

UK Nature Markets Consultation Response

Link to consultation: [Consultation on the governance framework for markets](#)

Scaling up nature recovery

- 1. How important could nature markets be to scale up the delivery of nature recovery across the UK? [closed question] Very important, Important, Somewhat important, Not important**

Important

- 2. How important are the following roles of nature markets on a scale of Very important, Important, Somewhat important, Not important [closed question]**

- To enable the goods and services delivered by nature to be paid for by those who benefit from them, directly and indirectly**

Very important

- To create revenue streams from biodiversity and ecosystem systems to unlock the investment needed to deliver nature recovery at scale**

Important

- To deliver nature-based solutions in the places that deliver the greatest benefit for the lowest cost**

Important

- 3. Do you think that there are any other roles for nature markets?**

To in part cover the financial gap caused by the removal of BPS for farmers and the public funding alone is insufficient. Though this conflicts with the information provided in Box 3 (page 9), the Government's intentions on private finance and the role they want it to play in the agricultural sector is clear.

Market governance and dimensions of market integrity

The consultation paper (page 11) defines Nature Market Governance as: the framework of principles, standards, rules, and processes required for the design and operation of high-integrity nature markets.

4. How important is it to establish a governance framework for UK nature markets? [closed question] Very important, Important, Somewhat important, Not important

Important

5. What do you think a governance framework needs to include?

This is a very open high-level question. A more detailed definition would be beneficial, enabling greater understanding and better consideration for what the governance framework should include.

Overall, it would be useful to understand where UK Nature Market Dialogue envisions this framework sitting, how it plans to adopt the BSI Nature Investment Standard Programme, and whether it aims to build on the government's Nature Markets framework.

There are already several nature market frameworks operating in this space. All comprising of principles, standards, rules, and processes. It is unclear to which standards it is referring and whether all standards are considered equal. Further information on the framework will help demonstrate the added value. Moreover, to ensure the framework operates to its maximum potential, legal obligations to support the framework would be of great value. Helping to instil trust and confidence in the nature markets.

Lastly, nature market governance is required to guide the actions of suppliers, buyers, intermediaries, and third parties. These stakeholders will all have differing interests and requirements when engaging with nature markets. It would be good to have a tool that could align supply with demand or an aspect to the framework to facilitate this.

Project and credit integrity

The consultation paper (page 13) defines a nature credit as: a market instrument that represents a verified quantity of improvement in biodiversity or an ecosystem service delivered by a nature-based project or activity.

The consultation paper (page 13) also defines the three broad types of nature credit: Ecosystem Credits; Biodiversity Credits and Ecosystem Service Credits.

6. How important are standard definitions for types of nature credits to help provide clarity about what is being bought from nature-based projects? [closed question] Very important, Important, Somewhat important, Not important

Very important

7. Benefits and drawbacks of standardisation

a. What would be the benefits of a standardised approach to the creation, issue, and sale of nature credits in the UK?

Assuming the consultation is referring to standardisation across the UK, including the devolved nations, the standardisation of nature credits may make the creation and sale of credits a more predictable and consistent process further instilling trust and credibility in the credit. This will also offer the opportunity for government(s) to integrate nature credits into national strategies.

The increased trust and credibility may enable market scalability as due to reliability and the integration into national strategies the demand for nature credits increases. It becomes easier to trade in nature credits and in turn nature recovery is better supported.

Standardisation across the UK could improve the data used as well as the outcomes for nature. Qualitative data could potentially work with national scale modelling securing efficient nature restoration across the UK, providing a more joined up effort to nature recovery and strengthening nature markets.

b. Are there any drawbacks to having a standardised approach to the creation, issue, and sale of nature credits in the UK?

Standardisation at a UK level could risk oversimplification, overlooking local context. The UK is comprised of a mosaic of habitats, from mountains to moorlands to wetlands and floodplains. Each habitat will have its own unique requirements and standardisation may overlook this.

Moreover, with the standardisation of a nature credit one may not account for ecosystem interdependencies, highlighting the need to integrate and understand local context. Although nature credits branch out into three broad types, standardisation may result in some of the nuance of how ecosystems functions to be lost.

Operational integrity and buyer integrity

Page 16 of the consultation paper defines operational integrity, buyer integrity and nature market intermediaries as follows:

Operational integrity involves ensuring clarity about who is carrying out different market functions and providing assurance that they have the technical capability and financial capacity to carry out the relevant nature market function(s) transparently, in accordance with the market rules and without conflicts of interest.

Buyer integrity involves ensuring that buyers with regulatory requirement:

- Follow the mitigation hierarchy
- Acquire credits that represent action equivalent to or greater than the regulated impact
- Only make green claims that reflect the verified benefits represented by the credits

Nature market intermediaries are typically individuals or organisation that make money from providing services to support nature market operations.

8. Please assign the level of potential risk to market integrity to the following market functions? [closed question] High risk, Moderate risk, Low risk

- Determining eligibility of market participants Moderate risk
- Establishing baselines high risk
- Project planning and design high risk
- Project verification high risk
- Project certification high risk
- Market trading high risk
- Contracting project supply moderate risk
- Contracting credit supply moderate risk
- Compliance monitoring high risk
- Issuing credits and maintaining registries High risk
- Performance monitoring high risk
- Managing the risk of project failure High risk
- Market assurance High risk

9. How do the ways that market intermediaries make money impact on the potential risks to market integrity? [closed question] Significant impact, Moderate impact, Low impact

- Charging fees for specific nature market services such as project design and development – significant impact
- Charging a commission on the sale of credits from projects - significant impact
- Making profit from buying and selling nature credits – significant impact

10. What is needed to ensure the integrity of nature market intermediaries?

- A register of approved intermediaries that have signed up to a code of practice. Clarity is required on who will be holding market actors accountable to the code of practice. This goes beyond intermediaries. Moreover, the identification of responsible bodies is needed who will be accountable for maintaining integrity and maintenance of the registries.
- An easy comparison of rates charged/commission/ length of schemes etc. For participants held centrally and independently by a body such as Government or AHDB
- Upper limits on commission charged per percentage profit made of intermediaries

Market rules and institutional architecture

Page 21 of the consultation paper introduces the concepts of market rules and institutional architecture:

To make market principles enforceable, they typically need to be translated into a set of market rules which provide certainty about key requirements of nature market operation and enforcement compliance.

Market rules need to be underpinned by an agreed institutional architecture which makes it clear who is responsible for market oversight, authorisation and approvals.

11. Market clarity

- To what extent do you think it is currently clear who in the UK is responsible for the following areas of decision making about the supply-side of nature markets? [closed question] Not clear, Moderately clear, Extremely clear**
 - Quantifying benefits – Not clear
 - Legal rights and capacity – Not clear

- Compliance and enforcement – Not clear
- Credit calculation – Not clear

b. To what extent do you think it is currently clear who in the UK is responsible for the following areas of decision making about the operation of nature markets? [closed question] Not clear, Moderately clear, Extremely clear

- Credit issue and transfer – Not clear
- Credit tracking and tracing – Not clear
- Market oversight – Not clear
- Market competition – Not clear
- Market information – Not clear

c. To what extent do you think it is currently clear who in the UK is responsible for the following areas of decision making about the demand-side of nature markets? [closed question] Not clear, Moderately clear, Extremely clear

- Source of credits – Not clear
- Credit trading – Not clear
- Use of credits – Moderately clear

Governance framework

12. What do you see as the biggest gaps in nature market governance in the UK?

- Agriculture, climate and nature are devolved policy areas and nature market opportunities are not equal across the UK, e.g. biodiversity net gain is only an opportunity in England. A common framework throughout the entirety of the UK could enable a more level playing field.
- Lack of incentives to invest in nature.
- Communication gap between supply and demand.
 - Ongoing nature market transactions are all happening behind closed doors making it hard to understand the details of the market and the market overall. The information that is available is limited and often the same example is used. This does not encourage trust or engagement with the market. It distorts the market and creates an unlevel playing field.

- Nature recovery needs to include a spatial approach. The Land Use Framework and Local Nature Recovery Strategies bring this to light, but it needs to be better considered in market frameworks.
- A centralised registry/system, such as AHDB's Farm Data Exchange, will simplify nature markets, make it easier to engage, combat double counting, help ensure additionality, and support and simplify stacking opportunities.

13. Do you have any feedback in the proposed governance framework?

There are already many published national and international frameworks and there is concern this will become another report. However, there are, as mentioned above, still barriers to nature markets and gaps in frameworks that require addressing. This framework offers to opportunity to create a comprehensive framework across England and the devolved nations to aid the establishment of trustworthy and efficient nature markets and secure nature recovery in the UK.

Additionality and stacking

Page 27 of the consultation paper covers additionality:

Additionality is determined by assessing whether a nature-based activity delivers environmental improvement verified against an appropriate baseline.

14. Do you agree that the two core test for additionality (environmental and legal) should apply to all projects or activities? [closed question] Yes or No

Yes

Page 29 of the consultation paper covers stacking: Stacking involves quantifying multiple benefits from a project or activity above the baseline for each benefit and selling the benefits to buyers who value them.

15. Do you agree that there is a need for stacking rules that set out how to apply the tests for additionality to projects and activities that deliver multiple benefits? [closed question] Yes or No

Yes

Final comments

Please include any final comments that you would like to submit:

The use of a baseline is mentioned several times throughout the consultation, but little is mentioned regarding baselining requirements. Detail on baseline requirement has thus far been lacking from for example BSI Flex 701 and 702. Yet, the establishment and ongoing monitoring of a baseline plays a crucial role in market integrity and transparency. Further detail is welcomed.