Natural Capital Markets - England

RURAL PROFESSIONALS

Law, Policy and Practice Update
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Areas of development since September 2023

Mandatory BNG

Exceat Bridge Mitigation

Statutory metric for BNG assessment.

Conservation Covenants & Responsible Bodies

Planning & Infrastructure Bill - Future of Nutrient Neutrality & other mitigation requirements

The Land Use Framework/Local Nature Recovery Strategies.

Nitrate Off-Setting





Mandatory Biodiversity Net Gain (BNG)

Mandatory 10% Biodiversity net gain for larger developments from 12th February 2024 and for smaller developments (10 or less dwellings) from 2nd April 2024.

Exemptions:

- Self build homes
- where impacts are deemed "de minimus" e.g. < 25m²

The Environment Act expects developers to prioritise on site mitigation before they look for off site BNG units.

Impact on farming businesses are not only for commercial development, but may affect the farming business:

- A new barn or extension to a farm building might fall into scope.
- Ponds have also fallen into scope in some areas

It's still early days and LPAs are finding their feet.



Potential requirement for BNG!





- Demand has been significantly below expected levels.
- There are various reasons why:
- I. Slower Housing Market.
- II. Developers finding exemptions.
- III. Larger developments using public green space to deliver BNG on-site.
- IV. Large infrastructure projects are not included.
- V. Some evidence that demand in the market is picking up.

Headline Results		
Headline		BNG Targets Met √
Trading Rules		Trading Rules Satisfied ✓
Next steps		Check for input errors/rule breaks present in the metric
Baseline Units	Area habitat units	Zero Units Baseline
	Hedgerow units	Zero Units Baseline
	Watercourse units	Zero Units Baseline
Post-development Units	Area habitat units	0.0000
	Hedgerow units	0.0000
	Watercourse units	0.0000
Total net unit change	Area habitat units	0.0000
	Hedgerow units	0.0000
	Watercourse units	0.0000
	_	
Total net % change	Area habitat units	% target not appropriate
	Hedgerow units	% target not appropriate
	Watercourse units	% target not appropriate
A b-bis-sis-		0.0000
Area habitat units required to meet target		0.0000
Hedgerow units required to meet target		0.0000
Watercourse units required to meet target		0.0000

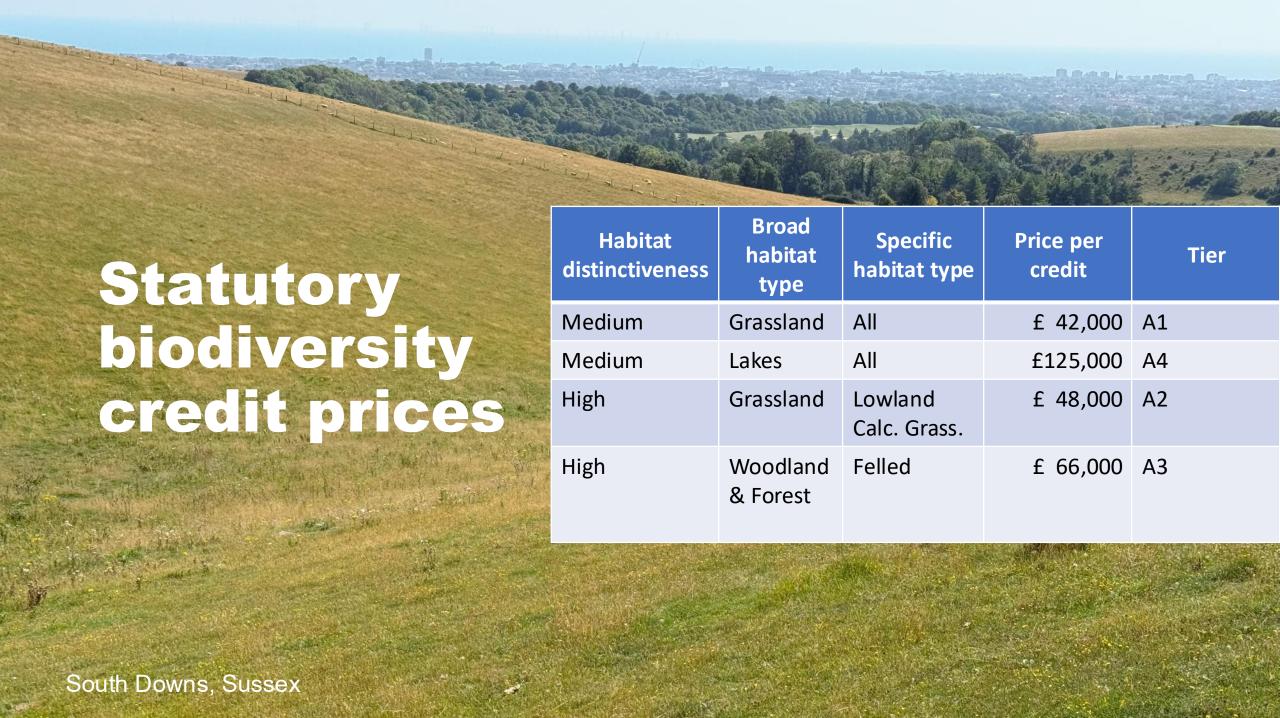
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The statutory metric

- DEFRA launched a spreadsheet to calculate the statutory metric to be used by all developers and off site BNG providers.
- When planning a development or looking to create a BNG scheme the developer requires a baseline assessment of the ecological value of the site.
- Habitats are divided into low, medium and high distinctiveness. Mitigation for the impacts on a habitat must create a habitat of equal or higher distinctiveness. E.g. a lowland meadow is of high distinctiveness while other neutral grassland (semi improved) is of medium distinctiveness.
- Some habitats are classified as irreplaceable. It is not possible to use the BNG approach to mitigate for loss of irreplaceable habitats.
- Watch out, loss of trees is tricky to mitigate for ie the loss of a small tree will need 11 planted in its place.

Chart 1 - Unit change by habitat group

Sheet Name



Conservation Covenants & Responsible bodies

To provide BNG units or Nitrate Credits, a Section 106 agreement had to be made with the Local Planning Authority (LPA).

There is now an option of agreeing a Conservation Covenant with a Responsible Body

A Responsible Body can be an LPA, a conservation charity or another body that has a conservation remit.

Advantages of Conservation Covenants.

- Quicker to set up
- Possibly cheaper
- Much more flexible in geographic terms.
- Not dependent on LPA.

Many are resistant to Conservation Covenant as unproven

Planning & Infrastructure Bill

The Government want to:

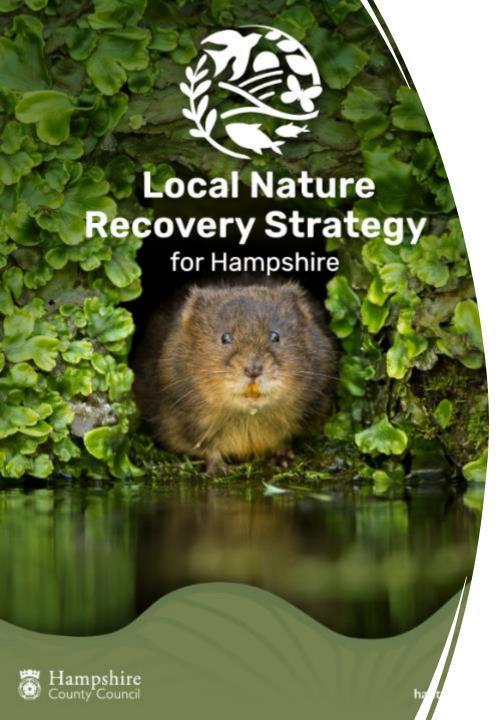
- I. streamline planning,
- II. speed up house building and
- III. critical infrastructure must have "faster and more certain" consenting orders.

To facilitate this, developers will pay a levy into a central pot instead of buying individual environmental credits or making separate contributions for things such as mitigation for impacts on coastal birds or the New Forest.

- Proposals to amend Biodiversity Net Gain Credits.
- The Bill was introduced to the House in the Spring with the aim to get Royal assent in Spring 2026. It is currently at the Committee Stage
- Natural England will be responsible for producing a plan to deliver the environmental outcomes

Planning & Infrastructure Bill

- Possibly a good idea but lots of unanswered questions at the moment...
 - How is the level of the levy set and by who?
 - What happens to projects already up and running?
 - Will it, in effect, be the nationalisation of environmental schemes?
 - How local will it be?
 - How will projects be commissioned and delivered?
 - Who holds the cash?
 - Does Natural England have the staff or expertise to produce the plan?



The Land Use Framework & Local Nature Recovery Strategy.

DEFRA launched a consultation on a **Land Use Framework** on 31st January 2025. The consultation closed on 25th April 2025.

It aims to identify where non-agricultural uses should go, protecting high quality farmland.

The next stages will involve sector engagement in a collaborative process as [the Government] design a final Land Use Framework – informed by the views of landowners, businesses, farmers, and nature groups. This evidence will feed into the wider reform they are delivering through the Farming Roadmap and Food Strategy. Aim to publish late 2025.

Local Nature Recovery Strategies (LNRS) are a new system of spatial strategies for nature across England, introduced under the Environment Act 2021. These strategies aim to identify locations for improving nature and providing environmental benefits like carbon sequestration and flood regulation.

The overarching goal is to create a larger, better, and more connected ecological network.

County Councils have produced consultation drafts and are expected to publish their LNRS in 2025.

Nitrate Off-setting

- Due to high levels of pollution in many aquatic habitats (like The Solent), with no obvious means of mitigating the impacts, Natural England advised local authorities to put all new planning permissions on hold until a solutions could be found. (This happened in many designated areas.)
- This advice was given following the Dutch Nitrogen case. On 07 November 2018 the European Court of Justice (CJEU) ruled on Cooperation Mobilisation for the Environment v Vereniging Leefmilieu.
- Where a European protected site is in unfavourable condition, the ability to permit
 activities which would give rise to additional pollution is 'necessarily limited' and
 would need careful justification to ensure that it is compatible with the Habitats
 Directive.
- House building was halted in many parts south Hampshire for over two years and can only resume when the developer can demonstrate 'nutrient neutrality'.
- Hampshire & Isle of Wight Wildlife Trust have purchased many sites, mainly on the Isle of Wight to offset nitrates produced by development.
- Nitrate offsetting is unlikely to be affected by the Planning and Infrastructure Bill.



Little Duxmore Farm on Isle of Wight 42.6 ha intensive arable farm bought by Hampshire & Isle of Wight Wildlife Trust 2020.

BOOTHBY WILDLAND

Landscape Recovery

- Following two years of development work, two pioneering projects have now secured their funding and are beginning long-term delivery on the ground.
- Boothby Wildland in Lincolnshire: the first to be offered an implementation agreement. - 620 hectares of former Grade 3 arable farmland.
- Upper Duddon in the Lake District National Park. Led by the University of Leeds, this project brings together farmers, environmental organisations and the local community to manage 2,800 hectares of uplands in West Cumbria.

Natural Capital

- Over the last 15 to 20 years the methods of valuing and creating value and revenue from Natural Capital has been hard and tortuous, with many cul de sacs and U turns.
- There is still a long way to go and many problems need resolving at source rather than through a secondary mechanism.
- All professionals in the rural sector must hone their skills and awareness to guide their clients through the opportunities and pitfalls within the Natural Capital Markets.

Thank you!

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Discussion & Questions

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