Department
for Environment,
Food & Rural Affairs

Mary Creagh CBE MP
Parliamentary Under Secretary of State for Nature

Seacole Building
2 Marsham Street
London
SW1P 4DF

T: +44 (0) 3459 335577
E: correspondence.section@defra.gov.uk
W: gov.uk/defra

Toby Perkins MP
Chair, Environmental Audit
Committee

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Dear Toby,

Thank you for your letter of 22 July 2025 and for the Environmental Audit Committee's continued engagement on the important topic of natural capital and its role in supporting a sustainable green economy.

We welcome the Committee's recognition of Government's effort to respond comprehensively to the report recommendations and appreciate the opportunity to provide further information in response to specific recommendations on natural capital. Please find responses enclosed below to your follow-up questions to assist in your ongoing oversight.

Yours sincerely,

MARY CREAGH CBE MP

In Government's response to recommendation 1, the Committee requested: *Can the Government set out how it will ensure that the introduction of the Nature Restoration Fund does not undermine the attractiveness and operation of private nature markets, including delivery of offsite BNG?*

The Government is committed to increasing private investment in protecting and improving nature, supporting the delivery of our environmental targets. This involves developing a growing role for high integrity nature markets, of which the trade in offsite biodiversity units is a world leading example. Government expects this market to continue to expand, supported by the Government's ambitious plans for home building and the expansion of mandatory Biodiversity Net Gain (BNG) to Nationally Significant Infrastructure Projects (NSIPs) from May 2026. The Government has recently concluded a consultation on BNG for NSIPs, as well as options for potential improvements to BNG for minor, medium and brownfield development. Government will respond to these consultations in due course.

The new Nature Restoration Fund (NRF) will only be applicable to environmental obligations arising from legislation named on the face of the Planning and Infrastructure Bill (PIB). These all relate to protected sites and species – including the Habitats and Species Regulations, the Wildlife and

Countryside Act, and the Badgers Act – and do not extend to the Environment Act 2021. This means that BNG is not in scope of the NRF and will remain a distinct planning obligation for all development types to which it applies. This reflects that the purpose of BNG is to prioritise avoidance of harm to high value biodiversity on most development sites, with onsite nature protections and enhancements preferred to offsite investment where possible. The private, offsite BNG market then plays an essential role in supplying biodiversity units to developers where a 10% net gain cannot be achieved wholly onsite.

By contrast, the NRF is a targeted intervention which will focus on enabling development in certain areas where this has stalled due to more specific environmental obligations related to impacts on protected sites and species. In these cases, strategic conservation measures – fully funded by developers through a levy – offer the best way to achieve a win-win for both development and the specific environmental features affected by that development.

Far from replacing the role of the private sector, the NRF will create new opportunities – in addition to BNG – for habitat banks, farmers, environmental groups, and other land managers to supply nature services. Environmental Delivery Plans (EDPs) will set out strategic conservation measures to materially outweigh the negative impacts of development on one or more environmental features of a protected site or species. These suppliers will be crucial to the success of the NRF. As the body responsible for securing conservation measures, Natural England will preferentially use competitive procurement approaches to ensure innovation and value for money.

In Government's response to recommendation 3, the Committee requested:

Can the Government set out what underlies this statement, including how these decisions were made and practical examples of its application. Additionally, the Government, in its response to the Committee, did not set out how the Spending Review will promote the growth of natural capital stocks. Therefore, the Committee would appreciate a response which explicitly states how much natural capital stock is expected to grow due to the Spending Review.

Government departments are ultimately responsible for assessing the environmental impacts of their policies, programmes and projects in line with the Green Book. However, to encourage departments to consider environmental impacts more systematically, and to build their capacity and capability to undertake these assessments, HM Treasury required departments to provide information at Spending Review 2025 on the environmental impacts of spending bids. This included detailing the environmental impacts of the bids across the Environment Act 2021 targets covering biodiversity and habitats, air quality, water quality and availability, and waste reduction and outlining how these impacts had been considered in the policymaking underpinning the bids. This information was used to appraise spending bids and advise HM Treasury ministers on their impact on the delivery of the Government's environmental objectives in order to inform, alongside other policy considerations, the decisions they had to make at Spending Review 2025.

HM Treasury did not require departments to provide specific information on the impact of spending bids on natural capital stocks, focusing instead on the impact of the Spending Review on the delivery of the Government's environmental objectives. HM Treasury has therefore not calculated how much natural capital stock is expected to grow as a result of decisions taken at the Spending Review. Departments will be working through the full allocation of their financial settlements in the usual way through annual business planning rounds and will set out further details on their specific programmes in due course. Following its rapid review of the Environmental Improvement Plan (EIP) 2023, the government is also committed to publishing a revised EIP later this year. This will be our long-term plan for improving the natural environment and enjoyment of it. It will include prioritised delivery actions to help meet the ambitious Environment Act targets, clearly describing the actions we need to take, who is responsible, and how they stack up to help us reach our environmental goals.

In Government's response to recommendation 15, the Committee requested:

Can the Government provide its reasoning for why it will not develop an on-site [BNG] register, and for an explanation as to how will ensure that every unit of on-site gain is delivered.

Government is not currently intending to develop an onsite BNG register because this would duplicate information already being submitted to Local Planning Authorities (LPAs). LPAs must report on the actions they have taken to meet BNG requirements under their (NERC s40) biodiversity reporting duties. These reports should provide details on the biodiversity gains resulting, or expected to result, from the biodiversity gain plans they have approved. The first of these reports is expected in early 2026 and will help generate a national picture of onsite BNG delivery.

Onsite BNG delivery is enforced through the normal planning enforcement regime. 'Significant' onsite biodiversity gains must be secured by either a planning condition, a planning obligation, or a conservation covenant and failure to deliver the secured outcomes can result in enforcement action. Planning authorities have a range of existing planning enforcement tools at their disposal.

To strengthen transparency of onsite data, Defra is working with the Ministry of Housing, Communities & Local Government to embed BNG data—including onsite actions—into the wider digital transformation of the planning system. Additionally, Defra's recent consultation on improving BNG implementation outlines plans to digitise the biodiversity metric tool, which will support more accurate and accessible reporting of on-site gains.

In Government's response to recommendation 17, the Committee requested:

Can the Government set out the level of nature recovery in England that it expects nature markets to deliver. If the Government wishes to measure this against the Environment Act targets, as stated in its response to the Committee, it needs to clarify how much of the 500,000 hectares of habitat outside of protected sites will be delivered by nature markets by 31st December 2042.

Government is developing metrics and data to assess the contribution of private finance to nature recovery in England. This has been challenging, as it is difficult to attribute private finance flows directly to environmental outcomes. Government will set out how we will measure progress in due course.

In the meantime, the UK Land Carbon Registry provides data from the Woodland Carbon Code and Peatland Code nature markets, including the hectares of woodland and peatland created/restored, and the expected carbon sequestered. BNG primarily offsets the impact of development on biodiversity. It ensures further habitat loss is avoided and if impossible, compensated. The net gain component does not necessarily lead to significant additional habitat delivery as measured by the 500,000 hectares target, as the overall biodiversity change under BNG is measured by the BNG metric rather than in hectares. As such, whilst BNG may make some contribution to the target, enhancing and improving the quality of existing habitats can also deliver a gain in biodiversity under the metric. As BNG is a market, we are not prescribing the method of compensation and in theory enhancement of habitats only could deliver all the offsets and net gain of habitat under the policy.

Government is also establishing the future policy direction, and will detail this in the government responses to the Voluntary Carbon and Nature Markets Consultation, and the call for evidence into expanding the role of the private sector in nature recovery.