

Natural Capital Project Development

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Landowner's Self-Assessment Guide



AGRI NATURAL CAPITAL



Natural Capital Project Development Guide



Privately funded Natural Capital projects undergo higher levels of due diligence than traditional agri-environment schemes. This document is designed to assist you in understanding whether a privately funded project may work on your land and provide an insight into why restrictions and constraints may exist.



When talking about privately funded Natural Capital projects we are referring to any nature-based project where a quantifiable unit or credit of biodiversity or carbon can be sold to a third party to meet voluntary or statutory offsetting requirements. This could include Biodiversity Net Gain, Woodland Carbon Code, Peatland Code, Nutrient Neutrality, global carbon nature-based carbon schemes such as Verra and Plan Vivo, Wilder Carbon, soil carbon schemes and voluntary biodiversity offsetting schemes.

Natural Capital Project Development Guide

Why is there is an increased level of scrutiny of the land and the business delivering these privately funded schemes?

As an introduction, it is important to understand the following points:

- ❖ A traditional agri-environment scheme is paying you to carry out an action (plant a wild bird seed mix, cut a hay meadow after a certain date). Whereas in a private scheme you are selling an output, derived from a change in land management, governed by a Management Plan: For example, plant a new woodland and sell the sequestered carbon.
- ❖ Private schemes are much longer in duration than traditional agri-environment schemes; typically 30 years, though 50 years or longer is not uncommon.
- ❖ Private schemes are generally underpinned by legal vehicles, such as Conservation Covenants. These Covenants are a 'charge' on the land, in the same way that financial borrowing is treated.
- ❖ There is no uniform standard of requirements, therefore it is critical that specifics of a particular mechanism are clearly understood as part of the project development.
- ❖ Due to the longevity of these schemes, likely to be multi-generational, and the fact that you will be selling an output that might not be achieved for many years, the enhanced due diligence is in place to ensure the outputs are achieved and protected (irrespective of any unforeseen changes that may occur in the future).

How to use this guide

- ❖ Answer the questions that follow on the next 12 slides.
- ❖ There is a brief explanation as to why a particular answer may preclude a private natural scheme for your property.
- ❖ Please note that the order is not definitive.
- ❖ Note that a 'negative' response does not preclude you from entering schemes, it just means more investigation may be required.
- ❖ This guide will not cover every circumstance or situation; further investigation and professional advice is strongly advised before starting the process to enter a private scheme, even if you answer yes to every question.

Is your land freehold or tenanted?

Freehold  continue to next question

Tenanted

Explore the specifics of your tenancy to understand whether you are permitted to agree to enter a mechanism that might see permanent land use change. Alternatively, speak with your landlord; they may agree to adopt your preferred mechanisms in partnership with you.

Why? These mechanisms will often last 30 years or more and will be underpinned by a Management Plan that will govern the activities on the land for the entire duration of the mechanism. The verifying body needs to have absolute certainty that the management plan will be delivered for the duration of the agreement, even if there is a change in land tenure. For many of these mechanisms, an element of permanence exists and therefore, the landlord may need to accept this permanent change to their land, which may have consequences in terms of value and future aspirations for that land.

The Crown Estates, working with Burges Salmon, have created an environmental Farm Business Tenancy, endorsed by the Tenants Farmers Association, which may support the development of Natural Capital projects on tenanted land.

[eFBT - The environmental Farm Business Tenancy](#)

Does the land being considered for a natural capital project have any existing public or private funded schemes in place?

No  continue to next question

Yes

If the schemes that are in place already are publicly funded schemes (mid-tier/higher tier stewardship, SFI etc) then unless you are willing to terminate the scheme, which is likely to require refunding payments received to date, then it is best to delay the development of a private natural capital project until the end of the publicly funded scheme. If the scheme that is in place already is a privately funded scheme you will need to investigate whether multiple schemes can be 'stacked' on the same parcel of land.

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Why? Quite simply, doubling funding and double counting. You can not be paid twice for the same output or action.

There are some, very limited, circumstances where 'stacking' is permitted, but even when this is permitted, it will be where the management is delivering quantifiably different outputs. For example, Nutrient Neutrality and Biodiversity Net Gain can be stacked – delivering reductions in nutrient loading and delivering biodiversity units.

As access to public funding becomes more challenging, preparing to enter the private markets, whilst still in a public scheme is advisable. Works such as baselining and scoping can be carried out during the final years of a public scheme.

Within the NEIRF funded project in the Arkengarthdale area, many of the farmers involved had publicly funded schemes in place. By completing the baseline surveys within the project, we have been able to suggest potential long-term schemes that can be implemented once their public schemes are completed. It is also worth noting that many of the private schemes can take many months, if not years to establish, so starting the preparation work well in advance of when they might be able to start is prudent.

Are there any charges, wayleaves/easements or other third-party rights holders on the land that you are considering a project on?

No  continue to next question

Yes

You will need to secure the consent of the third-party rights holders to be able to enter into a privately funded scheme.

Why? The delivery of the Management Plan is essential to the successful creation of the sellable outputs. Any activity on the land can not be detrimental to the success of this Management Plan, therefore if a rights holder has consent to carry out an activity on the land being put forward, they need to agree to the Management Plan, which may curtail their ability to carry out their rights.

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If charges exist over a parcel of land, for example security for financial borrowing, then the holder of that charge would need to agree to the Management Plan. This is because, if they have to activate their right to seize the land, then the holder of the charge would be obliged to continue to deliver the Management Plan.

For example, a family member has the rights to the timber in a parcel of woodland that is being considered for a Biodiversity Net Gain project. Carrying out that right to harvest that timber could be contrary to the delivery of the Management Plan. Many wayleaves and easements have restrictions over what can or can not be carried on the route of the easement. For example, an underground pipeline may restrict the growth of trees and planting of hedges over the pipeline. Or if access is needed to the asset to carry out maintenance work, then that access or management may be contrary to the Management Plan requirements. It is often easiest to exclude the land over which wayleaves and easements exist.

Does the land in question have any Statutory Designations in place (SSSI/SPA/SAC/Scheduled Ancient Monuments)?

No  continue to next question

Yes

Consent will be required from the relevant Statutory Body before a private scheme can be considered.

Why? This is because the Statutory Body will need to agree to the Management Plan, to ensure that the proposed activities are not contrary to delivery of the favourable condition for the designated features.

It is also worth noting that the 'Baseline' that will be expected to be applied for your project will be the designated site in favourable condition, rather than its current condition. The consequence of this is that the uplift that can be achieved will be restricted and in many cases no uplift will be possible.

Does the next generation agree with the concepts that you are developing?

Yes  continue to next question

No

As most privately funded schemes are in place for at least 30 years, and will come with management obligations, it is best to include future generations in the decision-making process if possible.

Have you received professional advice about the creation of your proposed project from a specialist natural capital project developer?

Yes  continue to next question

No

Natural Capital projects should be considered as a long-term investment project. In the same way as you wouldn't consider a building development or business diversification project without seeking professional advice from experts in those fields, a Natural Capital project should be treated in the same manner. Advice may be required on legal matters including due diligence and title checks, financial matters, ecological matters and long-term management activities.

Why? There are many examples of projects which can support the development of Natural Capital, especially early-stage scoping. For example, the Farming in Protected Landscapes scheme might support professional advice, and specific projects looking at river catchments in your local area may be able to support the development of ideas.

It is also worth noting that many brokers of offsetting units will support landowners to develop their ideas for little or no cost, in return for a larger commission or success fee. While the details of each broker's offering will need scrutinising, this can often be a cost-effective way of exploring whether a private scheme is right for your business.

Have you considered how you will account for the income foregone from the land being considered for a Natural Capital project?

Yes  continue to next question

No

You should seek professional advice on the sales and marketing of Natural Capital units and credits, and financial advice on the impact losing the existing income from the land in question may have on your business.

Why? Natural Capital projects do not, in most cases, have a flat income profile. In many cases determining when income will be received is almost impossible to predict. These schemes can be very lucrative, but often not in the short term: If you are currently deriving an income from the land that you are considering entering into a Natural Capital scheme, then it is very likely that income will be lost, due to the required changes in management.

Have you considered the size of your Natural Capital concept?

Yes  continue to next question

No

It is highly likely that you will lose most if not all of the farmed income from a parcel of land being entered into a natural scheme.

Why? The implementation of the required Management Plan will see you carrying out activities that are working towards the ultimate objective (restore/create a habitat and/or create carbon sequestration opportunities). It is highly likely that normal farming activities will not be permitted, to ensure the successful delivery of the long-term objective. Therefore, the revenue generated from farming activities will be lost.

The greater the area of land entered into a Natural Capital scheme, the greater the impact on existing farm income.

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There are no hard and fast rules for the size of Natural Capital projects. But typically, carbon-based schemes will be much larger than Biodiversity based projects.

Every situation is different, but a woodland carbon scheme below 20 ha is probably not going to generate meaningful long-term income, once verification and management costs are factored in. A scheme upwards of 50 ha would be much more worthwhile.

In contrast, a 20 ha BNG Habitat Gain Site will probably supply BNG units for 10 to 20 years, depending on the level of BNG demand in your local area.

This will all depend on your specific situation and the funding source used. There are very successful BNG schemes that are 2 ha in size, and woodlands generating a meaningful income at 10 ha size.

Have you considered the costs of developing, carrying out capital works, ongoing management and monitoring of your Natural Capital project?

Yes  continue to next question

No

You should work with a suitable Natural Capital specialist to develop a cash flow for your project.

Why? Natural Capital projects are significantly more expensive than traditional Agri-environment schemes to develop. Prior to submitting your scheme for approval, you could likely be incurring costs from ecologists, solicitors, conservation professionals and accountants.

Once your scheme is approved, you will be expected to deliver the agreed Management Plan - and often the early years are the expensive years, whilst the habitat is created and required capital works are carried out. You may not have generated any income prior to the starting of these works.

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It is worth noting, that some mechanisms allow access to various types of grant funding, for example a Woodland Creation Scheme, could be funded through DEFRA funding, and then the Woodland Carbon Units sold. However, these grants won't always cover the costs and claiming the grant is often retrospective, requiring outlay upfront.

There are routes to market, where Natural Capital brokers will support, but they will take a percentage of the earned revenue.

Here is an indication of the set-up costs that may be incurred (based on a 50-acre Biodiversity Net Gain project):

Ecological baseline - £5,000

Creation of Habitat Management and Monitoring Plan - £5,000

Due diligence title checks - £1,500

Creation of conservation Covenant - £15,000

Total = £26,500 (not including any financial advice)

NB This assumes a straight forward project; the more complex the project, the greater the costs.

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As well as the costs of setting up a project, and carrying out the required capital works, there will be ongoing costs for monitoring (which will apply for the entire duration of the scheme).

For a BNG scheme, these include:

- An annual fee to the Conservation Covenant provider, likely to be in the region of £2,000 - £3,000 (which will be index linked)
- Ongoing monitoring at the landowner's own expense (likely to be a similar cost as the annual fee)

The ongoing cost for monitoring will be in the region of £5,000 -£6,000 per annum. (Monitoring for a carbon-based scheme will be less frequent but is likely to be more expensive).

Depending on the habitats being enhanced and created, when the habitat costs are considered, with the 'application' and monitoring costs, a budget of £50,000 to £100,000 may well be needed for the first two to three years. And more complex habitats could see this figure be even higher.

Have you considered the marketplace for the units/credits that you will be generating?

Yes  continue to next question

No

Having a clear understanding of the marketplace you will be selling your outputs into is essential. It is also essential to understand the competition that you will be trading against.

Why? Unlike a traditional agri-environment scheme, whereby you got paid by the public purse if you delivered the actions that you agreed to carry out, the private Natural Capital Market operates on the selling of created units/credits. These are sold to buyers who need them for statutory or voluntary offsetting.

There is no one central marketplace for the advertising of the units/credits. Some markets work on a national or even international basis, whereas others operate on a regional basis. A good starting point is understanding how many units/credits you need to sell to achieve breakeven for your project and then assessing how likely that is to be achieved in your marketplace; and ideally try to get some buyers lined up prior to commencement of your project.

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Unit prices have a huge variance; for example, carbon prices can range from £20-25 per ton, up to more than £100 per ton. This is partly determined by the type of unit you are selling. Will you be selling a confirmed unit? That is the amount of carbon sequestered that has been verified and confirmed. Or will you be selling a predicted amount? Which will be available at some point in the future. Confirmed units trade for a greater price, but it may take 15 years or more to have units confirmed, whilst the trees grow.

If you are selling Biodiversity Net Gain units, have you considered the local market? ie Is there likely to be development that will require units in your local area.

For context: A 50-home development on arable land is likely to need no more than 2 or 3 BNG units. A 50-acre BNG project is likely to generate at least 100 units, depending on the baseline habitat. Therefore, to sell half your units will require trades with 25 different 50-home developments. Note too, that many larger developments will look to carry out their offsetting within the red line boundary of the development.

Have you considered the baselining and other application requirements for your project?

Yes  continue to next question

No

Engaging with a specialist Natural Capital adviser, experienced in the mechanism that you are exploring, will make the application process much easier.

Why? All Natural Capital schemes require supporting evidence as part of the application process. This will almost certainly require an ecological baseline, carried out to specific methodology and within a specific timeframe (both in terms of time of year and how long ago this was completed). In addition, some mechanisms will require public consultation to be carried out.

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You may need consents from organisations with interests in neighbouring land, such as the EA for projects near rivers; and you are likely to have to consult with archaeological records centres and local wildlife recording centres. You may need planning consent for works proposed, and you may need consent from the Forestry Commission if you intend to afforest land that is currently not forested (even if this is through natural regeneration and outside a formal woodland scheme).

Bear in mind that an application is likely to take several months, if not longer, to pull together. Don't assume your normal accountant, land agent or solicitor will be able to support you with an application.

Has your solicitor ever overseen the creation of conservation covenant of BNG S106?
Does your accountant understand the taxation implications of a BNG or woodland scheme?

Have you considered the permanence of the project you are proposing?

No

It is important to understand the longevity of the schemes that you are considering, and that ultimately this may lead to permanent land use change.

Why? Many schemes are seeing priority habitats created or enhanced; or are creating habitats that can not be easily undone.

Whilst the legal agreement may be 30 years (or longer), it is unlikely that Environmental Impact Assessment regulations will be weakened; therefore the assumption is that the habitat you are enhancing or creating will be a permanent change.

Yes

If you have got this far and answered yes to every question, then you are probably ready to start further investigations into a privately funded Natural Capital scheme. Links to further reading are suggested on the next page.

Further Reading

This document is designed to focus your thinking on whether a Natural Capital project will work on your land, from a practical viewpoint. The following links will also support you in your thought processes. Though no one document or website will be able to provide all the answers; this document, combined with the websites listed below and supporting professional advice will put you in a strong position to make an informed decision as to whether a private market natural capital project is right for your property.

[Plantlife Realising Grassland Potential: An-Ecosystem Service Toolkit for Farmers 2025](#) – this explores opportunities for grassland restoration, funded by both public and private schemes.

[Investment Readiness Toolkit](#) – this focuses on the financial side of developing a project.

[Farming Toolkit for Assessing Nature Market Opportunities](#) – this includes several useful case studies of successful projects.

[Tool Assessor - Ecosystems Knowledge Network](#) – this explores the different tools available online to support decision making and planning.