

# Innovative funding to restore nature

## Panel:

- Gavin Bloomfield, Devon Wildlife Trust
- Tess Tidman, National Farmers Union
- Paul Cottington, National Farmers Union
- Dan Turner, The Rivers Trust
- Matt Scott-Campbell, Moors for the Future Partnership
- Dan Hird, Triodos Bank
- Caroline Mason, Esmée Fairbairn Foundation

**Facilitator:** Simon Wightman, Esmée Fairbairn Foundation

Thanks for joining us, the webinar will commence shortly.



# Caen Wetlands Project

**NORTH  
DEVON  
BIOSPHERE**



**County:** Devon      **Site Name:** Taw-Torridge Estuary

**District:** North Devon; Torridge

**Status:** Site of Special Scientific Interest (SSSI) notified under Section 28 of the Wildlife and Countryside Act, 1981, as amended.

**Local Planning Authority:** Devon County Council  
North Devon District Council  
Torridge District Council

**National Grid Reference:** SS 470310      **Area:** 1,336.5 (ha) 3,302.5 (ac)

**Ordnance Survey Sheet 1:50,000:** 180      **1:10,000:** SS 42 NE, SS 43 SW, SE, NE and SS 53 SW

[gbloomfield@devonwildlifetrust.org](mailto:gbloomfield@devonwildlifetrust.org)

## Braunton Burrows

● Designated Special Area of Conservation (SAC)

Country	England
Unitary Authority	Devon
Centroid*	SS451348
Latitude	51.0911
Longitude	-4.2122
SAC EU Code	UK0012570
Status	Designated Special Area of Conservation (SAC)
Area (ha)	1339.74

\* This is the approximate central point of the SAC. In the case of large, linear or composite sites, this may not represent the location where a feature occurs within the SAC.



Location of Braunton Burrows SAC



**North Devon Coast**  
Areas of Outstanding Natural Beauty







# Caen Wetlands Project

- 141 hectares of exceptional quality wetland habitats
- Ecotourism hub:
  - Visitor facilities and education hub
  - Network of trails and viewing structures

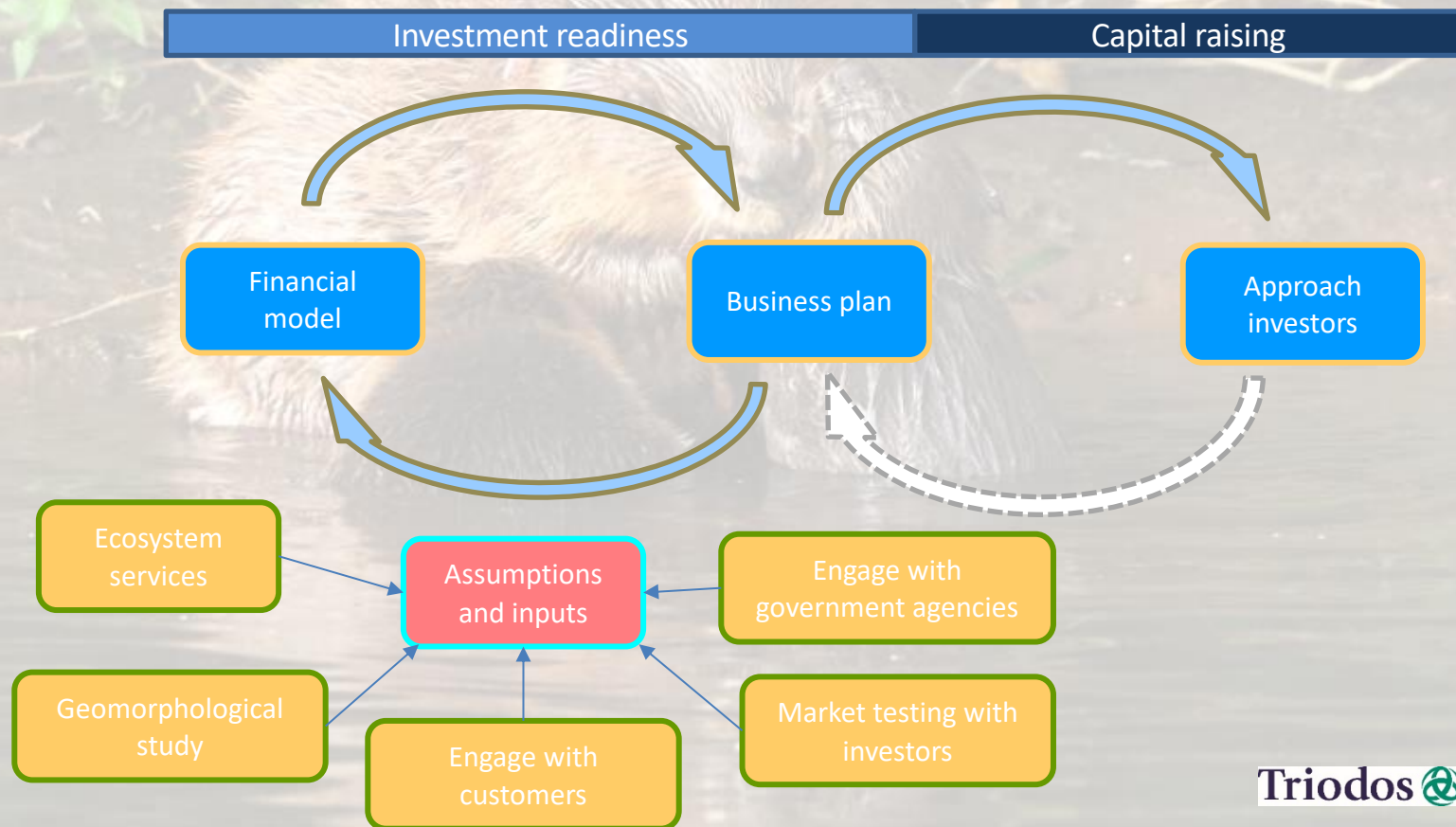




Positive Impact Area	Measure	Beneficiary	Customer
<b>Carbon sequestration</b>	Tonnes of carbon captured (IUCN Peatland Code)	Wider society, local residents in low lying areas near the coast	Individual and companies looking for carbon offsets
<b>Biodiversity/ wetland wildlife habitat creation</b>	Area of high quality habitat (ha)	Bird watchers, walkers on SW Coast Path	Paying visitors to the Centre, developers seeking net-gain payments
<b>Flood alleviation</b>	Area of land and risk reduction	Marsh Commissioners, residents of Wrafton	Environment Agency, local authority
<b>Access to high quality green space</b>	Number of visitors	Local residents and tourists	Paying visitors to the Centre

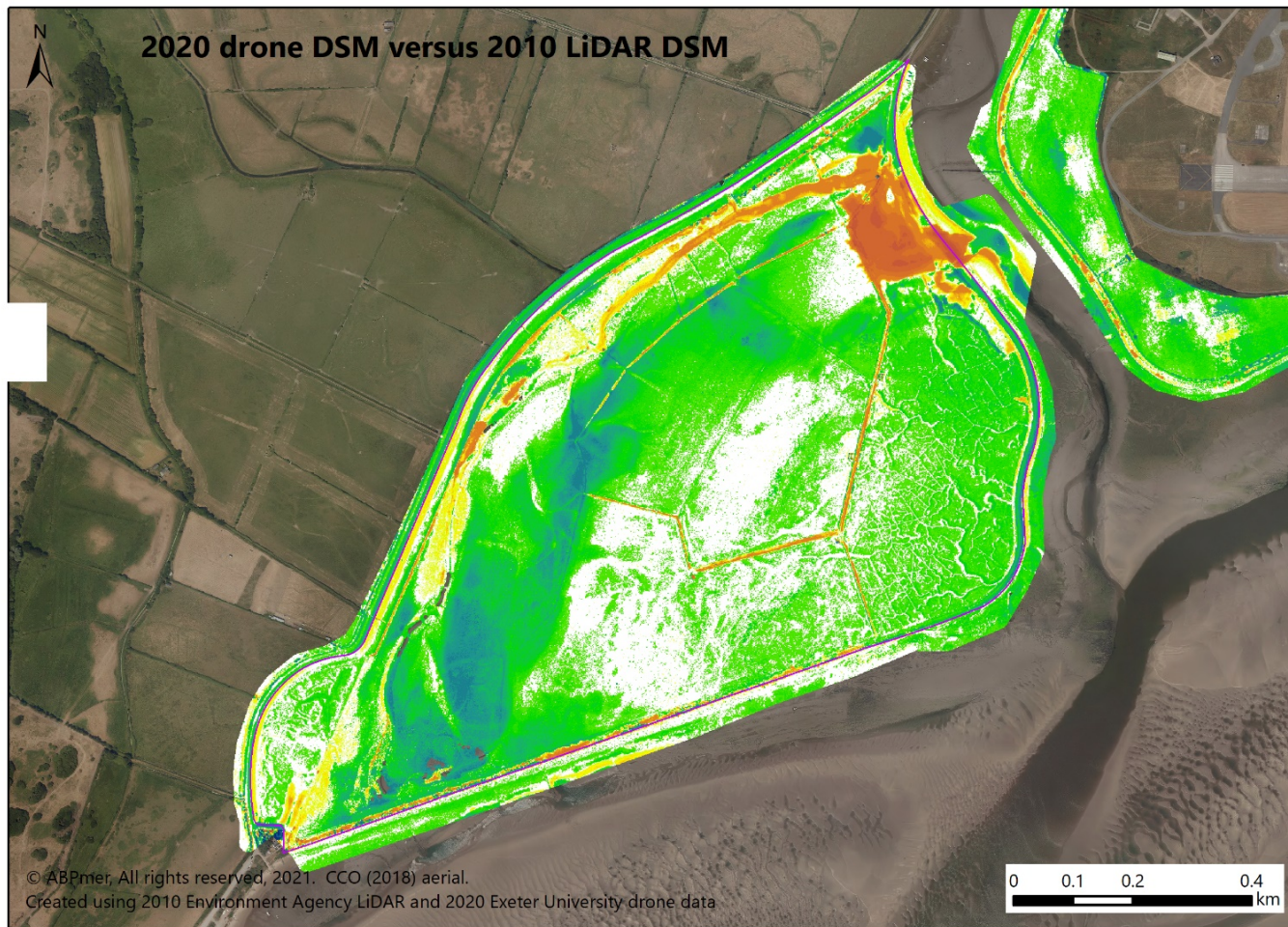


## CAEN Wetlands – Triodos approach









Difference (m)	-2.0 to -1.0	-0.6 to -0.5	-0.1 to 0.1	0.5 to 0.6	1.0 to 2.0
< -5.0	-1.0 to -0.9	-0.5 to -0.4	0.1 to 0.2	0.6 to 0.7	2.0 to 3.0
-5.0 to -4.0	-0.9 to -0.8	-0.4 to -0.3	0.2 to 0.3	0.7 to 0.8	3.0 to 4.0
-4.0 to -3.0	-0.8 to -0.7	-0.3 to -0.2	0.3 to 0.4	0.8 to 0.9	4.0 to 5.0
-3.0 to -2.0	-0.7 to -0.6	-0.2 to -0.1	0.4 to 0.5	0.9 to 1.0	> 5.0

Date	By	
Mar21	SRA	
Coordinate System		
British National Grid		
Projection		
Transverse Mercator		
Project no. 4906		
Fig_TopoDiff 10-20.mxd		

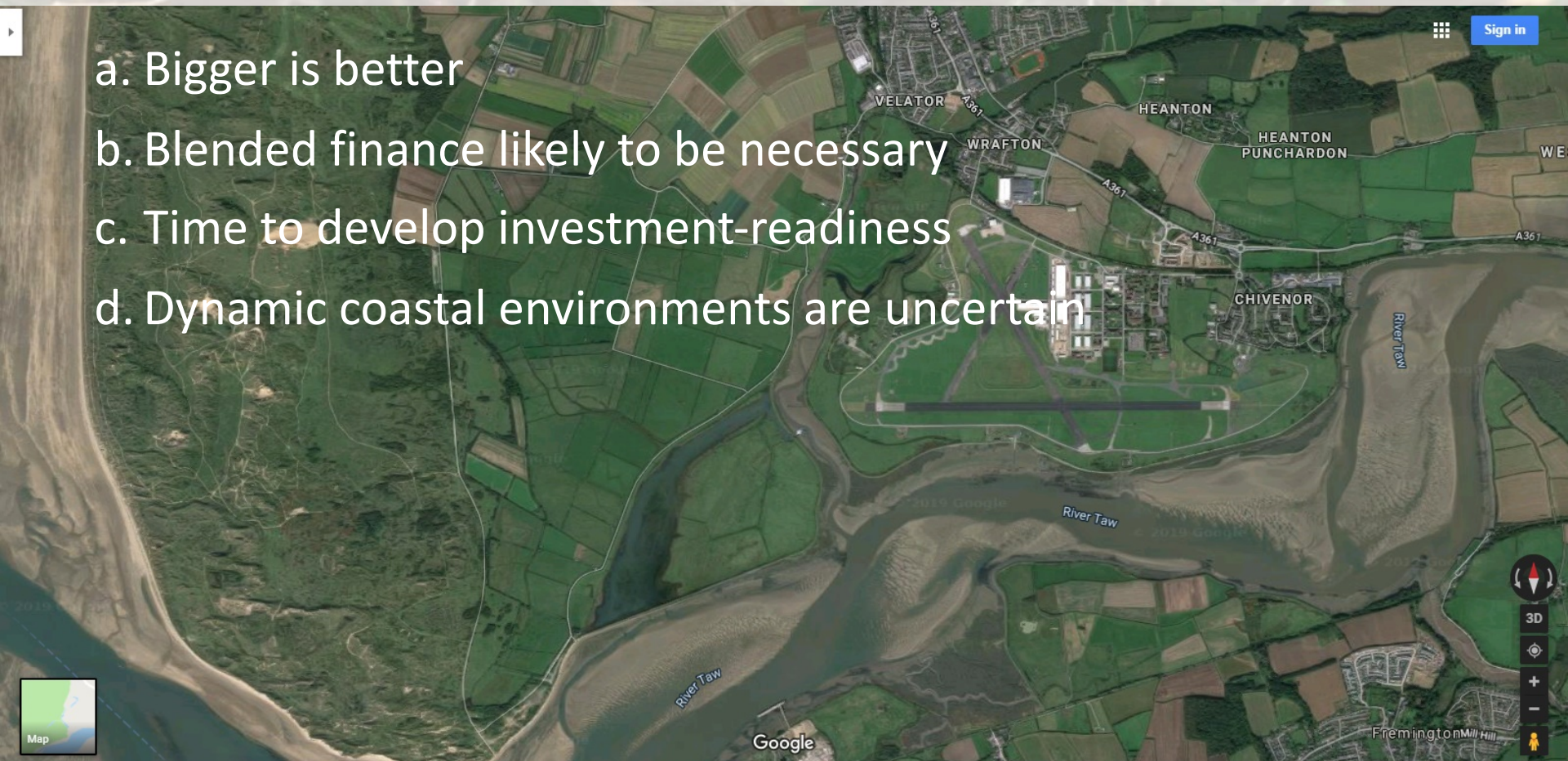






# Main take-home lessons

- a. Bigger is better
- b. Blended finance likely to be necessary
- c. Time to develop investment-readiness
- d. Dynamic coastal environments are uncertain



[gbloomfield@devonwildlifetrust.org](mailto:gbloomfield@devonwildlifetrust.org)

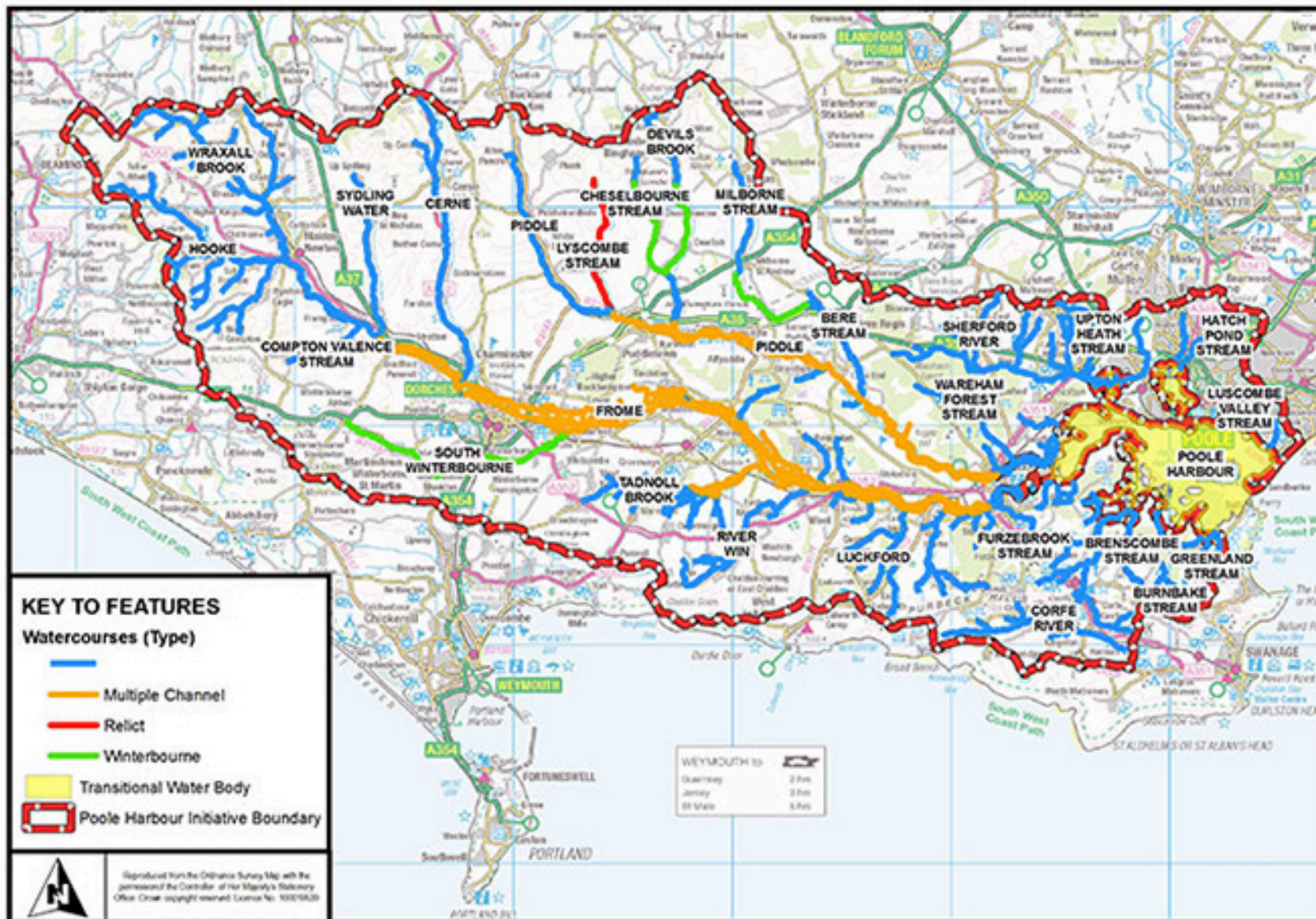


An aerial photograph of Poole Harbour, showing the large body of water, surrounding green fields, and urban areas. The text is overlaid on the image.

# Poole Harbour Nutrient Management Scheme

*Transforming agriculture and the environment  
across the Poole Harbour catchment*





**NOTICE**  
There's strength in members.



# Poole Harbour Nutrient Management Scheme

Poole Harbour Nutrient Management Scheme (PHNMS) is a whole catchment approach that brings together all the farmers in the Poole Harbour catchment under one entity. It will provide the tools and support for reducing nitrates and delivering additional environmental benefits for agriculture and other sectors especially the water company and new development.

The scheme has a vision; **the farmers in the Poole Harbour catchments are the most nitrogen efficient in the world.**



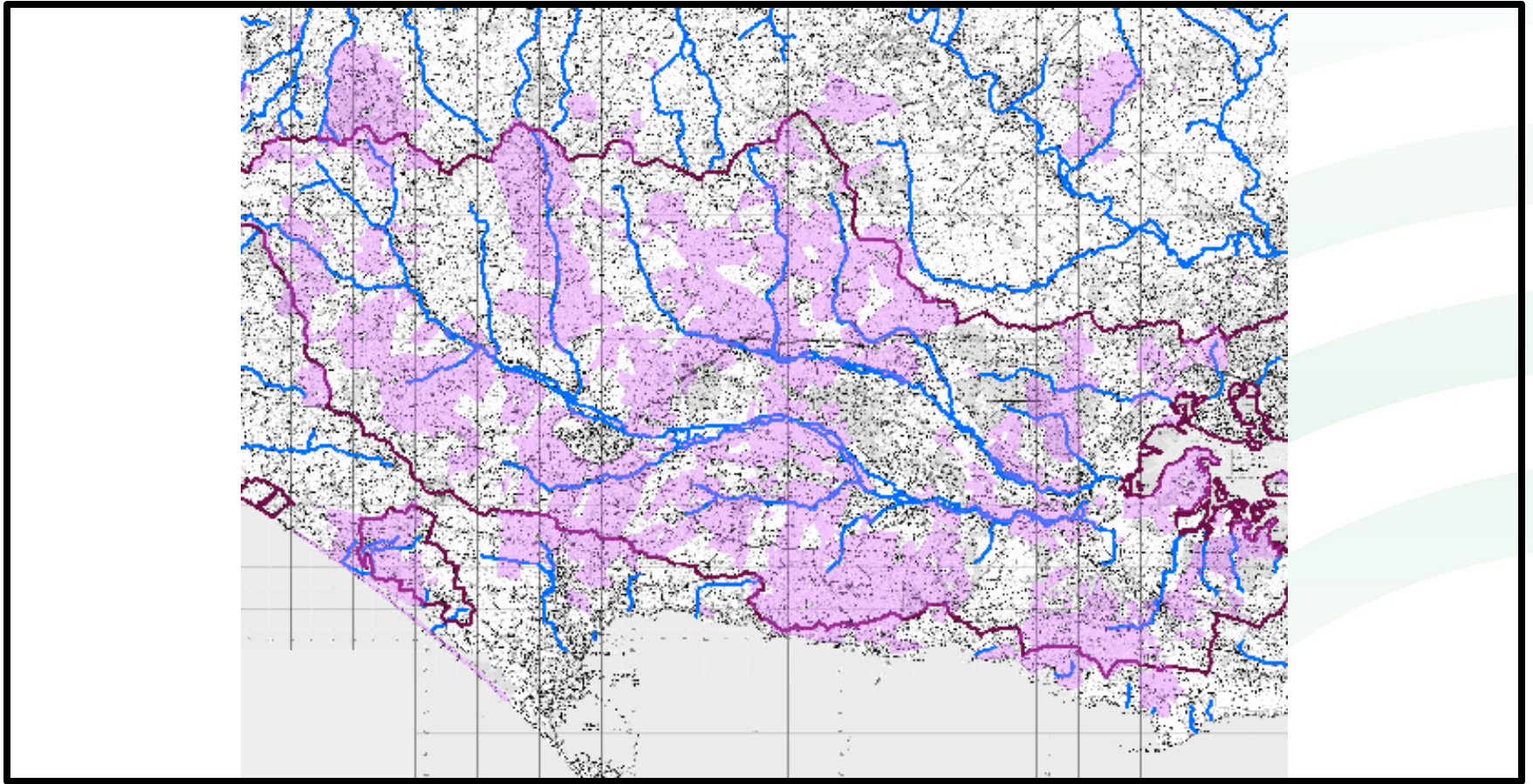


# PHNMS - Aims

- Enables Poole Harbour to **achieve favourable status for its Special Protection Area**
- **Enable new market** on nutrient trading to develop
- Work with **existing regulations**
- Be **flexible**
- Enable farms **to grow current farm models**
- **Managed via a systems approach** which is **independent** and **transparent**
- Be **phased** and realistic
- Be dynamic and based on **best science** and **best farming practice**
- **FARMER OWNED AND CONTROLLED**



# Farmer Engagement



**NFUnited**  
There's strength in members.

NFU supported by



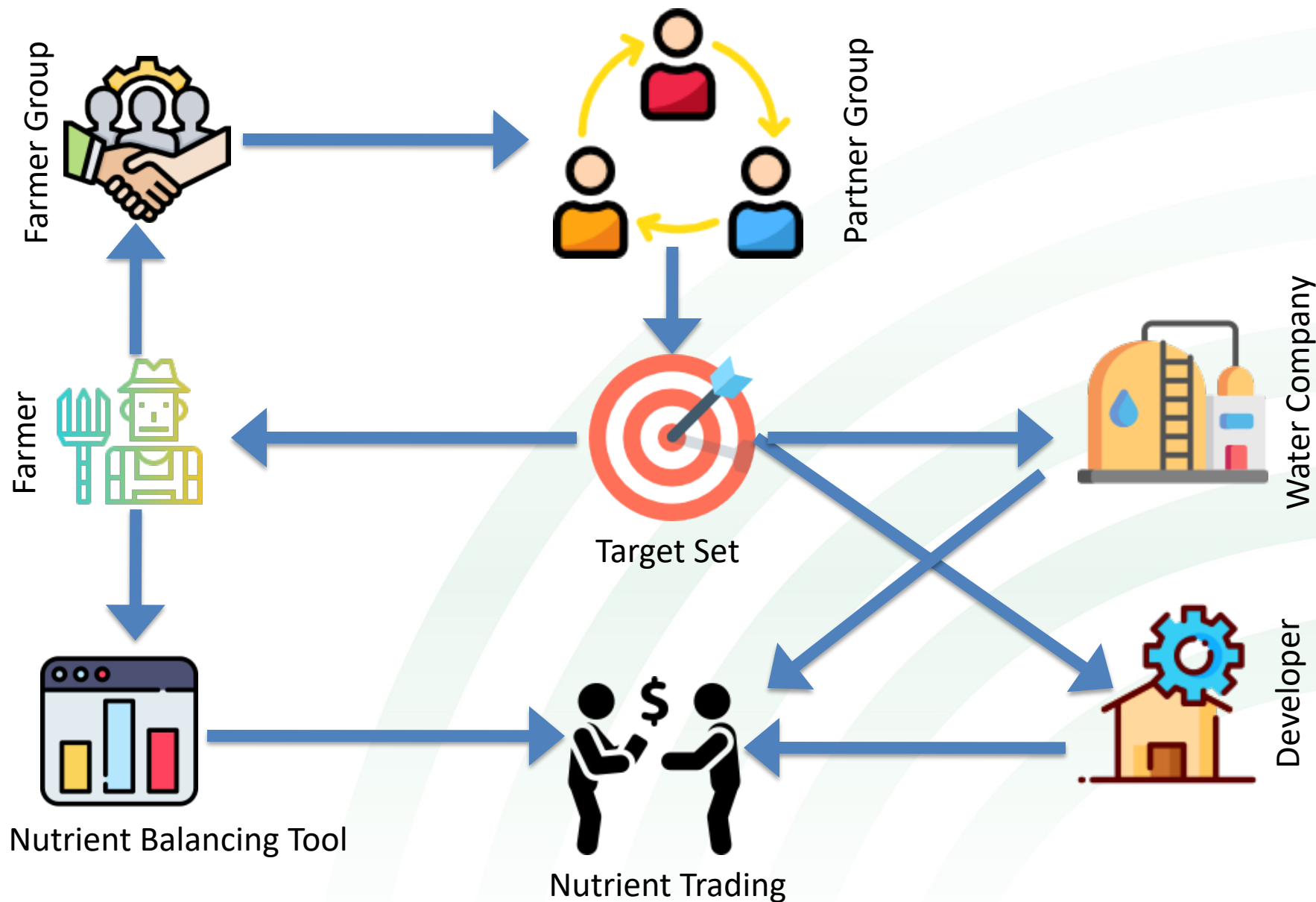
**NFU Mutual**





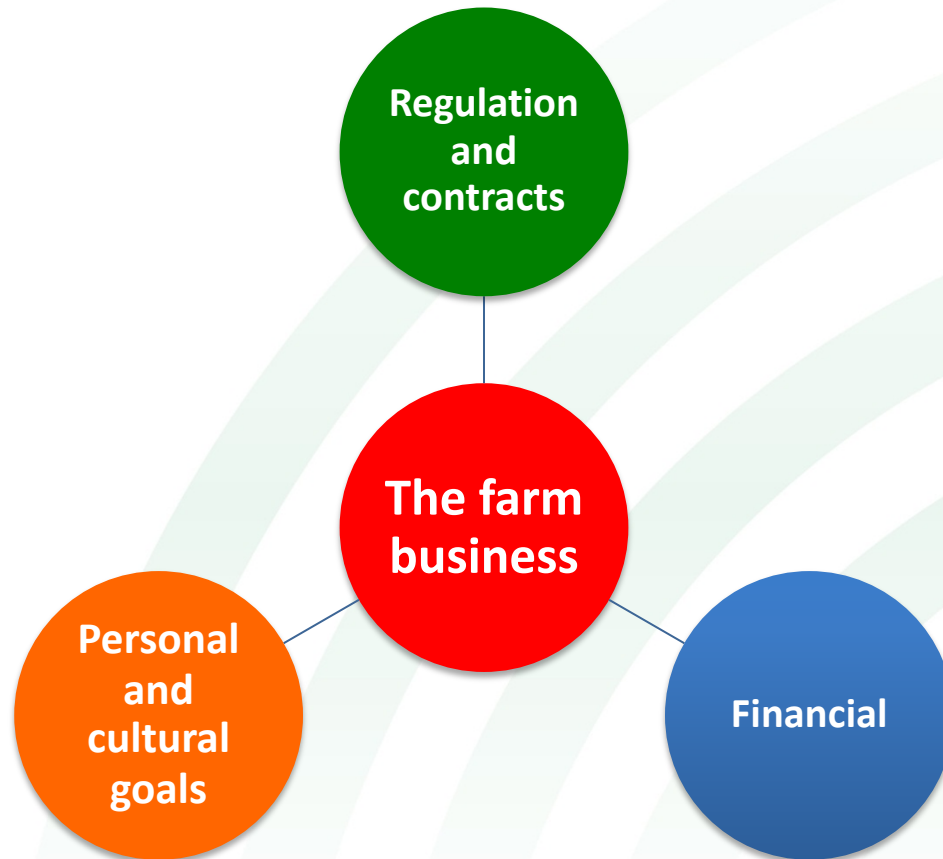
# 5 key aspects:

1. Operation and management of a farmer owned and controlled entity (Poole Harbour Agricultural Group).
2. Development of catchment wide governance and management
3. Development of a farm level nutrient accounting tool
4. Development of a nutrient trading tool
5. Access to new environmental markets through trading tools





# Structure and Support



## Investment Readiness Phase

- NFU Led and managed (circa 12 months)
- Develop business plan and all aspects of the project
- Consultants from Triodos Bank, Cambridge University, Hertfordshire University
- Support from NE, EA, WW, CSF

## Pilot Phase

- Poole Harbour Agriculture Group Led
- 1- 1 ½ years
- All tools and processes tested and developed
- Employ Full time manager + seconded team

## Rollout Phase

- Poole Harbour Agriculture Group Led
- 1 year
- All tools and processes to whole catchment
- Full time manager + team

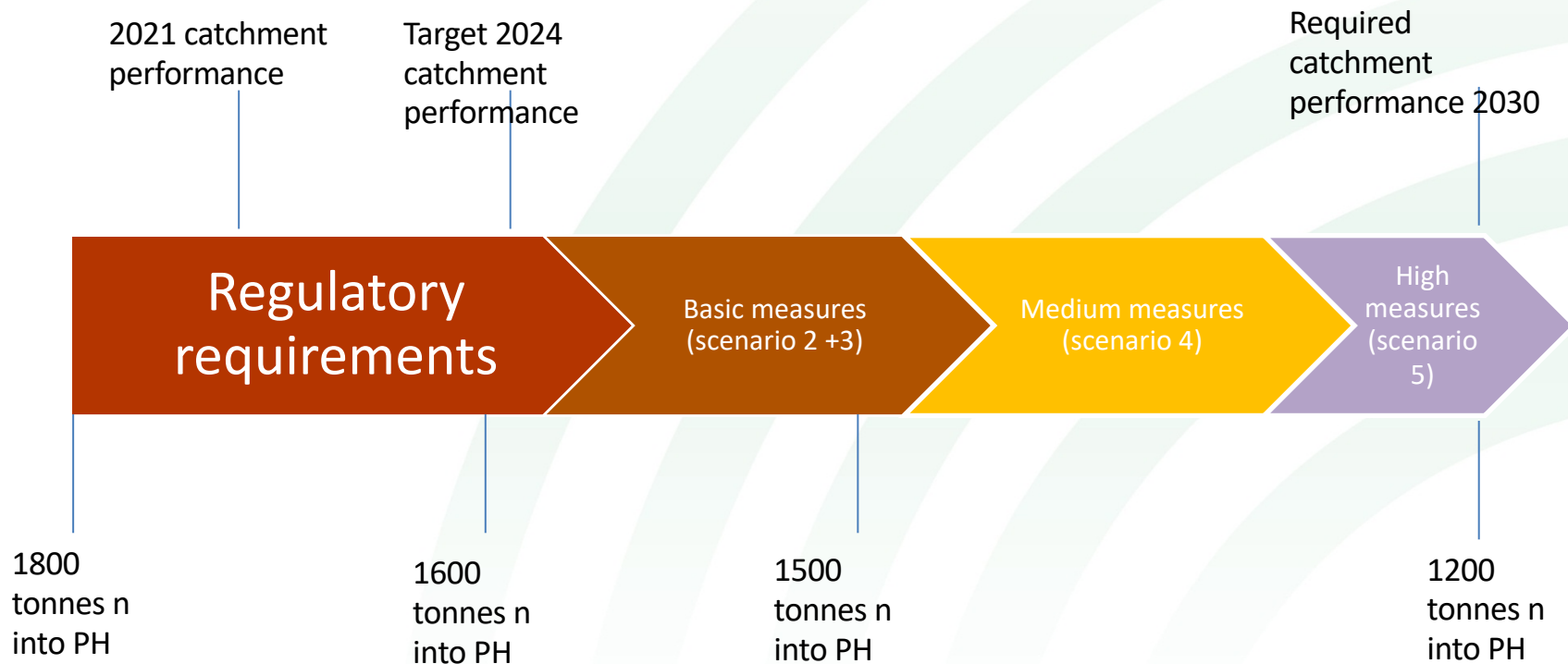
## Establishment Phase + PHNMS Programme 2

- Poole Harbour Agriculture Group Led
- From rollout onwards
- All tools and processes to whole catchment
- Full time manager + team





# Agriculture nitrate accounting – expected from measures



# Environmental Benefits

- Reduced nutrient use
- Reduced pollution
- Changes to land management benefiting the wider environment
- Reduced soil erosion
- Habitat creation
- Reduced ammonia emissions
- Carbon sequestration
- Improved soil management
- Improved prioritisation of delivery
- Increased ownership of environmental delivery by farmers
- Improved communication of environmental issues
- Improved monitoring and data
- Improved research and development
- Focus on best practice



# What are the options for Poole Harbour and agriculture?

1. No change and carry on with **current direction of travel**.
2. **WPZ introduced** and all farmers must comply with new regulations.
3. **WPZ delayed with no action by farmers** and then WPZ introduced and all farmers must comply with new regulations at this new time.
4. **WPZ delayed and alternative approach developed**. Partners create new mechanisms and measures to **prevent WPZ being introduced**

## Risks and Obstacles

- Regulatory position
- Compressed timeline
- Funding window
- Incentive to farmers
- Threats to farmers
- Monitoring and verification



**END**



# Wyre Catchment NFM



Working in partnership with

**Climate change could increase the annual cost of flooding in the UK almost 15-fold by the 2080s under high emission scenarios.**





Hard-engineered flood-risk management solutions alone will not address our future flood risk challenges and must be supplemented with **natural solutions.**

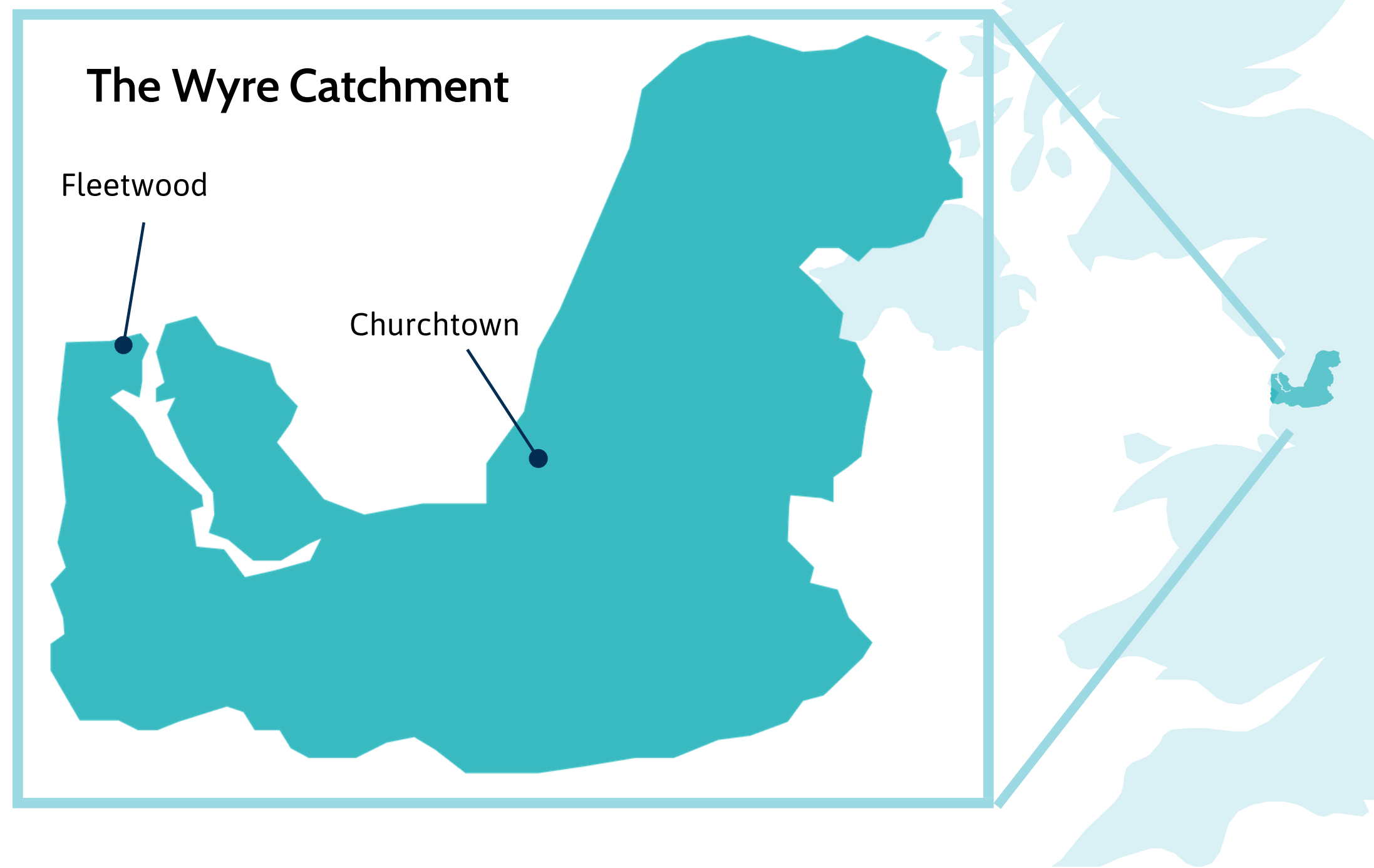
Mechanisms to **finance** the implementation of Natural Flood-risk Management (NFM) at scale in the UK, remains a **significant barrier** to uptake.



# The Wyre catchment

Communities in the Wyre Catchment such as Churchtown have experienced a **1 in 50-year flood** event **four times in the last 20 years** with a devastating impact on the local community.

The **economic cost** alone to insurers alone of a 1 in 50-year flood is **£1.96m.**





# The intervention

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70ha NFM features

20ha Woodland creation

1710 Leaky dams

42 Ponds and scrapes

10km New hedgerows

# Ecosystem services and project outputs.



Natural Flood Management

This project will install over **70ha** of NFM interventions such as ponds, hedges and leaky dams, storing water in the catchment



Habitat creation

These **nature based solutions** will improve habitats and increase biodiversity, delivering **283 off-site biodiversity credits**.



Water Quality

We will **replenish 2200ml a year** helping to improve the water quality in the catchment



Social

Working with the community, we will reduce flood risk and the associated stresses to **56 properties**.



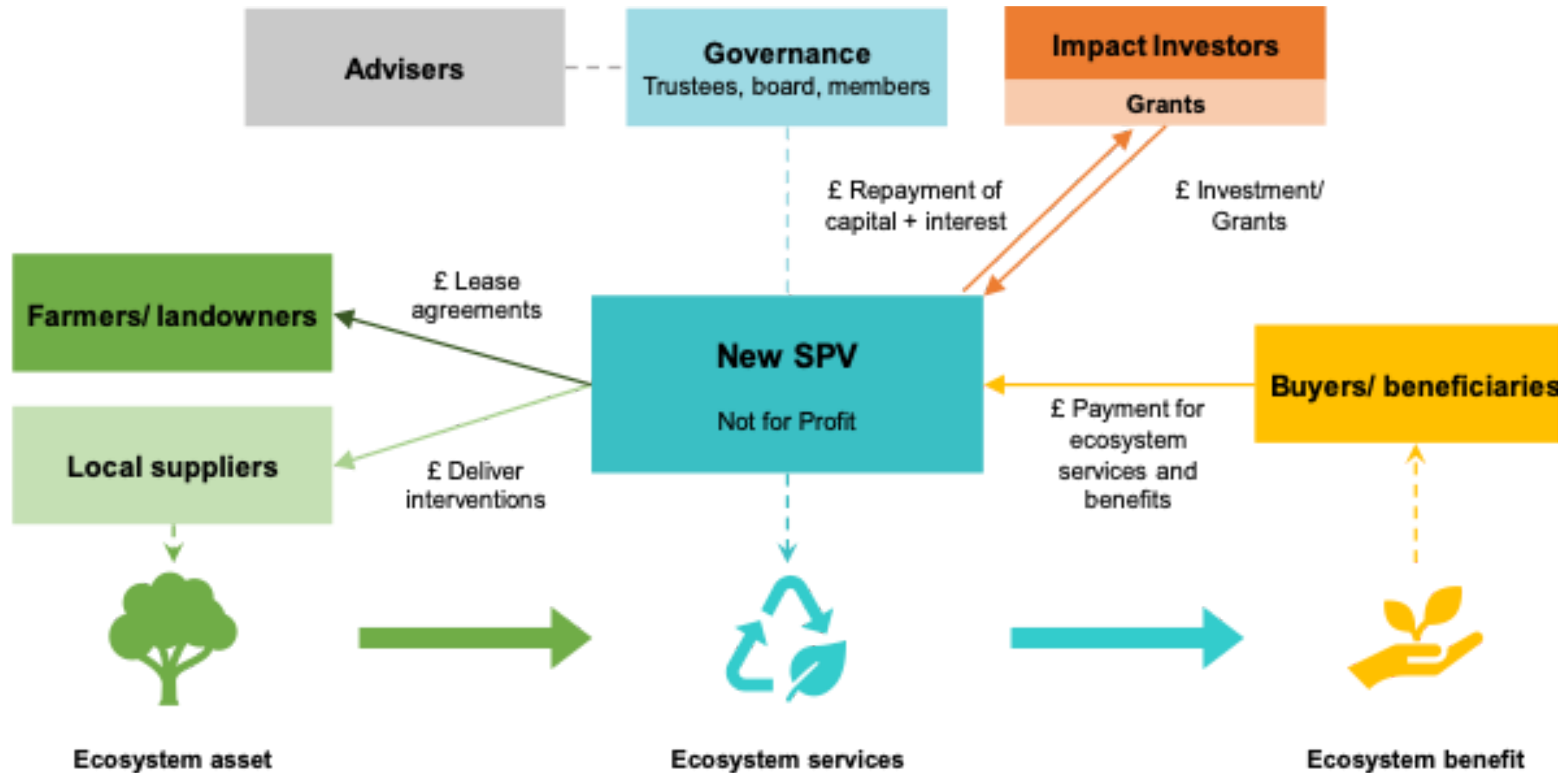
Carbon

Through **tree planting** and rewetting peat we will sequester **25,600 tonnes of carbon**.



# How will it be paid for?

## Transaction structure



# Story so far

## Modelling

Modelling working group:

Additional sense checking modelling

Woodland modelling

Academic review

Monitoring protocol to evaluate the effectiveness of the intervention and to enable a payment by performance mechanism

## Commercial structure

Special Purpose vehicle (SPV) will be a Community Interest Company (CIC) limited by guarantee.

Represented by a board.

Financial model-payment triggers for buyers, risk sharing and schedule.

Project to be hosted on an interactive dashboard.

## Buyers

Brought together 6 buyers of ecosystem services:

- Flood Re
- United Utilities
- Wyre Council
- Woodland Trust
- Environment Agency
- NW Regional Flood & Coastal Committee

All unique transactions, buying a range of services

## Sellers

High level conversations with 12 farmers and landowners

Three payments:

Capital  
Revenue  
Maintenance

8-year contract, with the option to extend for 20 years.



# Challenges

## General



- How to deliver catchment scale, place based NFM projects
- Metrics and valuation of ecosystem services
- Special Purpose Vehicle

## Buyers



- Cost avoided model
- Payment structures
- Fair share

## Sellers



- ELMS and Countryside Stewardship
- Contract lengths
- Income for gone

## Investors



- Shared risk



Next steps

# Opportunities

- a different approach to funding sustainable land management
- Catchment scale integrated approach
- Diversifying buyers
- How to engage the insurance sector
- Crowd source investment
- Community action





# Nature based investment pilot projects

## Learning and challenges – from an advisory perspective

Dan Hird

Head of Corporate Finance – Triodos Bank

Friday 19 March 2021



# Nature based investment

## Triodos Bank – our work in this area

### About Triodos

- European ethical bank
- Our purpose = tackling climate change and social inequality
- 40 years old - UK HQ is in Bristol
- Banking, investment and advisory services
- €18bn under management

### Our interest in natural capital sector

- Initiated 4 x UK nature based investment pilot projects funded by Defra, EA and Esmée Fairbairn Foundation.
- Test the “investability” of environmental land use change.





# Natural capital pilot projects – learning and challenges

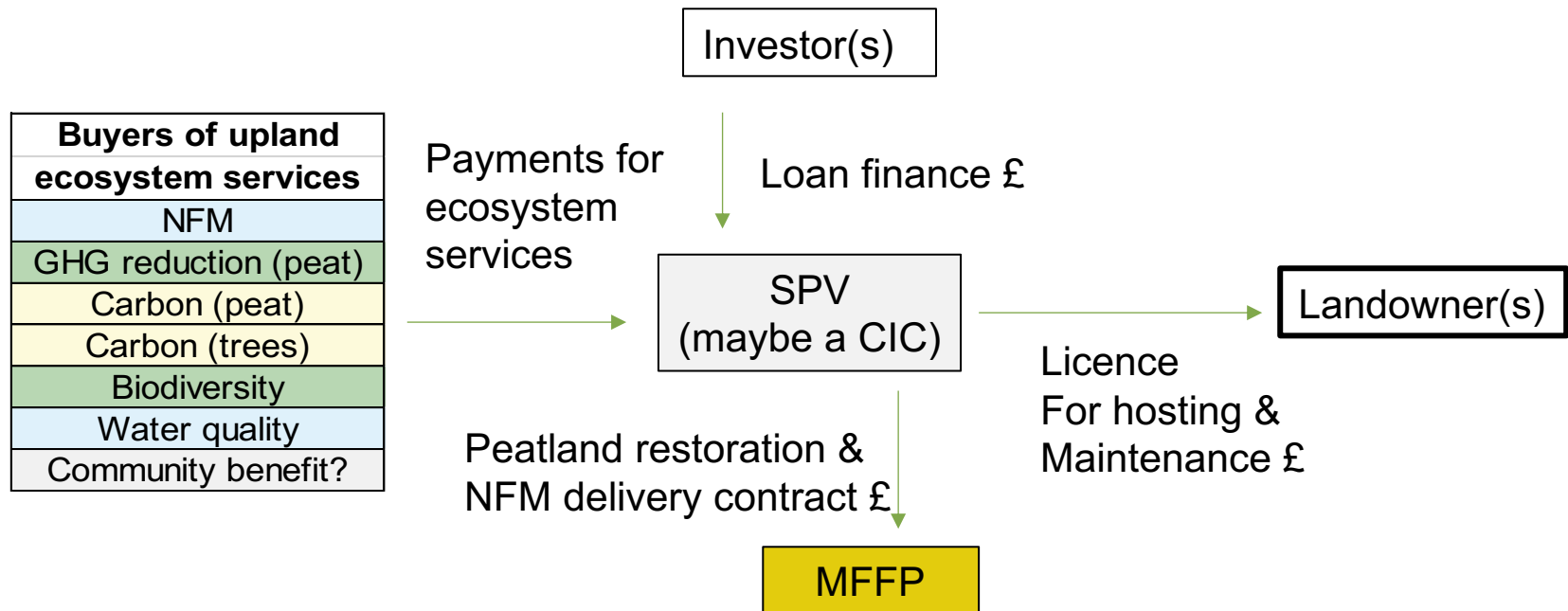
## Generic learning

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- 1. Place based projects are inherently challenging due to multiple stakeholders involved**
  - Landowner(s), Buyers of ecosystem services, Promoter or delivery organisation (NGO?), EA & Defra, Advisers, Investors
- 2. A collaborative open book approach works best.**
  - Creating the elusive win/win/win
- 3. Role of government agencies is going to be crucial to future success**
  - EA – facilitator/regulator/buyer of ecosystem services/grant provider
  - Defra – policyholder for ELMS/metrics/fiscal incentives
- 4. Role of a trusted project promoter is key – NGOs have knowledge and are trusted but need resources to capacity build**

# Nature based investment – structuring options

## Live example – MFFP pilot project



**Delivery of peat restoration through a natural capital finance method. Creating a win/win/win/win for buyers/landowners/investors and NGO**



# Natural capital pilot projects – learning and challenges

## Specific learning – a small snapshot

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### **1. Wyre – new innovative contracting structures**

- Multi-year NFM ecosystem services contract where 5 individual buyers of NFM sign up to a template 9 year revenue contract (extendable to 50 years)
- A private landowner NFM hosting and tree planting contract (9 – 50 years)

### **2. NFM performance effectiveness measurement**

- What do buyers want to see, how measured and what triggers?

### **3. Risk transfer between Buyers and Investors – obligations of Landowners**

### **4. Testing appetite from external repayable risk investment**

+ multiple other learnings in due course

# Natural capital pilot projects – learning and challenges

## Challenges

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- 1. Recognise different commercial objectives of different stakeholders but keep coming back to the shared vision.**
- 2. These projects take time and need resource – and need to be funded properly.**
- 3. Distrust or resistance to private sector involvement – in particular investment capital.**
- 4. Acceptance that we need to do things differently and that we'll be making it up as we go along!**




# Natural capital pilot projects – learning and challenges

## Tools needed

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- 1. Open dialogue with Defra around how ELMS will/could work and interact with nature based projects.**
- 2. Development of more proven and accepted ecosystem services metrics (beyond WCC, BNG)**
- 3. Support and capacity building of NGOs and other potential project promoters.**
  - EFF and IRF doing this
- 4. Tax incentives (e.g. EITR) to encourage private risk investment**
  - Triodos dream scenario = we harness power of local community crowdfunded investment into local projects. Need a tax relief to signal and compensate for the risk



 @EsmeeFairbairn  
#FundingNature



gbloomfield@devonwildlifetrust.org  
[devonwildlifetrust.org](http://devonwildlifetrust.org) | @devonwildlife



matthew.scott-campbell@peakdistrict.gov.uk  
[moorsforthefuture.org.uk](http://moorsforthefuture.org.uk) | @moorsforfuture



Tess.Tidman@nfu.org.uk  
Paul.Cottington@nfu.org.uk  
[nfuonline.com](http://nfuonline.com) | @NFUtweets



Dan.Hird@triodos.co.uk  
[triodos.co.uk](http://triodos.co.uk) | @triodosuk



Dan.Turner@theriverstrust.org.uk  
[theriverstrust.org](http://theriverstrust.org) | @theriverstrust



Andy.Slaney@environment-agency.gov.uk  
[gov.uk/government/organisations/environment-agency](http://gov.uk/government/organisations/environment-agency)  
@EnvAgency

Thanks for joining us!