

SECTOR SUPPORT FUND FINAL REPORT

Accelerating Nature-Based Climate Solutions

1. INTRODUCTION

This project aimed to accelerate the supply and demand of nature-based carbon offsetting in the SELEP region, in order to increase natural capital, delivering carbon reduction, and support jobs and skills in nature-based sectors such as forestry.

Offsetting is a way for an organisation or individual to ‘cancel’ out, or offset, their carbon emissions that are unavoidable by paying others to reduce their carbon emissions or deliver projects that absorb carbon emissions. There are three types of carbon offsetting:

1. Emissions avoidance – projects that avoid carbon emissions being released, for example investment in the distribution of energy efficient cooking stoves in developing countries.
2. Emissions removal – projects that remove (sequester) carbon, for example through the planting of trees or changes to land management to absorb and store more carbon.
3. Emissions capture – Similar to emissions removal, although not nature-based, for example carbon removal technologies. These technologies have, so far, only been deployed as pilot projects in the UK.

This project focused on carbon emissions removal using nature-based interventions (e.g. tree planting and changes to land management, in the voluntary carbon offset market.

The purpose of this report is to:

- Provide a final assessment of the delivery of project outputs and outcomes.
- Consider recommendations to achieve longer-term benefits.

About the Project

The main objectives of the project were to:

1. Provide an understanding of the demand for nature-based projects from local authority climate emergency plans and from local businesses seeking to invest in local carbon offsetting.
2. Assess the ‘readiness’ of nature-based organisations, farmers and landowners to develop and deliver nature-based projects for carbon sequestration and identify gaps in skills, knowledge and capacity that stand in their way.
3. Produce resources to support the development and delivery of nature-based carbon sequestration schemes, to help increase the supply of schemes into the market.

4. Develop demonstration projects to showcase innovation and good practice.
5. Explore ‘brokerage hubs’, which provide a means to bring ‘buyers’ and ‘sellers’ of carbon offsetting together.

The project was managed by East Sussex County Council (ESCC), delivered by ESCC and Kent Wildlife Trust, and overseen by a project steering group that has met regularly throughout the project and included local authorities, businesses, environmental regulators and environmental NGOs.

The Project Activities

Table 1, below, provides a summary of the work packages, the key activities and the status of the activities, where:

- Green is completed.
- Blue is additional to the original project outputs.
- Yellow is partially completed, with a recommendation that further work is required beyond this project.

Table 1. Summary of project outputs and final status.

Work Package	Key Activities	RAG status
Demand analysis	Assess the scale of potential demand for nature-based carbon offsetting from 4 local authority case studies (1 per federated area).	Green
	Assess the scale of potential demand for nature-based carbon offsetting from 8 business case studies and 4 land owner case studies.	Green
	Carry out a business survey of businesses in the SELEP region.	Blue
Supply analysis	Assess the scale of potential nature-based carbon offsetting in each local authority case study area	Green
	Assess the potential scale of nature-based carbon offsetting from the 4 local authorities case studies and the 8 business case studies.	Green
	Assess the potential scale of nature-based carbon offsetting from 4 landowner case studies	Green
	Assess the readiness of environmental NGOs to enter the carbon offset market.	Green
	Assess the readiness of 4 ‘farm clusters’ to enter the carbon offset market.	Green
	Engage with land agents to assess their clients' readiness to enter the carbon offset market.	Blue
Supply side resources	Develop interim standards for nature-based carbon offsetting.	Green
	Produce a guide on how to bring nature-based carbon offsetting schemes to market (ie. design, finance, legal, monitoring etc) & deliver training package.	Green
Demonstration projects	Collate a list of existing and emerging carbon offset projects across the region.	Yellow
	Develop new nature-based carbon offset projects in the SELEP region.	Green
Brokerage hub development	Review existing brokerage hub models.	Green
	Identify a business model for the development of a SELEP area brokerage hub.	Yellow

The 2 deliverables that require further work (those highlighted in yellow)

1) Collating a list of existing and emerging carbon offset projects across the region:

We were able to produce an overview of nature-based carbon offset projects that have come to market in the UK via the 2 main nationally-recognised schemes, namely the Woodland Carbon Code and the Peatland Code. However, it was not possible to collate a more comprehensive list of existing and emerging nature-based carbon offset projects across the SELEP region, other than through anecdotal evidence and the case studies with landowners, because:

1. the voluntary nature-based carbon offset market is still in its infancy, so not many projects have reached the market;
2. many of the existing brokerage hubs dealing with nature-based carbon offsetting in the UK have not yet started trading, so don't have a 'live' list of projects;
3. those hubs that have started trading do not yet have publicly-accessible and up-to-date registries of projects, other than the Woodland and Peatland Codes.

2) Brokerage hub development:

A brokerage hub, in the context of this project, is either an on-line platform and/or an intermediary which offers a means for buyers and sellers of nature-based carbon offsets in the voluntary market to do business. The research carried out through this project highlighted that it's too early to be able to recommend a model for the development of a brokerage hub for the SELEP region, as the market is currently immature, crowded with new entrants and unregulated. One of the recommendations from the project is that government intervention is required in order to provide a regulatory framework, so that buyers and sellers can have greater confidence in the rules of the market, including rules covering brokerage hubs, to reduce the current financial and reputational risks that are a key barrier to market growth.

Methodology for the final evaluation

The project included:

- Independent research into the different types of carbon offsetting available in the voluntary offset market, in order to enable buyers to see the choice of carbon offsets available and to help them understand some of the key questions to ask before engaging with the market.
- Extensive consultation with a range of key stakeholders. On the demand side this included local authorities, businesses, landowners and environmental non-governmental organisations (NGOs). On the supply side this also included local authorities, land-owning businesses, environmental NGOs, as well as farmers, land agents, the National Farmers Union (NFU) and the Country Land and Business Association (CLA).
- A survey of businesses within the SELEP region to gauge their knowledge of, and interest in, buying UK-based nature-based carbon offsets. The results were analysed for the project steering group by the University of Brighton.

- Identification of, and support for, the development of two new small-scale nature-based carbon offset schemes in the region, to identify the practical steps and barriers to developing and delivering these types of projects, as well as to help identify pragmatic solutions to barriers.
- In-depth research into existing hubs that cater for nature-based carbon offsetting in the voluntary market in the UK, to understand what opportunities there are for buyers and sellers to engage in the market and to help them understand some of the key issues to consider before engaging with a hub or other market intermediary.

The resources developed by the project, and the learning gained through the project, has been set out in 5 separate documents:

- 1) An assessment of the types of carbon offsets available in the voluntary market (please see the attached report).



Carbon Offsetting
Report_ESCC_Final_17

- 2) A review of current market enablers in the nature-based carbon offset market in the UK (please see the attached report).



NbS Market
Enablers_ESCC Final F

- 3) A practical guide to support potential buyers and sellers of nature-based carbon offsets to:
 - a. gain a basic insight into the market
 - b. understand the key issues to consider
 - c. signpost buyers and sellers to further support to enable them to engage with the market today.
- 4) A detailed resource pack for potential suppliers, to walk them through the steps required to develop a nature-based carbon offset project.
- 5) A more detailed synthesis report that brings together the key learning from the research outlined above and gathered from the extensive range of stakeholders consulted during the project.

Reports 3), 4) and 5) are currently being finalised. These reports will be made available on the Sussex Nature Partnership website in February. The reports will be disseminated to over 50 organisations via the South East Local Nature Partnership network, the project steering

group and the Local Nature Partnerships to existing networks of businesses, farmers, land owners, land agents and local authorities, as well as SELEP’s Clean Growth and Rural Working Groups.

2. OVERALL REFLECTIONS ON PROJECT DELIVERY

Progress against project delivery

Table 2, below, provides a summary of the project outputs, outcomes and the actual benefits achieved.

Table 2. Summary of project outputs, outcomes & actual benefits delivered.

Project Outputs	Project Outcomes	Benefits as set out in the SSF Application Form	Actual Benefits Delivered
Demand analysis (see table 1, above)	Longer-term increase in the demand for nature-based carbon offset projects in the region	Understand the scale of demand, barriers, opportunities and emerging models	Market intelligence gathered and shared about current demand, barriers, needs & models
Supply analysis (see table 1)	Longer-term increase in the supply of nature-based carbon offset projects in the region	Suppliers to benefit from training and resources developed	Suppliers provided with a resource pack and training
Supply side resources (see table 1)	Suppliers provided with a resource pack and training to support the development of new offset projects	Suppliers to benefit from training and resources developed	Suppliers provided with a resource pack and training
Demonstration projects (see table 1)	New nature-based carbon offset projects developed and delivered	Kick start a project pipeline in the region	1 new nature-based carbon offset project developed and 1 delivered
Brokerage hub development	Market intelligence gathered and shared about market enablers, including hubs	Identification of a business model for a hub in the region	Identification of key recommendations to support the market within the SELEP region

Key barriers and enablers

Table 3, below, provides a summary of the key enablers and barriers to accelerating the development of the nature-based carbon off-set market in the SELEP region. The main conclusion is that the market is still in its infancy and, as with most markets in their infancy, faces barriers to get to scale. However, the barriers are all either being addressed (eg. the scientific evidence) or can be addressed (e.g. policy intervention).

Table 3. Key enablers and barriers to market development.

Enablers	Commentary
Climate change targets	A number of organisations in the private and public sectors have set carbon reduction targets. It's impossible for the majority of organisations to get to net zero without investing in carbon offsetting, due to the technical limitations of other interventions (e.g. energy efficiency).
Government funding	Government is providing funding to specifically support the growth of the voluntary nature-based carbon offset market in the UK (e.g. through the Woodland Carbon Guarantee and the Natural Environment Investment Readiness Fund).
Multiple buyers and sellers	Buyers: most organisations that have set a carbon reduction target will need to buy offsets. Sellers: nearly any organisation with land has the potential to develop and sell nature-based carbon offsets. Organisations that have developed carbon offset schemes include landowners, farmers, environmental NGOs, local authorities and community groups.
Diversification	Developing nature-based carbon offsets is widely recognised by landowner and farming organisations (eg. the NFU and the CLA) as a significant opportunity to diversity income streams, if the barriers identified below can be adequately addressed.
Barriers	Commentary
The scientific evidence	The evidence base to support nature-based carbon offsetting is robust for some types of habitat, namely woodland creation and peatland restoration, but is still being developed for all other habitats (e.g. saltmarsh, soil management).
Government policy	the voluntary carbon offset market (for all types of offsets, including nature-based offsets) is currently unregulated, which increases uncertainty and risk (financial and reputational) for buyers and sellers. Government has yet to provide clarity to landowners and farmers on the post Brexit subsidy regime to replace the Common Agricultural Policy, which adds to uncertainty in the market.
Market structure	The current structure is dominated by small buyers and sellers with limited profile, which makes it hard for buyers and sellers to meet and trade and for the market to move to scale.
The price of carbon	The current price of carbon is too low to incentivise significant investment by landowners and farmers into projects on the supply side.

The project steering group recognised that the market was in its infancy and that relatively few organisations in the region have experience of buying or selling nature-based carbon offsets from the UK voluntary market. Consequently, part of the project budget was used to commission research into all types of carbon offsetting available in the voluntary market, as well as how the nature-based carbon market currently operates in the UK, using a range of case studies. This has been invaluable in developing the practical user guide and supplier resource pack, as well as informing parts of the synthesis report.

3. ACHIEVEMENTS AND OUTCOMES

The main aim of the project was to accelerate the supply and demand of nature-based climate solutions in the SELEP region. The project has done so in the following ways:

- 1) Produced practical advice to potential buyers and sellers of nature-based carbon offsets on how to engage with the market.
- 2) Produced and disseminated a comprehensive assessment of the current market, which will increase 'literacy' about this market and which, in turn, should help to accelerate supply and demand.
- 3) Brought together a range of organisations, through the project steering group, that have a common interest in supporting the development of the market.
- 4) Made a modest contribution to increasing the supply of nature-based carbon offsets through demonstration projects.

4. ANTICIPATED FUTURE OUTCOMES/IMPACTS

It's very clear from government and from a number of organisations that have set carbon reduction targets that carbon offsetting is a critical means to getting to net zero. Some types of carbon offsets are well established (eg. renewable energy) and some, such as nature-based solutions, are more recent entrants to the market but are growing rapidly. Consequently, it's highly likely that this emerging market will grow rapidly once the main barriers to market growth have been addressed (see table 3). Therefore, the practical guides that have been produced by this project will be useful tools to assist buyers and sellers to gain an understanding of the market and have the confidence to enter the market. However, the information in these guides reflects the state of the market today. As this changes, so the guides will need to be updated to remain relevant. This is a task that the organisations represented on the project steering group are considering taking on, to ensure the longer-term benefits from the project.

5. PROJECT SPEND SUMMARY

Table 4 provides a summary of income, including SSF funding and from project partners, and expenditure, split by work package. More budget was spent on the demand and supply side analysis than originally budgeted, due to the additional engagement that was carried out, to help gain a more detailed insight into the regional market (please see table 1). A relatively small amount of additional budget was also allocated to developing the supply-side resources and for the demonstration projects, in view of their importance in supporting the key objectives of the project to help accelerate the market. The additional costs were covered by re-allocating part of the original project management budget.

Table 4. The project budget and actual spend.

INCOME	BUDGET	ACTUALS
SSF grant	-135000	-135000
ESCC cash match	-10000	-10000
KCC cash match	-5000	-5000
UoB cash match	-5000	-5000
Project partner staff time	-38,000	-38,000
TOTAL:	-193000	-193000
EXPENDITURE	BUDGET	ACTUALS
1. Demand and supply side analysis	71,500	78,150
2. Supply-side support resources	21,500	23,750
3. Demonstration projects	57,000	64,510
4. Prototype Brokerage Hub Development	14,500	11,775
5. Project management	28,500	14,815
TOTAL:	£193,000	£193,000

6. CONCLUSIONS, KEY LEARNING AND NEXT STEPS

The main conclusions and key learning are that:

- 1) The voluntary nature-based carbon offset market in the UK is currently in its infancy.
- 2) There is rapid growth in parts of the market (eg. under the Woodland Carbon Code and the Peatland Code) and strong drivers for the market to grow at pace and at scale.
- 3) There are also some significant barriers to the market scaling up, most of which are either being addressed (eg. the scientific evidence) or can be addressed (e.g. establishing a regulatory framework for the market).
- 4) Currently, the price of carbon is too low. This is a global challenge for most carbon offset markets.
- 5) There is a clear role for many organisations within the SELEP region, in both the private and public sectors, to act as buyers and/or sellers within the nature-based carbon offset market.

The next steps for the project partners include:

- 1) Disseminating the practical tools (i.e. the user guide for buyers and sellers, and the resource pack for sellers) to relevant networks, organisations and individuals;
- 2) Disseminating the reports (i.e. the project synthesis report and the 2 technical reports on the market) to relevant stakeholders;
- 3) Taking forward their own carbon offsetting activities.
- 4) The Local Nature Partnerships in the south east to consider their role in supporting the developing the carbon offset market, alongside other nature-based solutions such as biodiversity net gain.



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