

Chapter 9: Identification of further funding mechanisms

There is a need to integrate goals for nature with funding streams, policy and statutory duties. Within this section we introduce funding mechanisms presented according to the primary benefit they seek to support (biodiversity, tourism etc). However, most have overarching or multiple goals which reflect the need for, and benefits of, partnership working.

Potential funding and delivery mechanisms are presented, some of which are currently open for calls for projects. These initiatives might be suitable to support direct delivery of, or attract investment in, natural capital and ecosystem services delivery in the county.

Funding mechanisms for nature-based solutions are increasing, seeking to address climate change, and deliver ecosystem service protection to the benefit people and biodiversity.

Accessing these funds mostly requires working in partnership. Derbyshire County Council, the City Council and National Park have the advantage here of having land within their ownership which can be offered up for partnership projects led by charities and NGOs. There are several funding schemes which work on this model and could benefit council owned land and local people. A good example is: www.fundingforall.org.uk/funds/ba-better-world-community-fund/.

Biodiversity

UK Government is establishing a range of funding and duties to underpin the NRN. This includes Countryside Stewardship and three future schemes that will reward environmental land management. A range of funding opportunities for nature have been announced. The 'Nature for Climate Fund' commits £640 million to support:

- creation, restoration and management of woodland and peatland habitats
- a tripling of afforestation rates across England
- restoration of 35,000 hectares of peatland by 2025

The [Green Recovery Challenge Fund](#) (£80 million) is for nature-based projects to restore nature, tackle climate change and connect people with the natural environment. It is helping to address environmental renewal and sustain and build capacity in the environment sector.

The funding base for the NRN is being broadened, for example by encouraging private and third sector businesses to invest in the natural environment and there is incentivising action for businesses in the development sector by mandating biodiversity net gain (BNG).

Outside of the larger partnership projects, funding mechanisms for biodiversity are being supplemented by the development of a BNG market in England. This is due to form after adoption of the proposals in the Environment Act (2021) and will allow land to benefit significantly from habitat restoration to enhance biodiversity for both plants and other species. The demand for restoration arises from developers who are taking land for development and who are required to offset the biodiversity loss of such schemes. The Natural Capital Strategy for Derbyshire is a key mechanism for guiding the development of such offsetting schemes. The maps of opportunities for biodiversity identify land where offsetting activities will be likely to deliver biodiversity enhancement more quickly and with



more resilience than other locations; this comprises places that mainly fall within the existing ecological networks. Land which is marked as providing multiple ecosystem benefits on the opportunity maps will be especially valuable to wider society if used for this purpose.

There is currently limited voluntary trading in BNG schemes. Economic modelling work has been undertaken which gives an indication of the potential market price for Biodiversity Units (BUs). However, these prices have significant uncertainty, and are likely to vary depending on the types of habitats BUs are needed for. Prices will also vary between the locations BUs are needed. BUs may be sold immediately but the time taken to deliver them from different habitats can vary significantly. The price per BU is therefore uncertain, but could range from £11,000 to £25,000, with an expected mid-point of £15,000 in a county such as Derbyshire²⁹. Levels of demand are also hard to predict, but can be estimated from past rates of development, planned infrastructure, housing and other developments in local plans.

The annual loss of biodiversity in Derbyshire is predicted, based on recent patterns of development, at 363 BUs per year. This does not take account of future targets to accelerate land use development (e.g. for housebuilding). It is estimated that only Derby City is likely to have any shortage of BU supply to meet demand, all other LPAs in Derby should have an adequate supply. Therefore, Derby's demand can be met by supply from neighbouring authorities. The data for Derby is uncertain, as modelling urban development is harder; for example the biodiversity metric is more difficult to apply when quantifying previously developed land impacts. As the surrounding LPAs around Derbyshire also have adequate supply of BUs to meet demand, there is unlikely to be additional demand within Derbyshire from neighbouring planning authority areas.

Agricultural subsidies

The public goods generated by agriculture and land management justify the payment of public money to land managers through agricultural subsidies. The intention for Environmental Land Management Schemes (ELMS) is to allow land managers to receive its payments and sell other services in markets. However, rules for simultaneously receiving payments from the future ELMS and payments for BUs (so-called 'stacking') are not clear, especially in the light of the recent changes in government policy and the abandonment of biodiversity recovery, climate change mitigation and potentially the ELMS scheme.

Nature-friendly farming, regenerative agriculture and re-wilding are growing areas of interest to some farmers and land managers. The maps within the Derbyshire Natural Capital Strategy are a key resource for gaining an overall understanding of where biodiversity-focused action is likely to deliver the greatest benefit.

Using council owned land, it will be possible to apply for future grants related to Natural England's NRN. This is a grant which ties in with the major commitment in the government's 25 Year Environment Plan. By bringing together partners, legislation and funding, Natural

²⁹ effec, WSP, ABPmer (2021). Biodiversity Net Gain Market Analysis Tool

³⁰ Defra (2019). Biodiversity net gain and local nature recovery strategies. Impact assessment. Available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839610/net-gain-ia.pdf



England are seeking projects to restore and enhance the natural environment and launch periodic funding calls (www.gov.uk/government/publications/nature-recovery-network).

Water quality

For water quality, there is potential for agricultural land managers to generate revenue from payments to reduce nutrient inputs. Not all nutrient reductions may qualify – farmers are expected to contribute their ‘fair share’ of reductions in catchments with elevated levels of nutrients. However, a growing driver of market potential is ‘nutrient neutrality’ for housing developments, which is now being implemented in some catchments. These schemes aim to use reductions in nutrient inputs, in particular phosphates, in a catchment to offset the increased nutrient levels resulting from treating the additional wastewater from new housing.

Nutrient neutrality is a relatively new concept, and so there remains uncertainty as to how extensively it will work and what payment levels it will generate. However, based on catchment trading schemes in other parts of the UK a revenue of £100/ha/year is assumed in return for nutrient management actions, and may be possible for areas 500m either side of a watercourse. Along a kilometre of a watercourse’s length, this could cover 100 ha and result in revenue of £10,000 per year. The majority of payments will come from developers who need a nutrient neutrality statement to support their development or water companies with specific water quality issues. The Derbyshire water quality stock and opportunity maps are good evidence base for identifying potential sites for action. Site based, specific actions at a sub catchment scale, with a known value will need to be calculated for specific schemes. Environment Systems can provide further advice in this regard.

Flood risk

There are many locations in the UK where regular flooding is a problem, and this is expected to worsen with climate change. Natural flood management (NFM) measures including runoff management and floodplain storage are increasingly being considered as part of integrated flood management within catchments, to deliver reductions in existing flood risk and/or increase resilience to future expected flood risk. The maps produced in this plan show where the land is currently supplying NFM benefit and where opportunities are which are likely to benefit NFM based actions.

The value of, and therefore potential income from, NFM actions, will depend on their cost and the extent to which they will reduce flood risk to downstream property. These factors are very location specific, and so a typical payment rate cannot be estimated.

Carbon

Markets for land management actions that reduce concentrations of greenhouse gases in the atmosphere are now operating for woodland (under the Woodland Carbon Code (WCC)) and peatland restoration under the Peatland Carbon Code. Other habitats such as grasslands can also sequester carbon and reduce GHG concentrations, and codes are being developed to take account of this and actions such as planting hedgerows. These additional codes are not sufficiently developed to link specific land management actions to quantities of GHG reductions and the market is not yet ready, although county councils are looking to support codes for habitat types relevant to their areas.



The extent and condition of woodland and peatland habitats are identified in the Derbyshire accounts, and within the ecosystem opportunity maps along with estimates of current sequestration/ emissions. Both the woodland and peatland codes provide a specific method for calculating GHG benefits and the tCO₂e that can be traded. Funding for carbon credits can be obtained from private investment in each project through a range of organisations. Such funding tends to cover larger sites with peatland which is within the peatland codes eligible classes.

The Climate Action Fund (UK) currently has an open call for demonstration projects, this could be a potential avenue for council land where climate change is the key benefit. <https://naturalengland.blog.gov.uk/2022/07/14/new-grant-scheme-opens-nature-based-solutions-for-climate-change-at-the-landscape-scale/>

The Heritage Lottery Fund has a current call for the National Lottery Community Fund's £100 million Climate Action Fund. www.tnlcommunityfund.org.uk/funding/programmes/climate-action-fund-programme

Up to £8 million is available to community projects throughout the UK that are focusing on the link between nature and climate. There is again the opportunity for council owned land to be included in partnership projects as groups can apply for National Lottery funding of up to £1.5 million over two to five years to support place-based and UK-wide partnerships that use nature to encourage more community-led climate action and help communities tackle climate change. Development grants of £50,000 to £150,000 over 12 to 18 months are also available for those communities wanting to develop initial ideas.

For peatland restoration, it is important to target extensive areas of actively eroding, flat, bare peat and actively eroding hagsgs and gullies, which are likely to be found in Peak District. This is because if private finance is to be sought the project will need to be of significant scale and extent in terms of restoration. Understanding opportunities for restoration by using the peatland code is essential and many organisations use a trusted adviser to plan and prepare restoration projects. There are good examples of success in restoring larger areas of peat where the community of local land managers/owners get together to create a community interest company (CIC) or partnership (e.g. [Moors for the Future](#)) so that all key stakeholders are involved and there is clarity on the distribution of future carbon payments.

Recreation and public health

The Derbyshire account quantifies the recreational and health benefits supported by public access to the natural environment. This includes access via public rights of way and open access land, which land managers must maintain, or permissive footpaths. Provision of enhanced access to greenspace usually results in increased levels of physically activity, which has a positive impact on public health. This can be quantified and valued, but health funding for such provision is uncommon. Funding is usually targeted at specific health interventions (e.g. providing specific activities in outdoor environments for those at risk of, or suffering from, mental ill-health). Funding for these activities generally support the provision of the activity, rather than the management of the outdoor environment location. The provision of enhancements to ensure adequate access to green space for new communities can potentially be funded via Section 106 agreements, so new housing developments are also a potential funder.



Tourism

Linking tourism to better preserved natural green spaces is the subject of an open ESA research call <https://business.esa.int/funding/space-for-tourism> which has a broad scope and seeks demonstrator projects to show how space-based technology and data can help facilitate successful actions that benefit tourism. The Derbyshire Natural Capital plan used ESA data and further analysis could be done, so this and other similar calls may be a potential funding stream to consider.

There is potential to grow the tourism sector beyond the Peak District, especially along the River Trent corridor. This could be facilitated a new environmental/leisure corridor using biodiversity net gain funding associated with minerals extraction and housing growth (see Trent Valley Vision).

Natural Environment Investment Readiness Fund

Of relevance for funding nature-based projects to address challenges including flood risk, water quality improvement, climate mitigation and biodiversity decline, is the Natural Environment Investment Readiness Fund (NEIRF). The NEIRF supports the government's goals in the 25 year Environment Plan, Green Finance Strategy and 10 Point Plan for a Green Industrial Revolution. It aims to stimulate private investment and market-based mechanisms that improve and safeguard our domestic natural environment by helping projects get ready for investment.

The NEIRF is a competitive grants scheme providing grants of between £10,000 and £100,000 to support the development of environmental projects in England that:

- help achieve one or more natural environmental outcomes from the 25-year environment plan
- have the ability to produce revenue from ecosystem services to attract and repay investment
- produce an investment model that can be scaled up and reproduced
- Proposals should focus on generating revenue from ecosystem services, rather than goods or commodities. Examples of ecosystem services that could produce revenue include:
 - selling 'catchment services' (such as improved water quality and natural flood management benefits) resulting from natural environment improvements
 - selling biodiversity units from a habitat bank, using the Natural England biodiversity offsetting metric; and
 - selling carbon credits from woodland creation or peatland restoration, using the Woodland Carbon Code or Peatland Code

Obtaining the most funding for land

There is potential for combinations of ecosystem services to be sold from the same area of land. If this is delivered under different contracts it is called 'stacking'. An example would be where a land manager sells carbon credits and BUs separately. If delivered under a single contract it is called 'bundling', for example, where a high-value biodiversity and carbon credit is sold, such as under the Peatland Code.



Clear rules are required from Government on whether and how stacking and bundling will operate within UK environmental markets. They bring opportunities for increased incentives for environmental management, but present risks to market credibility (e.g., through lack of additionality). This market is emerging.

Other websites which help find funding

Some websites provide a 'one-stop shop' for organisations who are seeking funding for projects that use nature based solutions. An example is:

<https://www.fundingforall.org.uk/available-funds/>

This site does not directly fund organisations or individuals but seeks to help applications for funds from other trusts and foundations to increase the chances of success. The website hosts the latest grants currently open to applications.

General help in finding funding can also be found at:

<https://www.grantsonline.org.uk/news/16051.html>

The Landscape Enterprise Networks (LENS) (<https://landscapeenterprisenetworks.com/>) is a system for organising the buying and selling of nature-based solutions. LENS brings a diversity of private and public-sector organisations together around a common interest in funding nature-based solutions within a given geography. LENS then brokers negotiations, and eventually transactions, between these buyers and groups of landowners who can deliver them on the ground.

