

## **HM Government – Written evidence (NSD0054)**

*Submitted by Department for Environment, Food and Rural Affairs (DEFRA) following the evidence session on Tuesday, 23 November 2021.*

### **1. The intended contribution of the agriculture sector to Net Zero**

The Net Zero Strategy puts us on an ambitious AFOLU (Agriculture, Forestry and Other Land Use) emission reduction pathway; emissions in these sectors could need to fall by 17-30% by 2030 and 24-40% by 2035, relative to 2019 levels. Reducing agricultural emissions will require productivity and innovation options including nature based land use interventions, technological development, and improved husbandry.

### **2. Further information about the Farming for Net Zero Resource outlined in the Net Zero Strategy – p171 at the end of paragraph 13: *"Additionally, Defra will develop a Farming for Net Zero resource, providing advice to farmers on good practice techniques to understand, manage and abate GHG emissions."***

We have published content on BEIS's SME (small and medium-sized enterprises) Climate Hub [online platform](#) which provides advice and detailed guidance for specific sectors, including farming.

The content outlines five specific areas where farmers can take action to reduce greenhouse gas (GHG) emissions on their farm and represents best practice guidance. The five action areas are: Understand your farm's GHG emissions, improve your nutrient use, enhance your soil health, manage your organic materials, and support herd health.

Defra is continuing to engage with industry and will develop a Farming for Net Zero resource, providing advice to farmers on good practice techniques to understand, manage and abate GHG emissions from their farm businesses.

### **3. Further information on the research and development funding given to DEFRA to support Net Zero**

HMT has awarded £75m of capital for R&D to help achieve Defra's Net Zero goals. This is ring-fenced specifically for this purpose and will be organised as a Net Zero R&D programme to ensure it delivers timely information to enable well-evidenced decisions to be taken by ministers about preferred options to reduce emissions.

Research is anticipated in areas to include: Livestock emissions; energy efficient farming; biomass; land-use; reducing emissions from food products; soils and peat, resources and waste, wastewater, impacts of offshore infrastructure for net zero; systems research.

Where appropriate, research and innovation will be pursued in collaboration with UKRI and with industry.

#### **4. Further information on how the Nature for Climate Fund provides for R&D**

The England Peat Map will be funded through the NCF (Nature for Climate Fund), receiving £3 million across the 3 year project. It is due to deliver in March 2024 and is being delivered by Natural England.

In addition to this, Defra is using money from the NCF to fund (with Scottish Government) Forest Research to revise the Woodland Carbon Code's carbon Look-up tables. This should improve the modelling of mixed species stands and lower stocking densities.

#### **5. Further information about the pilot of the aggregator platform and Entrade for carbon/PES (payments for ecosystems services) markets and any progress towards regulating these markets**

##### **Progress towards regulating carbon/PES markets**

Markets in ecosystem services have a key role to play in helping government meet its ambitious target to scale up private finance into nature to £500m per year by 2027 in England, rising to over £1bn by 2030. But we recognise the need for clear policy guardrails and governance arrangements to ensure that the existing and emerging ecosystem markets deliver high environmental integrity.

We are committed to building a market framework that can maintain the confidence of market participants, scrutiny bodies and members of the public. As these markets emerge and grow, roles and responsibilities for a range of institutions, public and private, will need to adapt and evolve as with any emerging market. We are engaging with industry leaders and experts from across the environmental, business, farming and land use, and finance sectors to understand how to scale up and accelerate these markets, whilst ensuring transparency and integrity.

##### **Further information on Entrade**

Defra and its agencies requested information from water companies on innovative projects which could contribute to a Green Recovery. EnTrade and Wessex water are developing and testing a catchment market mechanism for delivering improved water quality and improving the environment in Somerset. Entrade is a Wessex water company that creates and operates online markets for nature based solutions, to solve environmental challenges including nutrient neutrality, biodiversity net gain, net zero carbon and flood risk management.

The catchment market rules have been developed through a collaborative process between Wessex Water, the Environment Agency, and Natural England. Defra has also contracted with a consortium led by EnTrade to pilot a catchment-based nutrient trading project in the Solent region to unlock development whilst ensuring pollution from development does not further undermine the condition of internationally important protected sites.

## **Further information on the pilot of the “aggregator platform” (actions and their aggregation into standards under the Sustainable Farming Incentive pilots)**

Defra is funding and supporting a broad suite of projects and pilots to support innovation and to develop and test new methodologies and market mechanisms, through initiatives such as our Green Recovery Challenge Fund and Natural Environment Investment Readiness Fund. We are also learning from ELM (Environmental Land Management) Tests and Trials, and other research, testing models for blending public and private finance. We will use and build on this learning with further evidence from the pilots for the three environmental land management schemes.

On the 2nd of December, we published further information on how the SFI (Sustainable Farming Incentive) will work in 2022, the first year of its rollout, which explains how we intend to expand the scheme over the next 3 years. The SFI will give farmers the opportunity to produce environmental benefits as an integral part of their business, alongside food production. The announcement included details of how the scheme will be rolled out, including how much it will pay, and how this new system can be adopted in their farm business.

From 2022, the initial Sustainable Farming Incentive offer will:

- enhance the natural health and fertility of our soils – which is one of the most important things we can do to make our farming more profitable and sustainable
- contribute to our effort to reach Net Zero – assuming by 2028 the soil standards cover 50% to 70% of eligible agricultural soil in England, this could save approximately 330 to 460 thousand tonnes of CO2 equivalent in 2028
- help us assess the condition of the moorlands and work out how best to invest in their restoration through sustainable farming practices, through the moorland and rough grazing standard
- increase farmers’ awareness of the health and welfare of their livestock (beyond what are in many cases already high levels), and the options available to them to address any issues – enabling them to make improvements

Within the Sustainable Farming Incentive, actions will be aggregated into simple packages, set out as standards, with different levels of ambition. Each standard brings clear environmental benefits. They each contain several land management actions that need to be completed to receive payment.

The three standards that will be available in the early rollout of SFI are:

- the Arable and Horticultural Soils standard
- the Improved Grassland Soils standard
- the Moorland and Rough Grazing standard (introductory level)

We will also pay for an annual health and welfare review for livestock.

## **6. How will tenant farmers be able to engage with ELM?**

We will ensure that the design of our ELM schemes does not exclude tenant farmers. Under the current schemes, farmers enter into a five-year agreement or longer, and there is no flexibility within that agreement. If you leave early, you have to pay a penalty. The new ELM schemes will have an option for a shorter scheme agreement length where appropriate, and we will have some flexibility for those who, for some reason, lose management control of their land during the course of their agreement.

We have also been looking at making sure that it is the person who is producing the public good who gets paid through schemes. We have had some really fruitful engagement with the Tenant Farmers Association, Baroness Rock, NFU, CLA and others about exactly how we design the Sustainable Farming Incentive so that we can make the schemes accessible to tenant farmers. We will continue to monitor the take-up of the schemes by tenants to see if there is anything further that we need to do.

We are talking both to tenant farmers and the CLA (Country Land and Business Association) about a range of issues including FBTs (Farm Business Tenancies) with restrictive contractual causes of issues, to see how we need to design our schemes to make sure that they are fair to all and that everybody can participate in them fairly. That is an ongoing conversation, but we are alive to those considerations and keen to make sure that we make our schemes fully accessible and fair to tenants.

*14 December 2021*