

Welsh Government – Sustainable Investment Principles consultation

Closes: 3rd December 2024

The consultation proposes introducing a set of principles to ensure any funding:

- Shares benefits equally and voids inappropriate land use change
- Supports local communities and well-being
- Is collaborative in nature, and
- Is of high integrity

Principle 1: Support integrated land use and the equitable sharing of benefits.

Principle 2: Deliver public, private, community and cultural wellbeing benefits

Principle 3: Demonstrate best practice engagement and collaboration

Principle 4: Demonstrate values-led and high integrity

Question 1: What are your views on the proposed principles? You may wish to consider:

- how effectively the principles will influence decision making
- how useful are these principles to different organisations
- how organisations might use or apply these principles
- whether the principles have any gaps or omissions
- the link between the principles and the Well-Being of Future Generations Act 2015.

Farmers may be important users of the principles and, as the report in Annex 2 highlights, there has been limited farmer engagement with private markets thus far. Therefore, it is important that these principles can be clearly understood by and relatable to this audience.

The principles are high level and can only be effective if there are routes for stakeholders to act on them. With ninety percent of Wales total land area used for agricultural purposes¹, farmers and land managers play an important role in the revitalisation of nature. These principles offer guidance on how investment into nature should be done but the accessibility of private finance to farmers also needs to be examined. It also needs to be considered on how private finance in this space can interact and compliment the Sustainable Farming Scheme (SFS), understanding any potential barriers, for example by hindering proof of additionality.

Moreover, with the detail still to be developed for the SFS it is hard to gauge how and what the private environmental market has to offer farmers. There is a level of permanence required to engage with the market and create a credit but one cannot plan for the future whilst a key farming income component, the SFS, is yet to be clarified.

See specific views on principles below.

Principle 1 Support integrated land use and the equitable sharing of benefits

It is important that farmers and landowners receive their rightful share. Standards and regulations need to be set so that there is a clear understanding, and expectations can be met.

¹ [Survey of agriculture and horticulture: June 2023 \[HTML\] | GOV.WALES](#)

A framework of how best to address multiple actors' involvement could be presented alongside this principle.

More clarity is needed on when community engagement is required and what form this takes. For instance, how is it determined e.g. by size, type or impacts. Consideration of thresholds or minimum requirements, and what evidence, and ongoing monitoring and evaluation should be provided.

Principle 2 Deliver public, private, community and cultural wellbeing benefits

As custodians of the land, it is important nature investment aids in improving the landscape but does not hinder farming and food production. Clarification is required so that it is clear to what extent the "demonstration of consideration of positive and negative impacts" has sufficiently been met. Additional points of clarification include to whom the demonstration of consideration need to be presentation, how the demonstration will impact credit creation and price, and lastly whether these impacts will require monitoring.

Principle 3 Demonstrate best practice engagement and collaboration

"Investment should demonstrate engagement and collaboration with local communities in decisions about freshwater, sea and land use change."

Principle 3 is very high level, and it is unclear how the demonstration of best practise engagement and collaboration will take shape, e.g. without a clear framework for how investors should respond to any concerns or queries raised. Further clarification is required on how the engagement will take form and how it will be captured. Aspects to consider include how the opinions of landowners will be weighed in this engagement, as well as the opinions of tenant farmers, and how the opinions of landowners and managers weigh/compare to the opinions of others engaging from the local community. Moreover, it is not yet clear how local priorities such as food production, nature recovery, and nature tourism are balanced with one another during engagement. Nor is it clear how the integrity and transparency of Principle 3 will be safeguarded.

Principle 4 Demonstrate values-led and high integrity

To achieve net zero and nature recovery, farmers and landowners need to understand what carbon their land and operations are currently emitting and sequestering. Baselineing of the land should include taking account of carbon stored in soil, hedges and trees, and biodiversity. This data will help drive change, forging a fairer and more resilient path towards becoming net zero by 2050, and gives integrity to the process.

To demonstrate values-led and high integrity of nature investments involving agricultural land, each farm should be baselineed to determine the starting point of net carbon for the whole farm business, soil quality, habitat condition etc. This will enable investment in natural resources to be measurable and meaningful. The Welsh Government should consider its role in ensuring this has taken place.

"Credits or units sold should be based on the robust assessment of the benefit to be delivered."

It is unclear what a robust assessment entails and which parameters will be used to decide the sufficiency of the robust assessment. It is also unknown what is included under the “sufficient information” that the registries should provide, hindering successful application of this principle.

There is mentioned of a public registry. Will the registry be set up in isolation or joined up with for example the UK Land Carbon Registry? If set up in complete isolation there are concerns this will create additional and repetition in paperwork for farmers engaging with private finance, enhancing the red tape barrier. The creation of a public registry provides an opportunity to complement other existing farm level data models e.g. Rural Payments Wales and establish a comprehensive overview of farm data.

Principle 4 covers the requirements of additionality, no double counting, and transparency but there is no mention of a responsible body or authority and how the principle will be upheld. Will there be an official list of approved credit certification schemes?

Question 2: What are your views on how the principles can be applied to delivering nature-based solutions and ecosystems services?

Farmed landscapes are in a unique position of being able to integrate nature-based solutions alongside food production and it is important for this to be recognised. Viewing nature-based solutions and farming in isolation from one another limits opportunities and hinders process towards important environmental goals. There is a finite amount of land and farmed landscapes offer great opportunities for delivering nature-based solutions alongside food production and combined these landscapes can supporting biodiversity, sequester carbon, and enhance ecosystem services such as pollination.

Question 3: Do you agree or disagree that our proposed approach complements the values/standards of schemes and codes currently in use?

You may wish to consider these examples:

- **BSI's Nature Investment Programme (on bsigroup.com)**
- **UK Woodland Carbon Code (on woodlandcarboncode.org.uk)**
- **The Peatland Code (on iucn-uk-peatlandprogramme.org)**
- **Voluntary Nature Markets Principles (on wildlifetrusts.org)**
- **Biodiversity Credit Alliance guidance (on undp.org)**

The principles are similar to the above-mentioned values/standards but further detail would be greatly beneficial to allow for a stronger understanding and a clearer view on how these values/standards and the Government's Sustainable Investment Principles interact with one another.

If the Welsh Government intends to align itself with the aforementioned standards then examples on what this would look like would be welcomed.

The devil is in the detail and considering how high level these principles are, it is not apparent what will be considered sufficient when undertaking a private investment project and meeting the four principles.

Question 4: What are your views on our proposed approach to exploring sustainable finance in Wales?

Nature finance can play an important role in reaching environmental goals and bridging the financial gap created by the loss of the Basic Payment Scheme. However, for farmers to make an informed decision on whether they wish to engage with private finance, the Government needs to provide clear direction, and a robust framework. Farmers should not be expected to make long term impactful decisions base on limited information.

Question 5: What do you think are the barriers to preventing the people and communities of Wales from becoming involved in nature recovery?

Farmers are under a lot of pressure with great responsibilities of producing food whilst also providing public goods such as landscape management, carbon sequestration, healthy soils, etc. For farmers to be able to contribute to nature recovery clarity, stability and security is needed for farming, specifically agri-environmental policy and the Sustainable Farming Scheme.

Question 6: We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this space to report them.

When will they take effect and will the suggested framework be published along side it? How will the principles be upheld?

Question 7: What, in your opinion, would be the likely effects of the Sustainable Investment Principles on the Welsh language? We are particularly interested in any likely effects on opportunities to use the Welsh language and on not treating the Welsh language less favourably than English.

No comment

Question 8: In your opinion, could the Sustainable Investment Principles be formulated or changed so as to:

- have positive effects or more positive effects on using the Welsh language and on not treating the Welsh language less favourably than English; or
- mitigate any negative effects on using the Welsh language and on not treating the Welsh language less favourably than English?

No comment