 Department for Environment, Food and Rural Affairs consultation paper, [Land use in England](#), January 2025

233 HM Treasury consultation, [UK Green Taxonomy](#), November 2024

234 HM Treasury consultation, [UK Green Taxonomy](#), November 2024

**168. RECOMMENDATION**

Nature and biodiversity are highly location specific and a market which trades in biodiversity credits must account for this. The UK Government should ensure that the UK market has integrity and strong regulation that minimises the risk of the UK market offshoring its nature degradation. Care should be taken to ensure that credits traded through the UK market do not support market practices which put financial stability at risk.

**169. RECOMMENDATION**

To achieve success in nature markets, the Government must produce the full suite of documents that will be fundamental to its success, including the Land Use Framework, the Government responses to the consultations on a UK Green Taxonomy and on raising integrity in voluntary carbon and nature markets, rules on the stacking and bundling of natural capital assets, and fulfilment of the remaining commitments made in the Nature Markets Framework 2023. Should it not have published these documents by the time of its response to this report, the Government should set out a timeline for the publication of each. Nature restoration schemes and policies must be designed to deliver long term assurance to investors. As far as possible, domestic policies should align with recognised international standards, for example using the approach of the International Sustainability Standards Board.

**170. RECOMMENDATION**

At such an early stage it is difficult to assess the full impacts of the biodiversity net gain policy. The Government should remain steadfast in its commitment to implementation of this policy: any indication that it could be rolled back would cause uncertainty in the market and would have a negative impact on investment in nature restoration initiatives.

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# Conclusions and recommendations

## The green foundations of the UK economy

1. The Government should undertake an impact assessment of the Planning and Infrastructure Bill to assess how the Nature Restoration Fund would interact with and impact upon the operation of Biodiversity net gain and of broader Government initiatives to encourage investment into nature markets. The Committee expects this impact assessment to be published prior to the first day of the Bill's Report stage in the House of Commons, to assist the House in understanding the implications of the Bill's provisions for the development of natural capital markets. (Recommendation, Paragraph 32)
2. Natural capital assets are an essential foundation of the UK and global economy, and we consider that a natural capital approach is vital if the overall value of nature to the UK is to be properly evaluated and developed. (Conclusion, Paragraph 34)
3. The work done so far in Government to incorporate natural capital approaches into policymaking and the overall evaluation of the economy is welcome: but there is little evidence to how this approach genuinely informs Ministerial and Cabinet decisions on the economy. The Government is yet to demonstrate how it is fully integrating natural capital and natural capital risk into all of its decisions, including financial decisions. We note with concern that the environment and nature are not expressly included in the remits of any of the Mission Boards of the current administration. (Conclusion, Paragraph 35)
4. We recommend that in its response to this report the Government provide an assessment of the extent to which a natural capital approach is currently incorporated into decisions on policy, how risks to current levels of natural capital are taken into account, and what measures are in place to mitigate those risks. (Recommendation, Paragraph 36)
5. We expect the Government to use the June 2025 Spending Review to set out how it has taken a natural capital approach to the evaluation of spending decisions as well as to set out how the approaches taken will grow the UK's stock of natural capital; and what the expected benefits of this approach will be for nature and the wider economy. (Recommendation, Paragraph 37)

## Market supply

6. Taxpayer purchase of ecosystem services alone is no longer a sufficient mechanism to deliver the overall improvement in ecosystem services necessary for the scale of nature recovery required. (Conclusion, Paragraph 49)
7. The Committee agrees with the Government's current approach to driving investment into nature recovery through drawing in private finance. Whatever the source of the funds, policy should ensure that farmers and land managers are supported to deliver ecosystem improvements while also farming to produce food. (Recommendation, Paragraph 50)
8. The supply of natural capital schemes to the market is inherently limited by the land space which is in practice available for nature restoration. There are constraints in the UK in delivering projects at the scale seemingly required for the international market. Therefore there is merit in the Government's support for nature recovery at scale, provided that communities impacted by development also see the benefits of nature recovery. (Conclusion, Paragraph 62)
9. There is a clear role for Government in encouraging landowners and land managers to engage in the use of land to increase the stock of natural capital assets. One way to do this is through incentivising the allocation of land to natural capital schemes, thereby developing their supply to the market. We recognise the work already undertaken under the Nature Markets Framework to encourage landowners to recognise the potential benefits of participation in nature recovery. (Conclusion, Paragraph 63)
10. The Government should keep under review the effect of its fiscal policy on the availability of land for natural capital investment. In particular, the effect of the inclusion of environmental improvement schemes within the scope of APR relief from April 2025, combined with the changes to APR thresholds to be introduced in April 2026, ought to be monitored for their effects on the supply of land to environmental improvement projects. Care must be taken to ensure that fiscal policy provides appropriate incentives to deliver genuine ecosystem enhancements, rather than providing opportunities to shelter capital from tax obligations, and that it does not encourage the removal of prime land from food production in a way which compromises the UK's food security. We recommend that the Government report to the House on the operation of APR relief in relation to environmental improvement schemes no later than three months from the end of the 2026–27 financial year. (Recommendation, Paragraph 64)
11. The Government's projections for changes in land use in England by 2050, contained in its current consultation on a Land Use Framework, indicate a potentially substantial increase in the land area allocated to nature recovery, either alongside or instead of agricultural production.

Implementation of any land use framework, and the policy instruments put in place to support changes of use, will require careful scrutiny to ensure continued support for food security in England alongside initiatives for nature recovery. (Conclusion, Paragraph 65)

12. We welcome the consultation on a Land Use Framework and look forward to its publication. We recommend that in the Framework Ministers clarify how environmental land management schemes and other nature funding for farmers ought to complement wider nature restoration efforts and funding for nature restoration projects. We expect the Government to set out, by means of the Framework, how Ministers plan to ensure continued food security, given the projected reduction in the land area to be used for food production in England. (Recommendation, Paragraph 66)
13. To ensure the effective delivery of its commitments to protect 30% of land in England for nature, the Government will need to consider how to make environmental land management more accessible and attractive to landowners and land managers. This will require the removal of any existing barriers to engagement and a thorough review of incentives, so as to give the sector certainty in the returns to be received from allocating land to environmental protection. As well as supporting landowners directly through taxpayer purchase of ecosystem improvements, the Government ought to prioritise delivery of measures designed to encourage provision of offsite BNG schemes for investment. (Conclusion, Paragraph 87)
14. We recommend that as part of the forthcoming Land Use Framework the Government undertake a thorough review of its approach to incentivising the allocation of privately held land to nature recovery, in particular in respect of changes of use of agricultural land to deliver more environmental benefits alongside agricultural production, or in respect of changes away from agricultural use. This should include a review of current barriers to the supply of land for nature recovery projects supported by private investment. (Recommendation, Paragraph 88)
15. Ministers have set out the criteria they plan to use to establish whether land in England is considered to be ‘protected’ for the purposes of the 30by30 commitment. We note that an area is to be considered ‘protected’ if it can be shown that it is “protected against loss or damage to important biodiversity values, through legal or other effective means”. (Conclusion, Paragraph 89)
16. We recommend that in its response to this report the Government clarify—
  - what it considers to be ‘effective means’ of protection against loss or damage to important biodiversity values for the purposes of designating land in England as ‘protected’ for the purposes of the 30by30 commitment;

- how it is proposed to monitor whether land designated under the commitment continues to be protected from biodiversity loss and damage, and
  - what recourse is available to Ministers to ensure protection in circumstances where the arrangements in place for protection have proved ineffective. (Recommendation, Paragraph 90)
- 17.** For successful nature markets to be delivered there needs to be an effective balance between efficiencies of scale and local accountability which brings about local buy-in and transparency, ensuring that offsets are being delivered to a high standard. A method for this to be achieved is through facilitating developers to pool their BNG requirements across multiple developments, while ensuring that the benefit from nature restoration is available to local communities. (Conclusion, Paragraph 91)
- 18.** The Government should continue to demonstrate leadership on natural capital markets by evaluating and reviewing the BNG policy and whether its design, metrics, and implementation remain effective in increasing investment into natural capital projects and delivering measurable improvements in nature recovery. Estimates of the investment to be generated from BNG (currently £9.6 billion over ten years) should be kept under regular review, with the Government publishing annual updates of progress. (Recommendation, Paragraph 92)
- 19.** We are concerned to note that the Government has not yet published full details of its approach to the investment of revenues from the sale of BNG credits. The Government must demonstrate that it is committed to this approach to nature renewal, rather than treating it as another source of revenue to the Exchequer. We recommend that Ministers publish as soon as possible their plans for the use of such revenues as remain after the costs of administering the credit sale scheme have been met. (Recommendation, Paragraph 93)

## Market demand

- 20.** Compliance, or an expectation of compliance with a future regulation, is a significant driver of demand for nature markets. Clarity and investor confidence in regulatory rules and functions is essential to maintaining stable demand and driving opportunities for investment. (Conclusion, Paragraph 121)
- 21.** Regulatory requirements are typically seen as an obstacle to market efficiency. In the case of BNG, compliance consistency is fundamental to trust in the system and the fair and transparent operation of the market. (Conclusion, Paragraph 122)

- 22.** We recommend that the Government consult on measures to increase compliance as a market driver, potentially through expanding BNG requirements or mandating corporate disclosure of nature-damaging activities. (Recommendation, Paragraph 123)
- 23.** The Government should also ensure that on-site gains have sufficient transparency and scrutiny of delivery—through sufficient funding of local authorities to deliver checks, and provision to local authorities of the capacity to undertake enforcement action—with a commitment to reforming the delivery of on-site gains if widespread non-compliance is detected. We recommend that Ministers now commit to reviewing the effectiveness of on-site delivery of BNG at the end of the third BNG reporting year in February 2027, and to issuing the report of the review by the end of May 2027. (Recommendation, Paragraph 124)
- 24.** For the Government to determine whether it has delivered on its target to deliver £1 billion of private investment into nature recovery annually by 2030, it must have primary data on relevant financial flows to provide a thorough understanding of investment levels, which it currently lacks. (Conclusion, Paragraph 125)
- 25.** The Government should urgently address the gaps in its data and understanding around the level of investment into nature recovery projects. We recommend that within 12 months of the date of publication of this report the Government provide a report to the House on current and projected levels of private investment into nature recovery in England and performance against the targets set by Ministers in the 2021 Spending Review. (Recommendation, Paragraph 126)

## Market structure and mechanisms

- 26.** It is vital to develop a substantial baseline to measure natural capital improvement metrics against. This is already taking place in some respects (e.g. Natural Capital Ecosystem Assessment (NCEA) data for woodlands) but the current programmes arguably do not provide sufficient granularity to support decisions at farm level. The British Standards Institute’s nature investment standards principles, both published and in development, should provide the baseline requirements that all natural capital markets should meet to ensure genuine net gains for nature in regard to additionality and other standards. (Conclusion, Paragraph 139)
- 27.** The Government must continue to work with both public and private sector organisations, including the British Standards Institute and the International Sustainability Standards Board, so as to establish a clear and robust



baseline assessment methodology against which all gains will be measured. The Government should do this not later than 12 months of the date of publication of this report. (Recommendation, Paragraph 140)

- 28.** The ability for nature credits to be traced through clear and transparent means is key to ensuring market integrity. Although a register of BNG sites available for offsite investment has now been established, the public interface is still not fully accessible and overall visibility of financial flows into onsite and offsite BNG schemes is low. (Conclusion, Paragraph 150)
- 29.** We recommend that not later than 12 February 2026—the start of the next biodiversity net gain reporting year—the Government establish a comprehensive and publicly accessible register of:
- the location of onsite and offsite assets being developed under statutory provision for biodiversity net gain;
  - the identity of investors in such assets, and
  - the identity of the owners of statutory biodiversity credits issued by Government.

Such a register will provide improved transparency. (Recommendation, Paragraph 151)

- 30.** The Government must set out unequivocally its support for BNG policy and ensure that it continues to deliver genuine habitat net gains and supports a thriving market in natural capital credits. The Government should make use of Nationally Significant Infrastructure Projects as a method to drive support for BNG. (Recommendation, Paragraph 155)
- 31.** Our inquiry has found many financial mechanisms that can be employed to fund nature recovery: nature markets are one piece of the puzzle. Natural capital assets cannot be directly traded with the same ease as carbon dioxide allowances or carbon credits, owing to their inherent locational basis. In addition to complexities of measurement, the Nature Markets Framework requires nature credits to be non-fungible, as they must be traceable. Units are therefore not interchangeable: the flow of goods in nature markets cannot be traded in the same way as fungible goods such as coffee or crude oil. (Conclusion, Paragraph 166)
- 32.** The Government should clearly define its expectation for the level of nature recovery in England which is likely to be achieved through the operation of nature markets, and should set out the criteria against which progress will be evaluated. In doing so, the Government should set, and publish, a target for the growth of the UK's natural capital as well as establishing milestones in pursuit of that target. (Recommendation, Paragraph 167)

- 33.** Nature and biodiversity are highly location specific and a market which trades in biodiversity credits must account for this. The UK Government should ensure that the UK market has integrity and strong regulation that minimises the risk of the UK market offshoring its nature degradation. Care should be taken to ensure that credits traded through the UK market do not support market practices which put financial stability at risk. (Recommendation, Paragraph 168)
- 34.** To achieve success in nature markets, the Government must produce the full suite of documents that will be fundamental to its success, including the Land Use Framework, the Government responses to the consultations on a UK Green Taxonomy and on raising integrity in voluntary carbon and nature markets, rules on the stacking and bundling of natural capital assets, and fulfilment of the remaining commitments made in the Nature Markets Framework 2023. Should it not have published these documents by the time of its response to this report, the Government should set out a timeline for the publication of each. Nature restoration schemes and policies must be designed to deliver long term assurance to investors. As far as possible, domestic policies should align with recognised international standards, for example using the approach of the International Sustainability Standards Board. (Recommendation, Paragraph 169)
- 35.** At such an early stage it is difficult to assess the full impacts of the biodiversity net gain policy. The Government should remain steadfast in its commitment to implementation of this policy: any indication that it could be rolled back would cause uncertainty in the market and would have a negative impact on investment in nature restoration initiatives. (Recommendation, Paragraph 170)

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# Formal Minutes

**Wednesday 23 April 2025**

## Members present

Mr Toby Perkins, in the Chair

Olivia Blake

Julia Buckley

Barry Gardiner

Anna Gelderd

Sarah Gibson

Alison Griffiths

Chris Hinchliff

Martin Rhodes

Sammy Wilson

## **The role of natural capital in the UK's green economy**

Draft Report (*The role of natural capital in the UK's green economy*), proposed by the Chair, brought up and read.

Paragraphs 1 to 170 read and agreed to.

Summary agreed to

*Resolved*, That the Report be the First Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

## **Adjournment**

Adjourned till Wednesday 7 May 2025 at 2.00 pm.

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# Witnesses

The following witnesses gave evidence to the predecessor committee's inquiry. Transcripts can be viewed on the inquiry publications webpage, [The role of natural capital in the green economy \(HC 280, Session 2023–24\)](#).

## Wednesday 24 January 2024

**Teresa Dent CBE**, CEO, Game and Wildlife Conservation Trust; **Minette Batters**, President, National Farmers Union (NFU); **Judicaelle Hammond**, Director of Policy and Advice, Country Land and Business Association [Q1–52](#)

**Alan Carter**, CEO, Land Trust; **Karen Ellis**, Chief Economist, WWF-UK; **Dr Tony Juniper CBE**, Chair, Natural England [Q53–96](#)

## Wednesday 28 February 2024

**Andy Howard**, Global Head of Sustainable Investment, Schroders; **Gordon Bennett**, Managing Director, Utility Markets, Intercontinental Exchange; **Helen Avery**, Director of Nature Programmes and GFI Hive, Green Finance Institute [Q97–138](#)

**Oliver Lewis CBE**, Founder, Joe's Blooms; **Ana Haurie**, CEO, Respira; **Jonathan Shopley**, Managing Director of External Affairs, Climate Impact Partners [Q139–185](#)

## Wednesday 20 March 2024

**Susannah Stock**, Banking Director responsible for Natural Capital, UK Infrastructure Bank (UKIB); **Paul Scaping**, Public Policy Specialist, The Investment Association; **Dr Scott Steedman CBE**, Director-General, Standards, and Group Executive, British Standards Institution (BSI) [Q186–233](#)

**Dr Pernille Holtedahl**, Research Fellow, Centre for Climate Finance and Investment, Imperial College Business School; **Peter Bachmann**, Managing Director, Sustainable Infrastructure, Gresham House plc; **Professor Guy Standing**, Professorial Research Associate, SOAS University of London; **Professor David Hill CBE**, Chairman, Environment Bank [Q234–284](#)

## Monday 20 May 2024

**The Rt Hon. the Lord Benyon GCVO**, Minister of State (Climate, Environment and Energy), Foreign, Commonwealth and Development Office and the Department for Environment, Food and Rural Affairs; **Helen Edmundson**, Deputy Director, Green Finance, Department for Environment, Food and Rural Affairs; **The Baroness Vere of Norbiton**, Parliamentary Secretary, HM Treasury; **Fayyaz Muneer**, Deputy Director, Green Finance and Prudential Policy, Financial Services Group, HM Treasury [Q285–365](#)

The following witnesses gave evidence to the Committee's inquiry. Transcripts can be viewed on the inquiry publications webpage, [The role of natural capital in the green economy \(HC 501, Session 2024–25\)](#).

## Wednesday 4 December 2024

**Rt Hon Philip Dunne**, Chairman (2020–2024), Environmental Audit Select Committee [Q366–375](#)

**Judicaelle Hammond**, Director of Policy and Advice, Country Land and Business Association; **Alan Carter**, Chief Executive Officer, The Land Trust [Q376–392](#)

**Helen Avery**, Director, Nature Programmes and GFI Hive, Green Finance Institute; **Kate McGavin**, Chief Policy and Strategy Officer, National Wealth Fund; **Dr Heather Plumpton**, Head of Research, Green Alliance [Q393–419](#)

## Wednesday 18 December 2024

**Mary Creagh CBE MP**, Parliamentary Under-Secretary of State (Minister for Nature), Department for Environment, Food and Rural Affairs; **Helen Edmundson**, Deputy Director, Green Finance, Department for Environment, Food and Rural Affairs; **Dr Will Lockhart OBE**, Deputy Director, International Biodiversity and Wildlife, Department for Environment, Food and Rural Affairs [Q420–496](#)

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# Published written evidence

The following written evidence was received by the predecessor committee and can be viewed on the inquiry publications webpage, [The role of natural capital in the green economy \(HC 280, Session 2023-24\)](#).

CAP numbers are generated by the evidence processing system and so may not be complete.

1	Aviva Investors	<a href="#">CAP0046</a>
2	Bennett Institute for Public Policy, University of Cambridge; The Productivity Institute; and Land, Environment, Economics and Policy Institute, Univeristy of Exeter	<a href="#">CAP0025</a>
3	Berkeley Center for Law and Business	<a href="#">CAP0047</a>
4	British Standards Institution	<a href="#">CAP0031</a>
5	Dent, Teresa CBE, Game & Wildlife Conservation Trust	<a href="#">CAP0054</a>
6	Central Association of Agricultural Valuers	<a href="#">CAP0021</a>
7	Chester Zoo	<a href="#">CAP0050</a>
8	Climate Impact Partners	<a href="#">CAP0028</a>
9	Cutting, Mr William	<a href="#">CAP0001</a>
10	Environment Bank	<a href="#">CAP0004</a>
11	Environmental Horticulture Group	<a href="#">CAP0013</a>
12	Environmental Industries Commission	<a href="#">CAP0022</a>
13	Forestry Commission	<a href="#">CAP0008</a>
14	Game & Wildlife Conservation Trust	<a href="#">CAP0033</a>
15	Gresham House plc	<a href="#">CAP0042</a>
16	Heyburn, Mr James (Policy and Engagement Officer, Imperial College London); Dr Pernille Høltedahl (Research Fellow, Centre for Climate Finance & Investment, Imperial College Business School); Ivana Popovic (Research Associate, Centre for Climate Finance and Investment, Imperial College Business School and the Grantham Institute – Climate Change and Environment); and Dr Shefali Khanna (Research Associate in Energy and	

	Environmental Economics, Imperial College Business School and Grantham Institute – Climate Change and Environment)	<a href="#">CAP0018</a>
17	Historic England	<a href="#">CAP0026</a>
18	Holtedahl, Dr Pernille (Research Fellow, Centre for Climate Finance and Investment, Imperial College Business School)	<a href="#">CAP0057</a>
19	IEMA (Institute of Environmental Management & Assessment)	<a href="#">CAP0048</a>
20	Joe’s Blooms	<a href="#">CAP0052</a>
21	Juniper, Dr Tony, CBE, (Chair, Natural England)	<a href="#">CAP0055</a>
22	Kana Earth	<a href="#">CAP0041</a>
23	Leverhulme Centre for Nature Recovery	<a href="#">CAP0016</a>
24	Lyon, Professor Fergus (Professor, Middlesex University)	<a href="#">CAP0038</a>
25	Marine Conservation Society	<a href="#">CAP0015</a>
26	Natural Course	<a href="#">CAP0006</a>
27	Natural England	<a href="#">CAP0032</a>
28	NatureScot	<a href="#">CAP0045</a>
29	Palladium	<a href="#">CAP0003</a>
30	Positive Money	<a href="#">CAP0019</a>
31	RSPB (Royal Society for the Protection of Birds)	<a href="#">CAP0034</a>
32	Schroders	<a href="#">CAP0058</a>
33	ShareAction	<a href="#">CAP0030</a>
34	Shaukat, Dr Amama (Reader in Accounting and Finance, Brunel University London); Professor Grzegorz Trojanowski (Professor of Finance, University of Exeter); and Dr Quintin Rayer (Head of Research and Ethical Investing, P1 Investment Services Ltd.)	<a href="#">CAP0014</a>
35	Sustainable Soils Alliance	<a href="#">CAP0027</a>
36	The Country Land and Business Association (CLA)	<a href="#">CAP0009</a>
37	The City of London Corporation	<a href="#">CAP0020</a>
38	The Investment Association	<a href="#">CAP0005</a>
39	The Land Trust	<a href="#">CAP0002</a>
40	The Rivers Trust	<a href="#">CAP0029</a>
41	The Woodland Trust	<a href="#">CAP0053</a>
42	TheCityUK	<a href="#">CAP0010</a>

43	UBS	<a href="#">CAP0012</a>
44	UCL Institute for Sustainable Resources	<a href="#">CAP0011</a>
45	UK Infrastructure Bank	<a href="#">CAP0051</a>
46	UK Sustainable Investment and Finance Association (UKSIF)	<a href="#">CAP0056</a>
47	West Midlands Combined Authority	<a href="#">CAP0036</a>
48	West	<a href="#">CAP0007</a>
49	Wilder Carbon	<a href="#">CAP0044</a>
50	Wildlife & Countryside Link	<a href="#">CAP0023</a>
51	Wildlife Works and Sniffer	<a href="#">CAP0035</a>
52	World Wide Fund for Nature (WWF)	<a href="#">CAP0040</a>
53	Worshipful Company of Water Conservators	<a href="#">CAP0043</a>
54	abrdn plc	<a href="#">CAP0037</a>

The following written evidence was received and can be viewed on the inquiry publications webpage, [The role of natural capital in the green economy \(HC 501, Session 2024–25\)](#).

RNC numbers are generated by the evidence processing system and so may not be complete.

55	Faculty of Science and Engineering, University of Wolverhampton	<a href="#">RNC0004</a>
56	Game & Wildlife Conservation Trust	<a href="#">RNC0003</a>
57	Global Finance and Economy Group of the Environmental Change Institute, University of Oxford	<a href="#">RNC0009</a>
58	Institute of Environmental Management and Assessment	<a href="#">RNC0007</a>
59	Natural England	<a href="#">RNC0006</a>
60	Office for National Statistics	<a href="#">RNC0010</a>
61	Scottish Forum on Natural Capital; and Highlands Rewilding	<a href="#">RNC0002</a>
62	The Sustainable Soils Alliance	<a href="#">RNC0005</a>
63	WWF-UK	<a href="#">RNC0008</a>



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# List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

## Session 2024–25

Number	Title	Reference
2nd Special	Net zero and UK shipping: Government Response	HC 705
1st Special	Enabling sustainable electrification of the economy: Government Response	HC 564