Evaluation of the Natural Environment Investment Readiness Fund

Annual Report – Year 2

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Executive Summary

The Natural Environment Investment Readiness Fund (NEIRF) or Fund thereafter) is a government-funded grant programme to support grantees develop models that demonstrate how revenues can be generated from ecosystem services to attract and repay investment; and explore and develop investment models for nature projects that can be scaled up and reproduced by others in different locations. It does this by supporting 86 projects to develop capacity, increase capability and develop investment cases for natural environment projects that contribute to the outcomes in the 25 Year Environment Plan (25YEP) (GOV UK, 2018), the updated Environmental Improvement Plan (EIP) (GOV UK, 2023) and the 2023 Green Finance Strategy (GOV UK, 2023).

In 2021, the Department for Environment, Food & Rural Affairs (Defra), commissioned Ecorys and ADAS to evaluate NEIRF. The evaluation includes reviews of process, impact and Value for Money (VfM) of NEIRF funded projects. This is the second annual report, which focuses on the implementation and outcomes of Round 1 and Round 2 projects.

Overview of NEIRF projects

Funded organisations

NEIRF received 103 Round 2 applications, of which 57 were successful. Charities make up 49% of grantees whilst making up 35% of applicants. Due to targeted market engagement for Round 2, the proportion of private company-led projects more than doubled in the second Round, accounting for almost a quarter (23%) of successful Round 2 applications, compared to 10% in Round 1.

Habitat coverage

Over three-quarters of Round 2 grantees (76%) are planning activities in more than one ecosystem. The most common habitats in which grantees are delivering projects are freshwaters and wetlands (68% projects) or farmed land (55% projects), closely followed by woodland (54% projects). As in Round 1, marine habitats are the least common habitat covered by Round 2 projects (9% projects).

Project and revenue models

Round 2 grantees include 40 revenue-generating projects, 9 market enablers[1], and 8 covering both. Revenue-generating projects aim to monetise a range of opportunities in a geographical area/defined site including Biodiversity Net Gain (BNG), carbon/blue

[1] Projects that seek to develop a market or create scale through the development of a platform or Code. Within this category are Codes, market mechanisms and market infrastructure such as trading platforms.

carbon, nutrient and water units and/or biodiversity and other ecosystem services, with projects often exploring the potential for stacking or bundling these opportunities.

Uses of grant funding

The main activities on which Round 2 projects have spent their grant funding so far are set up activities (including recruitment and establishing baselines), literature and evidence reviews, and the development and testing of income models and communications (including setting up websites).

Project governance

The governance of grant funded activities varies, with some projects being managed and delivered by one organisation, others being led by an organisation supported by external consultants (typically with financial expertise) and others as consortia including multiple partners involved in different elements of delivery. The proposed governance of revenue generating activities being explored or developed includes Natural Capital Investment Companies (NCICs), Special Purpose Vehicles (SPVs) such as Limited Companies, Community Interest Companies (CICs) and Aggregation Vehicles.

Innovation

Projects demonstrate innovative approaches. This includes setting up new comprehensive partnerships between stakeholders around a certain environmental opportunity. It also features:

- new business models such as Environmental Impact Bonds,
- instituting methodologies that enable new standards for environmental monetisation,
- platforms that scale up pilots or models attempted elsewhere and creating projects that can apply at a landscape or even national level.

Interestingly, many Round 2 projects are also adopting innovative technologies such as Artificial Intelligence.

Project implementation

Project delivery

Projects are on track to deliver some of their outcomes but are struggling in other areas. There are various examples of projects changing their plans to less ambitious objectives once they realised their initial proposal was not deliverable within the NEIRF timeframe.

Some projects have adapted delivery plans based on information and lessons learned during scoping.

Implementation support

Most grantees surveyed described the support from Defra and the Environment Agency (EA) as quite or very helpful. Interviews highlighted the positive working relationships developed with the Defra, EA, and Natural England (NE) team and the flexible nature of the NEIRF, which allowed grantees to adapt delivery plans when needed.

NEIRF Community of Practice (CoP)

The majority of survey respondents found the CoP helpful. Grantees interviewed emphasised the value of peer learning between NEIRF projects.

Enablers and barriers

Defra/EA's support and flexible approach to management were described as enablers. Barriers mentioned by interviewees included policy uncertainties (e.g. around BNG, codes which standardise environmental benefits or services for sale[2] , regulating carbon markets, ELM payments, stacking and bundling, taxation), challenges recruiting project staff, and engaging stakeholders such as landowners (sellers).

Outcomes

Organisational outcomes

Grantees reported that the NEIRF had strengthened their organisational capacity, by supporting their project and financial management. It had also strengthened collaboration among projects and led to job creation, with 19.8 Full-Time Equivalent (FTE) jobs created by 40 Round 2 grantees who responded to the Year 2 survey

Investment readiness outcomes

Projects reported mixed progress in their journey towards developing viable revenue-generating projects and accessing investment.

Projects had made good progress in identifying the ecosystem services they planned to monetise, and while some had identified buyers and sellers, others were struggling. The main challenges around identifying sellers were linked to limited regulation of natural capital markets and the required cultural shift which makes some landowners reluctant. Buyers tend to be motivated by organisational sustainability targets, expected benefits from the ecosystem services purchased (e.g. reduced flood risk), and sometimes by price. They are more likely to buy from established markets, such as carbon units certified by the Woodland Carbon Code or Peatland Code.

[2] This refers to projects which are developing standards, schemes, methodologies and requirements for measuring, monitoring, verifying and reporting environmental benefits for sale/trade

Progress in defining Key Performance Indicators (KPIs) between buyers and sellers was relatively slow, possibly due to the challenges described above around securing sellers, as well as projects' failure to carry out a market analysis to better understand their potential buyers.

Projects explored a range of ways to finance the interventions, including seeking forward investment or buyers for carbon or biodiversity units, selling available units to buyers thus not needing investment, or a blended approach (looking at public and private sources of finance). Some of the closed projects[3] had generated revenue from BNG units or had buyers lined. Projects selling advance BNG or carbon units appeared closer to being able to launch their revenue-generating activities than those needing start-up capital. Challenges in developing revenue models are tied to the lack of codes and other regulation that would enable the development of robust investment models, and potential buyers and investors hesitating to make financial commitments. This caused uncertainty around supply and demand for units and services and therefore revenue projections.

Overall, it appears that many projects developed their applications based on a limited evidence base from markets which are new and nascent. During NEIRF delivery, projects noted that they underestimated:

- the time and research needed to understand the relevant market,
- the needs and concerns of buyers and investors,
- the time to test and refine revenue models to identify what would be profitable for their site(s) and thus identify the financing needed.

Uncertainties in emerging policy relating to nature markets made it difficult for projects to develop accurate investment models. Therefore, many projects have developed revenue models modelling different scenarios, such as revenue if they take the project forward as a BNG or carbon scheme, projected revenue if the project is or is not suitable for stacking, and varying levels of future demand for units generated.

Projects had not made as much progress as anticipated around accessing investment. For some grantees, the scale of their project costs meant the revenues they modelled were deemed sufficient and so led to the conclusion that repayable finance was unnecessary as long as they had secured buyers (and particularly advance buyers). Among those who did want to access investment, some mentioned the challenge of investors looking for larger-scale investments than the ones projects were planning.

However, some projects had access investment, including equity, in-kind support, BNG unit sales (averaging approximately £553,000 among those who disclosed this information) and philanthropic investment (one project received £3 million, although the repayment terms on this were not disclosed). Across the 13 closed projects a combined total of £1.4 million of investment had been secured by two projects. Of the remaining 11 projects, six anticipated needing a combined investment of £7.7 million. Based on the forecasts submitted by these projects, the required investment funding breaks down into 75% required from venture/investor capital (of which 22% from interest bearing loans) and the remaining 25% from grants.

[3] Throughout the report 'closed projects' refers to projects that have submitted final reports which have been signed off by Defra.

Code (or Standard) development outcomes

Overall, progress towards developing codes was slower than grantees expected. Based on project reports the initial proposals did not account for some of the challenges projects have faced, such as whether an independent standard or code would be commercially viable, or whether sufficient data would be available to develop it during the timeframe of NEIRF funding. Therefore, some projects changed their scope from developing a fully-fledged methodology, which could be operationalised to enable transactions, to developing minimum requirements. Others used the grant funding to conduct background research and have secured additional funding for additional research and development, that would underpin a new approach to standardise environmental outcomes for sale. Developing a new market structures, such as codes in the timeframe of the NEIRF grant was extremely ambitious given that, for example, the Peatland Code has been in development for 15 years.

Unintended outcomes

Unintended outcomes were mostly positive around developing new partnerships and working relationships and accessing additional funding.

Scalability and replicability

Nearly all projects plan to scale-up and replicate their projects beyond the ambitions set out in their applications.

Interaction between NEIRF and policy

Policy is being developed in parallel with nature recovery interventions, which is challenging at times. Additional support for NEIRF and similar interventions is needed.

Attribution of outcomes to NEIRF

The NEIRF is greatly valued by grantees, giving them the opportunity, time, and resources to implement their projects. The majority of projects believe that without NEIRF funding they would not have been implemented, or would have been implemented over a slower timescale or to a smaller scale.

Value for Money

While work on the VfM strand is ongoing, there are some positive signs that projects are focused on achieving value for money. In particular, the drive to share information to contribute to the evidence base, including sharing financial models, represents a potential sizeable benefit of NEIRF. Additionally, a number of projects have already secured investment or were having conversations with potential investors.

Challenges identifying buyers and sellers and uncertainties in environmental policy led to many projects modelling different scenarios, with wide ranges of sold units and revenue

estimates. Some projects dedicated more resources than anticipated on background research, which in some cases resulted in changed project aims.

The size of investment required by completed Round 1 projects varies depending on project location, size, cost of the restoration required and cost of ongoing research activities.

Conclusion

The NEIRF programme has been set up well to test different revenue streams for natural capital businesses. It has funded a broad range of project models and characteristics, led by a variety of organisation types, working in different habitats, and aiming to monetise different environmental services. It is encouraging to see that more private companies were funded in Round 2, as it further expands the range of projects and compensates for the lower number in Round 1. This was a consequence of targeted market engagement with private companies, showing that Defra successfully adapted the programme between Rounds.

The variety of funded projects means NEIRF provides a good opportunity to test different revenue models in different contexts and understand the key enablers, barriers and which approaches are most effective.

NEIRF is also a good example of Government running an experimental and innovative project. The information and support provided by Defra and the EA was wide-ranging (i.e. SharePoint, webinars, 1:1 discussions), flexible in allowing projects to adapt if necessary, and helpful to projects. Projects were very positive about how the NEIRF is being run, encouraging ambition and experimentation in the application process, offering flexibility around when (and in some cases on what) funding is spent, and developing an effective mechanism for sharing learning through the Community of Practice.

NEIRF funded projects are innovative in different ways. Some are bringing together different stakeholders in partnership for the first time, and others are piloting new approaches in their regions or chosen habitats. Many grantees viewed the NEIRF as an opportunity to explore the viability of innovative ideas that would likely not have been otherwise implemented.

While some NEIRF projects are on track to deliver their outcomes and project milestones within agreed timescales, others are struggling in some areas. There are various examples of projects changing their plans to less ambitious objectives once they realised their initial proposal was not deliverable within the NEIRF timeframe. Some projects have adapted delivery plans based on information and lessons learned during scoping. As the NEIRF is a highly innovative programme delivered in an uncertain policy environment, it is unsurprising that projects faced unexpected challenges and haven't progressed against all outcomes they expected. An initial scoping phase designed into early delivery could help tackle these challenges.

Defra and the EA’s support and flexible approach to management were described as key enablers. Other enablers included a large delivery team, for example where projects are led by consortia, which facilitated the involvement of a range of experts; and relationships developed through the NEIRF network, for example links to potential buyers. Coordination across among all the stakeholders involved was key to project progress.

Barriers included policy uncertainties, recruitment challenges, and engaging stakeholders such as landowners.

Projects made mixed progress towards developing revenue-generating activities and developing codes. Projects had made good progress in identifying the ecosystem services they planned to monetise, and while some had identified buyers and sellers, others were struggling. The main challenges around identifying sellers were linked to limited regulation of natural capital markets and the required cultural shift which makes some landowners reluctant. Buyers tend to be motivated by organisational sustainability targets, expected benefits from the ecosystem services purchased (e.g. reduced flood risk), and sometimes by price. They are more likely to buy regulated services, such as carbon units certified by the Woodland Carbon or Peatland Code.

Progress in defining KPIs between buyers and sellers was relatively slow. Some projects did not conduct market analyses which would have helped better understand their potential buyers. Some projects were also still in the process of identifying and securing sellers.

The revenue models taken by projects included forward investment or buyers for carbon or biodiversity units, selling available units to buyers thus not needing investment, or a blended approach. Projects highlighted the that the lack of codes posed a challenge in developing robust investment models. Potential buyers and investors were hesitant to make commitments in markets where there is not an agreed code, as this causes uncertainty around supply and demand and therefore revenue projections.

Only a small number of projects had accessed investment, mainly because many projects do not need repayable finance as long as they have buyers or advance buyers. Some projects said the investors they had approached were looking for larger-scale projects than what they were planning

Progress towards developing codes was slower than expected at proposal stage. Some of the proposals did not take into consideration issues of whether an independent code would be commercially viable, or whether sufficient data would be available to develop a code during the NEIRF timeframe. Because of this, some projects changed their scope to developing Minimum Standards, while others used the funding for background research and have secured further funding to develop a code.

Overall, it appears that many projects developed their applications based on a limited evidence base as they aimed to develop business models in entirely new markets. During NEIRF delivery, projects noted that they underestimated the time and research needed to understand the relevant market, the needs and concerns of buyers and investors, and to test and refine investment and revenue models to identify what would be profitable for their site(s).

Uncertainties in environmental policy were a challenge to develop accurate investment models. Therefore many projects have developed revenue models modelling different scenarios, such as revenue from either or BNG or Carbon units to ascertain the potential of stacked or bundled approaches, and varying levels of future demand for units generated.

There are some positive signs that projects are focused on achieving value for money. In particular, the drive to share information to contribute to the evidence base, including sharing financial models, represents a potential sizeable benefit of the NEIRF. The VfM evaluation will be conducted in Year 3 building on the information gathered to date to

provide a judgment on VfM, thorough analysis of spending, deviation from budgets, revenue and investment models/predictions, and future requirements.

Overall, the progress of the NEIRF projects is perhaps unsurprising. Most programmes trying to bring investment into new markets take longer than anticipated (for example, most of the investment accessed by organisations funded through the Investment and Contract Readiness Fund accessed their investment in the two years *after* the programme, not during the programme; in the Growth Fund, it took far longer than anticipated to convert 'latent demand' for investment in the social sector into actual demand) and these other investment-readiness programmes are operating in fairly established markets, where most of the work is focused just on the 'sellers'. The NEIRF is operating in a market that is not established, where developments are needed in relation to both sellers and buyers. There is a large amount of uncertainty, affecting both the ability to develop revenue-models, but also making people nervous about entering into these arrangements too soon.

The risk now is that the momentum seen in the NEIRF will be lost whilst the market catches up. It is therefore important that there is ongoing support to ensure that the momentum and initial outcomes achieved by the NEIRF do not end with the programme. For example, Defra should consider offering some additional support to the most promising projects that are not yet ready to launch revenue-generating activities, or have not finished developing a code or setting up a market enabler, to enable them to achieve the outcomes they had originally set for the NEIRF funding. Support includes signposting to potential sources of additional funding or in-kind support, links to others running similar projects and introductions to potential buyers and investors.

Additionally, the CoP is a strong tool for capturing lessons learnt and sharing knowledge and projects would benefit from the networks developed through the CoP continuing beyond formal NEIRF-led events. It is also hoped that the NEIRF has provided sufficient support and momentum so that once there are more tried and tested models in natural capital markets, and possibly as more certainty emerges around policy, there will be a pipeline of investment-ready projects that can be launched. The NEIRF is already showing signs of projects scaling-up, for example through the Landscape Recovery scheme.

Recommendations

Our recommendations for future delivery of the NEIRF and similar programmes are outlined below. Similar programmes should pay close attention to recommendations 2,3, 4, 5, 6,7, 10 and 11.

i) Process recommendations

1. For the final year of the evaluation Ecorys will **review data collection approaches and tools with Defra**. This will contribute to deeper exploration of some of the challenges faced in Years 1 and 2 around accessing stakeholders external to the NEIRF projects such as sellers, buyers and investors. The revised approach should include strategies to access stakeholders involved in nature finance in different roles, outside of the NEIRF.
2. Grantees consistently felt that the NEIRF is a well-managed programme and greatly valued the support provided by Defra and the EA. We understand this support is expected to continue, including though the GFI's HIVE, Defra and EA should continue to review changes in direction or ambition by projects to determine if additional support can be provided.
3. Future rounds or similar programmes might include the following changes:
    - targeted early engagements of organisation types that are less likely to apply (e.g. private companies), which demonstrate they have active initial engagement with sellers (farmers and land managers) and buyers of ecosystem services;
    - illustration through NEIRF Round 1 and 2 projects, what outcomes were achieved within the funded period, to guide future initiatives on how much time different phases of project development take to model revenues and shape financing needs;
    - request detailed project management of the grant, which recognises the expected time periods for recruitment, procurement and stakeholder engagement, and risk management approaches should timelines not be met.
    - an initial requirement to set out how a market analysis of buyers would be conducted.
4. Projects strongly valued the Community of Practice. While we understand that Defra and EA will continue to offer grantees **learning and networking opportunities through the CoP**, in Year 3 it would be beneficial to seek further opportunities to **hold in-person CoP events**, which would facilitate interaction and networking among grantees. **Peer learning activities involving site visits** – especially to closed Round 1 projects that have started their revenue-generating activities – would offer valuable learning and knowledge exchange opportunities. Once the NEIRF ends, Defra should explore options to hand over knowledge sharing to other organisations such as GFI or EKN so that projects can continue to benefit from sharing learning.

ii) Impact recommendations

5. Some grantees had not matured their models to **identify the roles within the project for buyers of ecosystem services and investors.** These projects should be encouraged to contribute their experiences to the GFI Investment Readiness toolkit.
6. Policy uncertainty was described as a major challenge by grantees and wider stakeholders. Defra should develop a **functional feedback approach** to take lessons from projects' experience in nature markets to apply in wider policy areas, to ensure any barriers are addressed, and opportunities to stimulate private sector investment are maximised. Defra should also provide as much **information and clarity as possible around expected policy developments and timelines**, to help shape projects and inform delivery. Defra should **showcase NEIRF projects which adapted to, or navigated through, uncertainties**, to demonstrate how nature projects can model realistic returns and have productive relationships with land managers and buyers.
7. To minimise the risk of projects losing momentum if they do not secure funding at the end of their NEIRF grant, Defra should **offer longer-term support to the most promising projects to enable them to reach the stage where they are able to launch a viable business**. Examples of this include signposting to potential sources of additional funding or in-kind support, links to others running similar projects and introductions to potential buyers and investors.
8. Alternatively, Defra should **extend the existing current NEIRF programme and project timelines**, providing support to achieve the stated objectives over a longer timeframe. This would help address the issue that many projects need more time to achieve their outcomes due to policy uncertainty, lack of evidence and other issues.
9. To support grantees overcome some of the challenges in accessing investment, Defra could provide additional toolkits or resources, including accredited training courses or qualifications, to **develop investment readiness expertise** among all stakeholders involved. Specific areas of focus might include supporting projects to understand different financing models available, and which might be most suitable to their project.

Given the highly innovative nature of the NEIRF and uncertain policy environment in which it is delivered, a number of projects have faced significant challenges. For these projects the NEIRF model may have taken them as far as it can.

10. Defra could take steps to **facilitate grantees' access to potential buyers and investors**, for example by holding events convening buyers and investors and offering projects the opportunity to present their investment models to interested stakeholders.
11. Defra should **explore trends around the challenges these projects are facing** and their ability to respond and adapt to them.

1. Introduction

The Natural Environment Investment Readiness Fund (NEIRF here after) is a government funded grant programme to grow natural capital markets by developing capacity and supporting investment in natural environment projects to contribute to the outcomes in the 25 Year Environment Plan (25YEP) (GOV UK, 2018), the updated Environmental Improvement Plan (EIP) (GOV UK, 2023) and the 2023 Green Finance Strategy (GOV UK, 2023). It is supporting the development of 86 projects across England that will work to protect and enhance nature, while generating revenue from ecosystem services to attract and repay private investment. For further detail about the NEIRF and its background, please refer to the Year 1 evaluation report.

In 2021, the Department for Environment, Food & Rural Affairs (Defra), commissioned Ecorys and ADAS to evaluate the NEIRF. The evaluation includes reviews of process, impact and Value for Money (VfM) of NEIRF funded projects. It aims to:

- assess the extent to which the NEIRF's aims and objectives have been achieved;
- build learning into the programme to support ongoing adaptation in similar current and future projects; and
- capture and disseminate learning about policy and about developing private sector investment to deliver environmental outcomes.

The evaluation is being delivered from September 2021 to March 2024, with annual reports published in Summer 2022, 2023, and 2024.

This is the second annual report, which focuses on the implementation and outcomes of Round 1 and Round 2 projects.

1.1 Report structure

This report is structured as follows:

- Chapter 2 outlines the data collected and analysed for this report, and data limitations.
- Chapter 3 provides an overview of NEIRF project characteristics and revenue models, as well as project management and governance styles, innovative approaches, and investment required.
- Chapter 4 discusses project implementation, including support provided, enablers and barriers and the NEIRF CoP.
- Chapter 5 presents progress towards outcomes, including organisational outcomes such as capacity and project/financial management, as well as grantee progress along the investment readiness journey. It also addresses scalability and replicability of project models and the interactions between NEIRF projects and policy.
- Chapter 6 provides initial considerations on the VfM of the NEIRF grants, and examines what grantees spent money on, whether money has been spent

effectively and if projects deviated from proposed budgets. It also includes an overview of revenue modelling and VfM analysis.

- Chapter 7 includes a conclusion.
- Chapter 8 presents recommendations for the ongoing implementation of the NEIRF and future delivery of similar programmes.
- Annex 2 includes summary tables describing Round 2 projects.

Sources are referenced throughout the report using Harvard style referencing, and a full list of sources is provided at the end.

2. Evaluation methodology

Please refer to Annex 1 for a full evaluation methodology.

2.1 Data collection

This section outlines in brief the data collection approaches used for the Year 2 evaluation:

- In Summer 2022, the evaluation team carried out six **semi-structured interviews with Round 2 unsuccessful applicants**.
- In Summer and Autumn 2022 the team carried out two waves of **semi-structured interviews with Round 1 and Round 2 grantees**.
- In February 2023 Ecorys conducted five **semi-structured interviews with national stakeholders involved in nature finance**, to gain an understanding of whether and how NEIRF is influencing natural capital markets.

Interviewees were samples based on the following criteria: organisation type (private / public / charity / partnership (private/charity) / other (public/private); revenue model (single ecosystem / multiple ecosystems / market enabler); and habitat in which the project is implemented: (urban/peri-urban / enclosed farmland / mountain, moor and heathland / freshwaters and wetlands / woodland / coastal margins / marine / semi-natural grassland). Therefore the sample of interviewees is likely to be representative of grantees.

Ecorys completed a total of 51 interviews, as illustrated in the table below.

Table 1. Interviews achieved in Year 2

Interviews	wave 2	wave 3	
	Summer 2022	**Autumn 2022**	**February 2023**
Longitudinal R1	-	8	
Longitudinal R2	-	9	
Snapshot R1	6	6	
Snapshot R2	4	7	
Unsuccessful R2	6	-	
National stakeholders	-	-	5
Total	**16**	**30**	**5**

- We also ran wave 2 of the **online survey** of all Round 1 and Round 2 grantees, Round 1 unfunded applicants scoring 60% and above, and all Round 2 unfunded applicants (175 recipients). The cut-off of 60%+ for Round 1 was agreed with Defra to ensure that unfunded applicants included had submitted good quality, potentially viable applications and would be more closely comparable to grantees. In Round 2 the survey was sent to all applicants. The response rate was 37% (65 responses, of which 47 were from grantees and 18 from unfunded applicants).

Fifteen survey respondents received Round 1 grants and 29 received Round 2 grants (n=47).

- The **VfM data** analysed for this report includes project applications, mid-point reports, financial claims and variations, as well as VfM data from the semi-structured interviews. A full VfM analysis will be carried out in Year 3 when more information on investment accessed, and environmental and financial outcomes, becomes available.

2.1.1 Management Information (MI)

The evaluation also includes the analysis of MI data. In Year 2 we reviewed and summarised **project applications** from Round 2 grantees[4]. These were used to develop interview samples.

Projects were also asked to complete a **self-assessment tool** assessing their investment readiness journey, or journey to develop a code.

Findings in this report are based on:

- 28 Round 1 baseline self-assessments[5] and 56 Round 2 baseline self-assessments[6]
- 28 Round 1 mid-point and 16 end-point self-assessments submitted by 8th March 2023
- 15 Round 2 mid- point self-assessments submitted by 8th March 2023
- 13 Round 1 final reports submitted by 8th March 2023.

Self-assessment tools were analysed by calculating the difference between the proportion of milestones rated Red, Amber and Green at baseline, mid-point and end-point for each Round of projects.

2.2 Data limitations

As with any evaluation, there are several data limitations which should be considered:

- As part of the inception stage, Ecorys assessed whether it would be possible to develop a comparison group/counterfactual for this evaluation. Given the small size of the treatment group (i.e. grantees), a quasi-experimental was not seen as appropriate. This is because it was likely that it would show the Fund had no impact due to the sample size being too small to determine if a significant impact had occurred. r. The Magenta book[7] recommends a quasi-experimental approach only when the intervention affects large numbers of people or groups, and notes that ‘a quasi-experimental approach is less feasible if the intervention is not built

[4] The online guidance and application form for Round 2 can be found here https://www.gov.uk/government/publications/apply-for-a-grant-from-the-natural-environment-investment-readiness-fund/how-to-apply-for-a-natural-environment-investment-readiness-fund-grant
[5] One project completed the tool incorrectly and therefore was not included in the analysis
[6] One project did not submit their baseline
[7] H M Treasury, The Magenta book, available at https://www.gov.uk/government/publications/the-magenta-book

into policy design, or data is available only for the pilot areas themselves'. As the outcome measure for NEIRF is the progress applicants have made along the investment readiness journey (as measured through the self-assessment tool), we only have this information for the treatment group, so we cannot compare to a comparator group. Additionally, the environmental and financial outcome data needed for counterfactual analysis is unlikely to be available for participants and a control group during the lifetime of the evaluation. The evaluation therefore cannot quantify the impact of NEIRF. While no statistical analysis of treatment group vs counterfactual was conducted, a qualitative comparison between successful and unsuccessful applicant interviews was carried out.

- The evaluation is therefore taking a theory-based approach to impact measurement (contribution analysis), which helps to better capture complexity and is often used in Defra programmes. Contribution analysis assesses the performance of programmes towards outcomes by focusing on questions of 'contribution': to what extent observed results (positive or negative) are the consequence of the programme. It explores the contribution a programme is making to observed results. By collecting evidence from various sources (e.g. interviews and survey) to test the ToC's links between activities, outcomes and contexts of the programme, it aims to build a credible 'performance story' which demonstrates whether a programme was an important influencing factor in driving change, perhaps along with other factors.

- The evaluation is reliant on projects' self-reported data which may present an overly positive picture of progress. Additionally, some information in the report is based on project applications only (where the project was not selected for an interview and had not yet submitted reports), and it is possible that the focus of the project could have moved on since then, making some of the information out-of-date. This is expected to be much less of an issue in the final report, when all projects will have submitted interim reports, and the majority will have submitted final reports too.

- During Year 2 we were not able to interview as many external stakeholders (e.g. buyers, sellers, investors) as anticipated, because projects' relationships with them were at an early stage. During Year 3 we will review and refocus data collection, to conduct a larger number of interviews with national stakeholders involved in nature finance. This may include sellers, buyers and investors in similar projects, and stakeholders working to develop natural capital markets and the policy underpinning it.

- The survey was fairly representative in terms of the types of lead organisation, however projects developing codes were under-represented and those establishing market enablers were over-represented. The proportion of survey respondents delivering standard/investible projects was representatives of grantees overall.

- Most primary research was conducted remotely. Year 3 of the evaluation may benefit from the inclusion of additional in-person interviews and observation activities, which may also help with the development of case studies.

- The evaluation will be able to produce strong evidence at the project, system and policy levels. However, it will not be possible to assess longer-term environmental and impacts, as these will occur outside of the evaluation timeframe. This in turn will affect the strength of the VfM data that can be produced, although an assessment of the scale of environmental change which projects plan to undertake, that underpin their revenue models will be possible. We expect that the VfM analysis to be carried out in Year 3 will be based in most cases on projects' financial projections over the evaluation period rather than actual revenue data, reflecting the fact that the majority of the environmental benefits will occur over the medium to long-term, rather than in the short-term. The VfM analysis will also include summary information on the progress towards generating revenue/income projects have made, including the number of projects that have developed income generating models, the numbers that have generated revenue/income, and the number that have secured investors. Cost data share by Defra and the projects will also be examined in the VfM analysis.

3. Overview of NEIRF projects

Summary

Funded organisations
The NEIRF received 103 Round 2 applications, of which 57 were successful. Charities make up 49% of grantees whilst being 35% of applicants. Due to targeted market engagement for Round 2, the proportion of private company-led projects more than doubled in the second Round, accounting for almost a quarter (23%) of successful Round 2 applications, compared to 10% in Round 1.

Habitat coverage
Over three-quarters of Round 2 grantees (76%) are delivering activities in more than one ecosystem. The most common habitats in which grantees are delivering projects are freshwaters and wetlands (68% projects) or farmed land (55% projects), closely followed by woodland (54% projects). As in Round 1, marine habitats are the least common habitat covered by Round 2 projects (9% projects).

Project and revenue models
Round 2 grantees include 40 revenue-generating projects, 9 market enablers, and 8 which are both. Revenue-generating projects aim to monetise a range of opportunities in a geographical area/defined site including BNG, carbon/blue carbon, nutrient, and water units and/or biodiversity and other ecosystem services, often exploring the potential for stacking or bundling these opportunities.

Uses of grant funding
The main activities on which Round 2 projects have spent their grant funding so far are set up activities (including recruitment and establishing baselines), literature and evidence reviews, and the development and testing of income models, and communications (including setting up websites).

Project governance
The governance of grant funded activities varies, with some projects being managed and delivered by one organisation, others being led by an organisation supported by external consultants (typically with financial expertise) and others as consortia including multiple partners involved in different elements of delivery. The proposed governance of revenue generating activities being explored or developed includes Natural Capital Investment Companies (NCICs), Special Purpose Vehicles (SPVs) and Aggregation Vehicles.

Innovation
Projects demonstrate innovative approaches. This includes setting up new comprehensive partnerships between stakeholders around a certain environmental opportunity. It also features new business models such as Environmental Impact Bonds, instituting methodologies that enable new standards for environmental monetisation, and platforms that scaling up pilots or models attempted elsewhere and creating projects that can apply at a landscape or even national level. Interestingly, many Round 2 projects are also adopting innovative technologies such as Artificial Intelligence.

3.1 Rationale for & process of applying (Round 2)

This chapter provides an overview of NEIRF Round 2 project characteristics and revenue models, noting similarities and differences with Round 1. It also discusses uses of grant funding, project management and governance styles across Round 1 and Round 2 projects.

Defra received 103 applications for Round 2 of NEIRF, of which 57 were funded (the allocation rate was 56%, compared to 28% in Round 1). As in Round 1, grantees viewed NEIRF as an opportunity to explore the viability of innovative ideas that would likely not have been otherwise implemented. Interviewees noted that they hoped the funding would ensure they had the capacity and resource to scope, explore ideas, build partnerships, and reduce their reliance on grant funding in the longer term.

> *"What we hoped to do with that money was to provide sufficient certainty around the business plan – certainty that the relationships between the parties were fully understood and that we could talk to investors."* – Project lead

Grantees are planning a wide range of approaches, revenue-generating projects and market enablers (see Chapter 5 for more detail). Revenue-generating projects include any project with a path towards generating revenue from Nature-based Solutions (NbS) or ecosystem services. Revenue-generating projects aim to monetise a range of opportunities including habitat banking, carbon/blue carbon, nutrient, and water units and/or biodiversity and ecosystem services, often planning to stack or bundle these opportunities. Market enablers include any project that seeks to develop a market or create scale. Within this category projects are developing market structures such as codes (e.g. carbon codes for saltmarsh and hedgerow), market mechanisms and market infrastructure such as trading platforms.

Projects are being planned at different scales (see section 3.1.2), ranging from individual sites to estates and catchments; some are nationally applicable.

Revenue-generating projects are assessing interventions in a range of habitats (see section 3.1.3), such as woodland, heathland, and grasslands. Examples include monetising the biodiversity value of unique chalk stream habitats, springs and blow wells, converting intensively farmed lowland peat into wet woodland, or developing a business case for a biodiversity offset scheme based on creating wildflower interventions. Others are focussed upon restoring freshwater biodiversity and improving fish populations, urban green spaces, or degraded peatland.

Similarly to Round 1 projects, Round 2 grantees are carrying out initial technical and market readiness activities, including project management set-up and recruitment, baseline surveys, condition assessments, scenario modelling, and financial analysis. NEIRF funding typically supports the development and establishment of new business models to achieve environmental and commercial outcomes. This includes a detailed exploration of the revenue streams available, approach to financing, the creation of an investment case, and initial investor engagement. Ecosystem services include carbon sequestration, flood management and mitigation, restoration of soil health and water quality through reduction of phosphates and pollutants entering rivers (see section 3.1.4 for more detail).

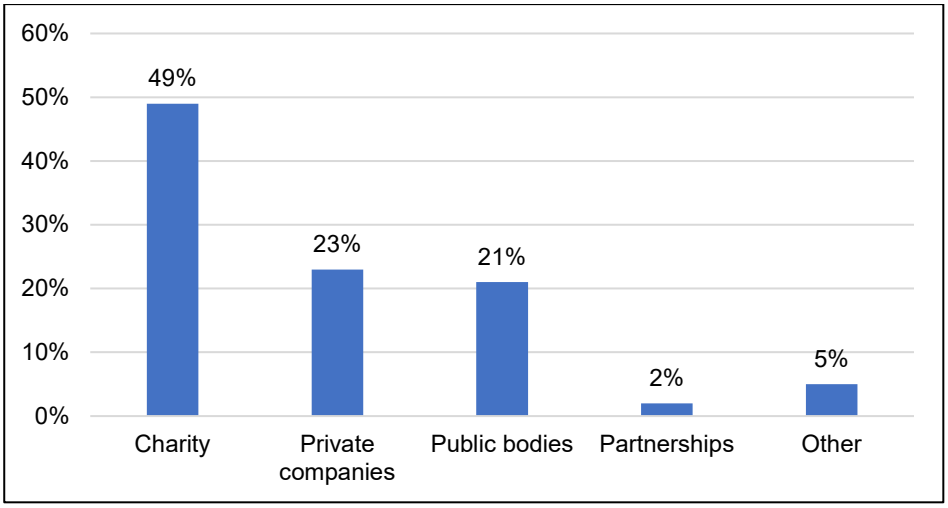
Among the 13 unfunded applicants surveyed, 10 were delivering or seeking funding to deliver the activities for which they had sought NEIRF funding, while three had abandoned the idea. Of those who were pursuing their plans:

- two had received funding from other sources,
- Four had applied for funding from elsewhere and were waiting to hear back,
- four had tweaked the project and were seeking funding for it and four were funding the project internally.
- One of the unsuccessful applicants surveys had received investment from a local investment fund as well as from other private investors.

3.1.1 Type of organisation

In Round 2 of the NEIRF, Defra received applications from a range of organisations, including charities, public and private organisations. The Figure 1 below outlines the number of funded Round 2 applications per type of lead organisation.

Figure 1 Funded Round 2 applicant organisation types

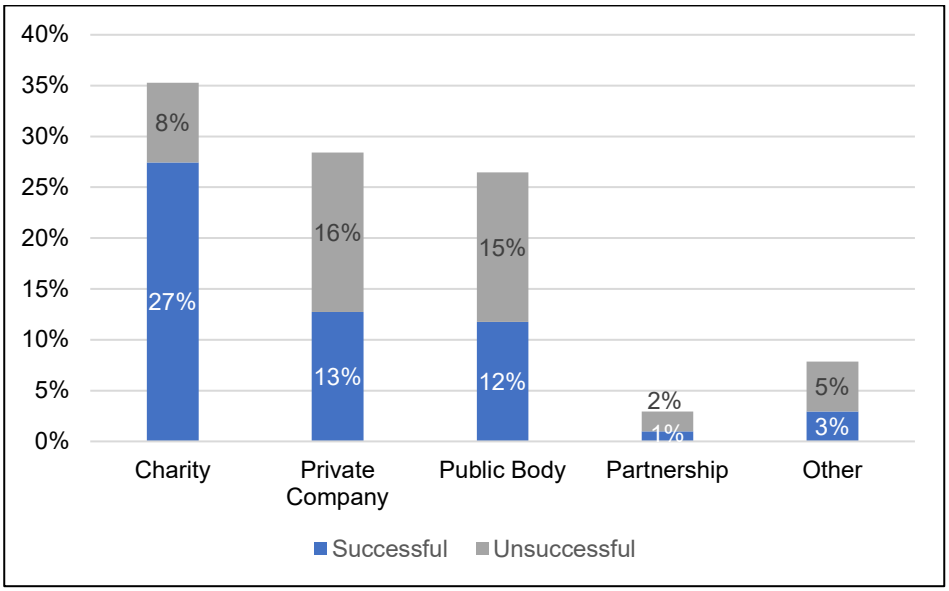


Base: 57, Source: Defra application data

Around half (49%) of Round 2 grants were allocated to third sector organisations, with 28 of 57 projects led by charities, even though just over one-third of all applications (35%) were from charities. This trend was also seen in Round 1. Just under one quarter (23%) of Round 2 grantees are private companies, which is broadly proportionate to the percentage of overall applications from private companies (28%). The proportion of funded applications from public bodies broadly reflected the total number received (accounting for just over a quarter (26%) of all Round 2 applicants and 21% of successful applicants).

The graph below illustrates the proportion of unfunded and funded Round 2 applicants per organisation type.

Figure 2. Funded and unfunded NEIRF Round 2 applicant organisation types



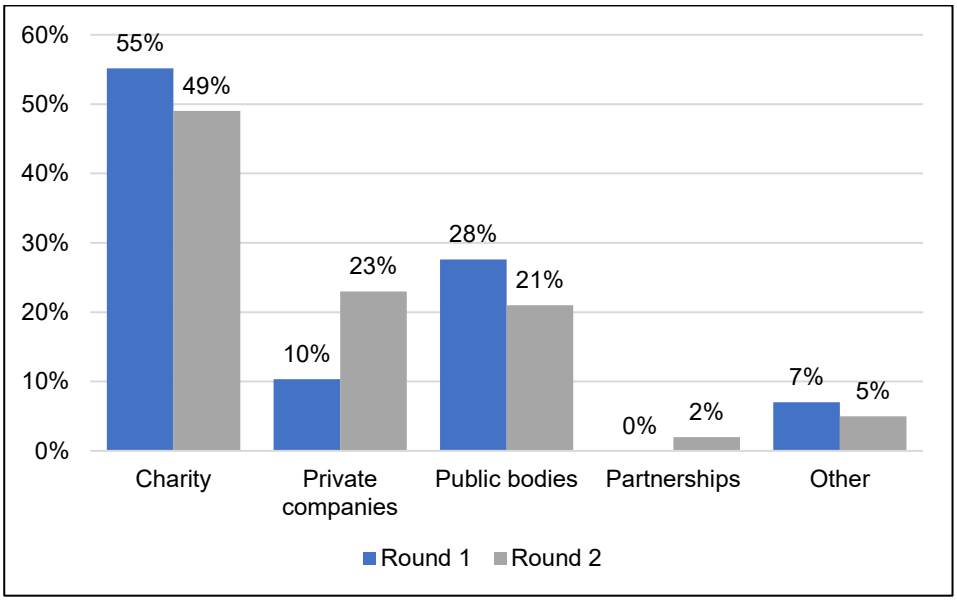
Base: 102, Source: Defra application data

Charities were more likely to submit successful applications. We do not have sufficient data to confidently say why this was the case, however one unfunded applicant interviewed from a private company hypothesised that third-sector organisations such as NGOs are better equipped to win this type of grant funding, as they have fundraising and bid-writing teams, and suitable projects readily available.

The average amount of funding awarded was just under £91,687. The grants ranged from £11,850 to £100,000 (the lowest grant amount was an outlier and substantially lower than rest, with the second lowest awarded amount being £48,738). Successful applicants applied for grants that were on average 53% larger than unfunded applicants.

The graph below outlines the differences in lead applicant organisation types among Round 1 and Round 2 NEIRF projects.

Figure 3. Grantee organisation types across Round 1 and Round 2 of NEIRF



Base: Round 1: 29, Round 2: 57, Source: Defra application data

There were some notable differences in the types of organisations receiving NEIRF grants across the Round 1 and Round 2:

- The proportion of private company-led projects applying for Round 2 decreased compared to Round 1 (28% versus 34%) but the success rate more than doubled from 10% in Round 1 to 23%. This is likely the result of Defra's targeted market engagement with private companies.
- In Round 2, 44% of public body applicants were successful (12 out of 27). Round 1 received fewer public body applicants and only one quarter (8 out of 32) were funded. However, the proportion of funded public body applicants amongst all grantees decreased by 7 percentage points from Round 1 to Round 2.
- In Round 1, despite 9% of all applications coming from partnerships, none were funded. In Round 2, only 3% applications were from partnerships (3 out of 103), and 1 was funded (accounting for 2% of grantees).

3.1.2 Geographic Scale

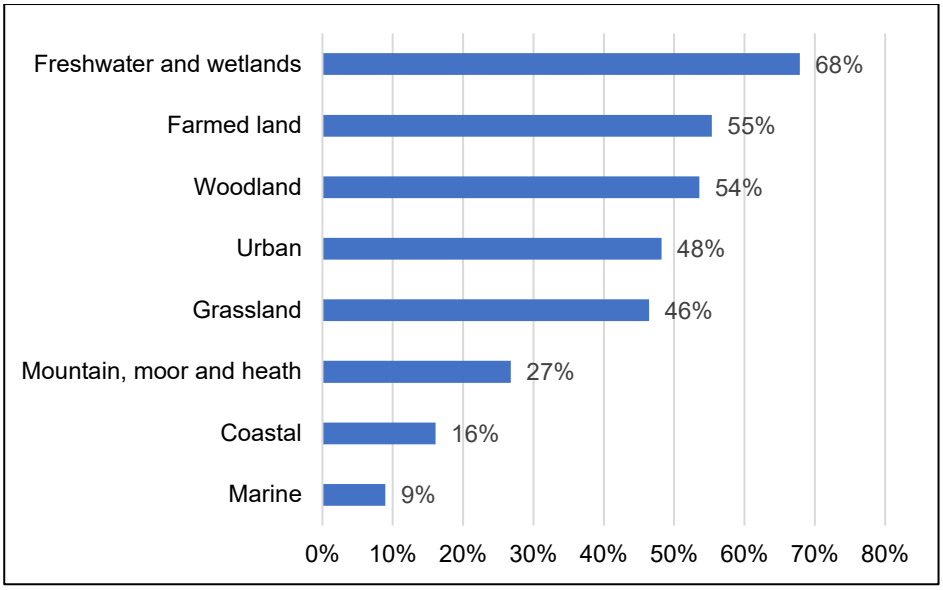
The scale of Round 2 projects varies considerably, including individual sites (23 projects), catchments (11 projects), landscapes (10 projects, i.e., terrestrial, riverine and marine landscapes) and estates (3 projects). Additionally, while 10 projects outline areas for piloting, they do not detail the specific geographic scale of implementation.

The areas covered by NEIRF Round 2 projects ranged from piloting or scoping the smallest area of 0.004km² to the largest project area of 14,530km². The average area size is 1,037.9km².

3.1.3 Habitat

NEIRF Round 2 projects are being planned across a range of habitats, shown in the graph below.

Figure 4. Percentage of Round 2 projects working in different habitats

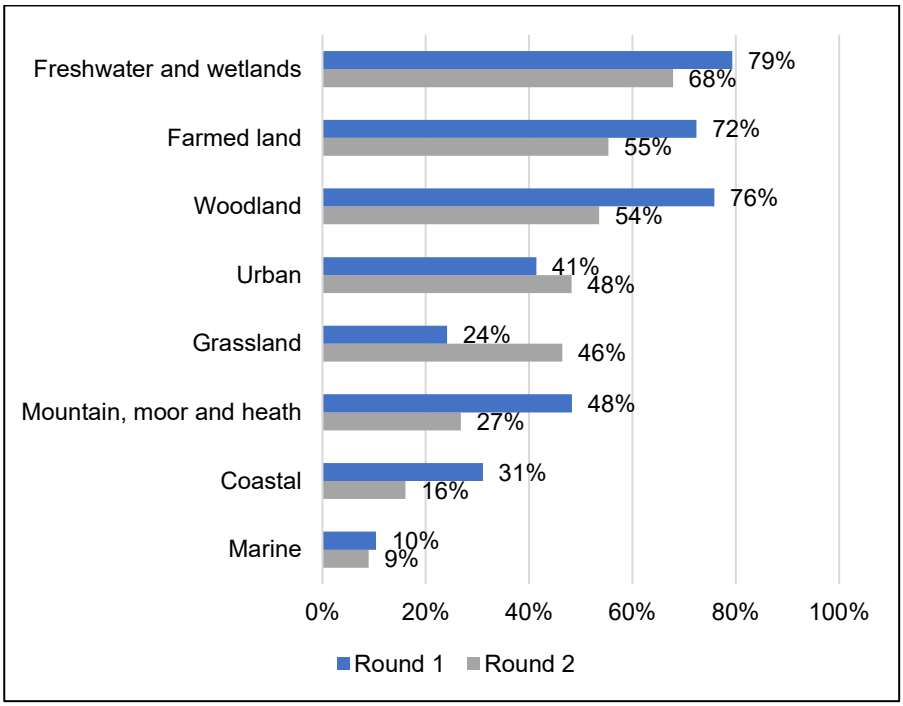


Base: 57, Source: Defra application data. The total percentage is greater than 100 as over three-quarters (79%) of Round 2 projects are working across multiple habitats.

The most common habitats in which grantees are planning to deliver projects are freshwaters and wetlands (38 projects) or farmed land (31 projects), closely followed by woodland (30 projects). On average, Round 2 projects are working across 3.2 habitats, with the highest number of habitats that a single project is looking at being 6 and the lowest 1. This contrasts to Round 1, during which projects were working in an average of 4.2 habitats, the highest for a single project being 8. Overall, in Round 2, 12 projects are working in one habitat, and 45 are working in multiple habitats (accounting for 79% Round 2 projects).

This trend was broadly reflected in Round 1 projects, as demonstrated by the Figure below, which compares habitats covered in both Round 1 and Round 2 projects.

Figure 5. Percentage of Round 1 and Round 2 projects working in different habitats



Base: Round 1: 29, Round 2: 56, Source: Defra application data

In both Rounds, freshwater and wetlands are the most commonly covered habitats (79% projects in Round 1, 68% in Round 2), and marine environments are the habitat least covered by projects (10% projects in Round 1, 9% projects in Round 2). Broadly, the percentage of projects working across each habitat is similar in each round. The most notable difference is an increase in the coverage of grassland habitats, covered by for 24% projects in Round 1 and 46% projects in Round 2. At the same time, whilst 48% Round 1 projects worked within mountain, moor, and heath environments, 27% Round 2 projects are working in this environment (a decrease of 21 percentage points).

3.1.4 Ecosystem services

Round 2 projects are monetising a number of ecosystem services, including climate regulation, carbon storage (e.g., hedgerow, marine, peat, soil, woodland), Natural Flood Management (NFM), soil health, water quality and availability, and nutrient management. Of these projects, 15 (26%) are planning to monetise 1 ecosystem service, and 7 (12%) are planning to monetise 2 ecosystem services. 35 projects (61%) are planning to monetise multiple ecosystem services. In Year 1, of 29 projects four planned to monetise one ecosystem service, two aimed to monetise two, and 17 planned to monetise multiple ecosystem services.

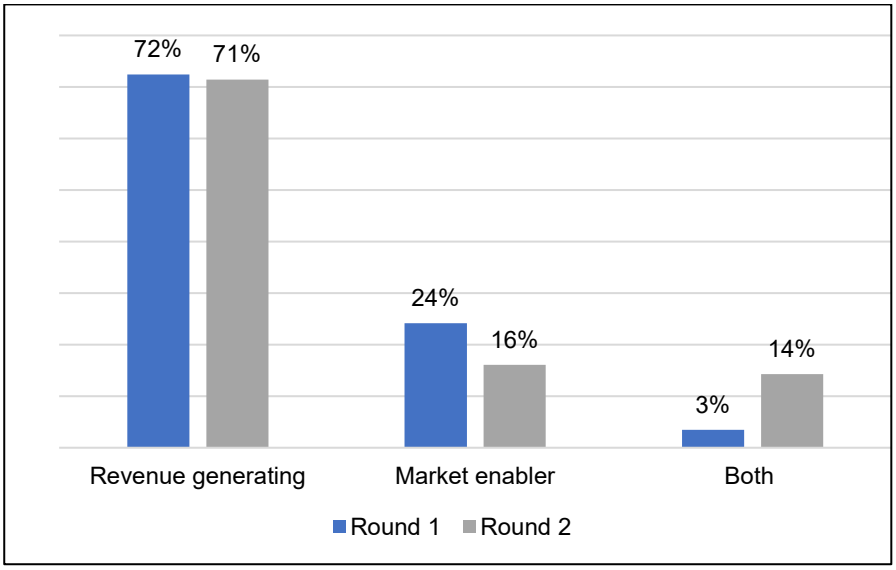
3.1.5 Project models and characteristics

Organisations receiving grant funding are planning a range of project models, including:

- 40 revenue-generating projects
- 9 market enablers (including developing standards or codes and aggregators)
- 8 Both (revenue-generating projects and market enablers)

The graph below illustrates the difference in project models funded in Round 1 and 2.

Figure 6. Round 1 and Round 2 project models

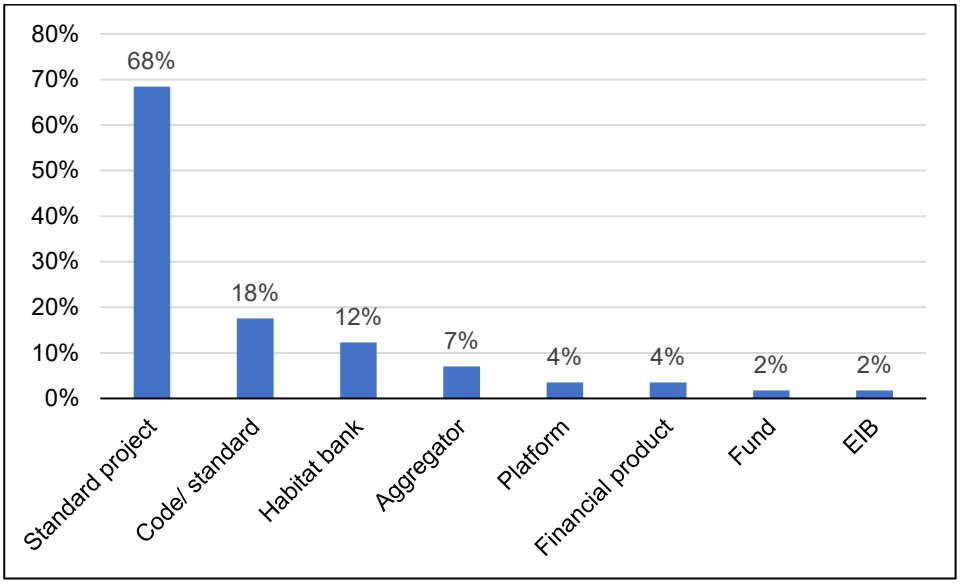


Base: Round 1: 29, Round 2: 57, Source: Defra application data

The proportion of revenue-generating projects is similar across the Rounds 1 and 2, accounting for just under three-quarters of projects in both Rounds. The proportion of market enablers funded by NEIRF decreased by 8 percentage points in Round 2 (from 24% to 16%). Also, whilst only 1 project was both a revenue-generating project and Market Enabler in Round 1, this category accounted for 14% (8 projects) successful applications in Round 2.

Round 2 project model characteristics are shown in the chart below.

Figure 7. Round 2 project characteristics



Base: 57, Source: Defra application data. The total number is greater than 57 because some projects have more than one model characteristic.

Standard projects[8] account for 68% all Round 2 projects (versus 45% Round 1 projects). Whilst only one Environmental Impact Bond was funded in Round 2, this type of model accounted for 17% successful projects in Round 1 (5 out of 29).

3.2 Project management and governance

3.2.1 Governance of grant funded activities

NEIRF project structures vary considerably across projects. Some projects are managed and delivered by one organisation, others are led by an organisation supported by external consultants typically with financial expertise; others still are run by consortia including multiple partners involved in different elements of research and planning.

Projects interviewed tended to have regular meetings to review progress against timelines, in some cases also sharing updates with advisory boards and steering groups. A number of projects managed by partnerships set up Project Boards with representatives from each of the organisations involved, so that partners could review progress, feed into the strategy and ensure that it aligns with the project's objectives. Project Boards' responsibilities range from overseeing and signing off the application, attending regular meetings to monitor progress against the workplan, and reviewing outcomes and risks. Project Boards play an important role in brokering the relationship between different partners, while remaining neutral at decision-making points. Various projects used existing partnerships and governance arrangements on their NEIRF project. Projects require co-ordination across a set of constituent interests in order to make progress, as detailed in section 4.3.

3.2.2 Proposed governance of revenue generating activities

Grantees are also establishing governance structures for the revenue-generating activities they plan to set up as a result of NEIRF funding. It is worth noting that not all projects have finalised the governance structure for their natural capital business. Structures outlined in proposals and reports vary across projects, but can be broadly categorised as follows (with some overlap, such as limited companies hosted with the lead organisation):

- **Natural Capital Investment Companies** (NCICs), such as a project aiming to secure investments for a range of NbS to reduce flood and drought damage, improve biodiversity, water quality, sequester carbon and engage people with the habitat and its heritage. In one case, a project developing a habitat bank set up a NCIC to restore and maintain sites and market carbon units after the end of the NEIRF grant.
- **Special Purpose Vehicles** (SPVs). For example, one NEIRF grantee is acting as the holding company for multiple farming clusters, with each cluster represented by an SPV. Whilst the grantee will be responsible for the sale of environmental outcomes from respective project SPVs and the regulatory compliance of

[8] Standard projects are defined as projects that will be delivered in a specific habitat or location, with NEIRF being used to assess natural capital potential.

underlying projects, the SPVs will contract the farm operators directly and manage project data, outcome remuneration for the local farms, and farm performance monitoring.

- **Aggregation Vehicles**, including a governance structure aiming to align buyers and sellers to create a market for ecosystem services and provide business benefits for buyers through a combination of risk avoidance, cost sharing and saving, regulatory compliance, and reduced transaction costs. Revenue will be generated from activities such as nutrient management and trading, natural flood management, integrated water management, and BNG.
- **Community Interest Companies (CIC)** whose profits will be reinvested into the business itself. This model will be applied where the lead organisation is a CIC and the natural capital business will be run and managed through the same organisation.
- **Companies Limited by Guarantee** (less common), which will enable flexibility to manage both restricted and unrestricted funds from public and private sources. They also noted a need to establish separate oversight from a steering group beyond a Project Board, in order to mitigate conflicts of interest and enable partners with varying risk appetites to participate.
- **Governance within the lead organisation**, for example where the lead organisation is a large national charity taking responsibility for delivering the NEIRF project and then running the natural capital business following the end of grant funding.

Governance considerations are slightly different for **projects developing codes**, which are focusing more on having the methodology for accounting for the environmental uplift officially recognised. Governance structures had generally not been assessed yet.

3.3 Innovation

Most Round 2 projects applications described project activities as innovative in some way, either in their regions or nationally. Survey respondents echoed this: more than half strongly agreed (38%) or agreed (33%) that the NEIRF helped them to plan an innovative intervention, while 10% disagreed and 20% said they did not know (n=40).

Some projects are built upon **new partnerships**, for example, bringing together farmers and landowners in partnership with other organisations such as academic institutions, financial consultancies or banks. Many projects are planning **environmental work not seen on this scale before**, to deliver large-scale nature recovery.

Certain projects are **pioneering new carbon code and market enablers**. This includes the development of a financial model for freshwater biodiversity, which aims to fill a major gap in the market by providing an innovative mechanism of river restoration in peri-urban areas. The model would generate finance and investment routes for planners, urban developers, and public and private sector stakeholders by providing brokerage services.

Some projects are innovative because of the **habitats** in which they are working, for example by planning environmental gain for public parks, pioneering investment

blueprints within marine environments or developing business models to attract private finance for river restoration in heavily urbanised catchments.

A small number of other projects are adopting **innovative technologies** for the development of their NEIRF projects, for example using Artificial Intelligence to automate the process of identifying and specifying areas suitable for peatland restoration works.

Some projects are modelled on **approaches already taken elsewhere**, for example building on existing evidence from abroad.

New business models are being developed across the vast majority of projects. Natural capital markets and Environmental Impact Bonds (EIBs) are relatively recent mechanisms to fund environmental or nature restoration projects, which signal a new era of natural capital accounting and polluter-pays legislation. Under this new approach there are increasing opportunities to sell ecological outcomes from regenerative impact projects and share the risk with the private sector.

3.4 Conclusion

The NEIRF is funding a wide variety of projects models across different organisation types, habitats and ecosystem services. It is encouraging to see that more private companies were funded in Round 2, as it further expands the range of projects and compensates for the lower number in Round 1. This was a consequence of targeted market engagement with private companies, showing that Defra successfully adapted the programme between Rounds.

The variety of funded projects means the NEIRF provides a good opportunity to test different revenue models in different contexts and understand the key enablers and barriers and which approaches are most effective.

4 Project implementation

Summary

Project delivery

- Projects' progress against their outcomes is mixed; they are on track to deliver some of their outcomes but struggling in other areas. There are various examples of projects changing their plans to less ambitious objectives once they realised their initial proposal was not deliverable within the NEIRF timeframe.
- Some projects have adapted delivery plans based on information and lessons learned during scoping.

Implementation support

- Most grantees surveyed described the support from Defra/EA as quite or very helpful.
- Interviews highlighted the positive working relationships developed with the Defra/EA/NE team and the flexible nature of the Fund, which allowed grantees to adapt delivery plans when needed.

NEIRF Community of Practice (CoP)

- The majority of survey respondents found the CoP helpful.
- Grantees interviewed emphasised the value of peer learning between NEIRF projects.

Enablers and barriers

- Defra/EA's support and flexible approach to management were described as enablers.
- Barriers mentioned by interviewees included policy uncertainties (e.g. around BNG, Standards or codes regulating carbon markets, ELM payments, stacking and bundling, taxation), challenges recruiting project staff, and engaging stakeholders such as landowners (sellers).

This chapter summarises findings about grantees' experiences of delivering their NEIRF funded projects during Year 2 (April 2022 to March 2023). It discusses project implementation, including support from Defra, EA and NE, enablers and barriers, and engagement with the NEIRF Community of Practice (CoP).

4.1 Project delivery

Project lead and consultant interviews, as well as mid-point reports, showed mixed levels of progress in project implementation. Half of all survey respondents (50%) said that their project had been implemented as planned to a great extent, compared to 15% who said their project has been implemented as planned to a limited extent. The reasons for not implementing projects as planned included lack of investment opportunities, challenges around staff capacity or skills, partnership issues, supply chain issues, changes in timeline, policy drivers, and land manager readiness.

Interviews suggested that in some cases Round 1 projects adapted their delivery plans based on lessons learned during scoping, suggesting that perhaps an initial scoping phase could be designed into the NEIRF as part of early delivery. Some projects redirected their objectives due to a lack of evidence and data, such as a project that reviewed existing carbon codes or schemes and concluded that existing schemes could be adapted rather than developing another entirely new one. This meant the project focus shifted towards developing a set of minimum requirements to ensure that any projects operating in the UK marketplace were adhering to a level of integrity. Other projects described challenges and delays related to identifying buyers and developing relationships with them.

Round 2 projects, which were interviewed at an earlier stage of delivery, had carried out a variety of initial activities. This included information gathering to refine project scope and objectives, forming or consolidating partnerships and stakeholder relationships, recruiting staff and subcontractors, designing financial models and reviewing business plans. Mid-point reports and interviews suggested that some projects experienced delayed starts mainly due to challenges with recruitment or initial stakeholder engagement. This was described by grantees as a symptom of the nascent market and lack of skills, therefore future rounds should allow more time for these activities.

The majority of grantees surveyed agreed (61%) or strongly agreed (22%) that they had sufficient resources, including financial and staff, to deliver their project as planned (n=41). Responses among Round 1 and Round 2 grantees were very similar. Amongst those who disagreed (12%) or strongly disagreed (2%), the reasons included unexpectedly needing additional resources, restructuring and staff movements within the organisation, unsuccessful or withdrawn match funding and having underestimated resource requirements.

Stakeholders working in nature finance felt that the NEIRF is a valuable source of funding to test and trial projects, develop new codes and new income streams from nature recovery. Some interviewees felt additional rounds of NEIRF would help to continue building the pipeline of revenue-generating projects.

4.2 Implementation support

NEIRF grantees are offered **wide ranging support from Defra, the EA and NE** throughout project implementation, including a NEIRF SharePoint site and dedicated Microsoft Teams channel, webinars on grant requirements (e.g. claim forms, evaluation, reporting) one-to-one telephone and email support from project advisors, and a CoP to network and share learning. Nearly all grantees strongly agreed (36%) or agreed (57%) that they had sufficient support from the EA, NE or Defra to deliver their project as planned.

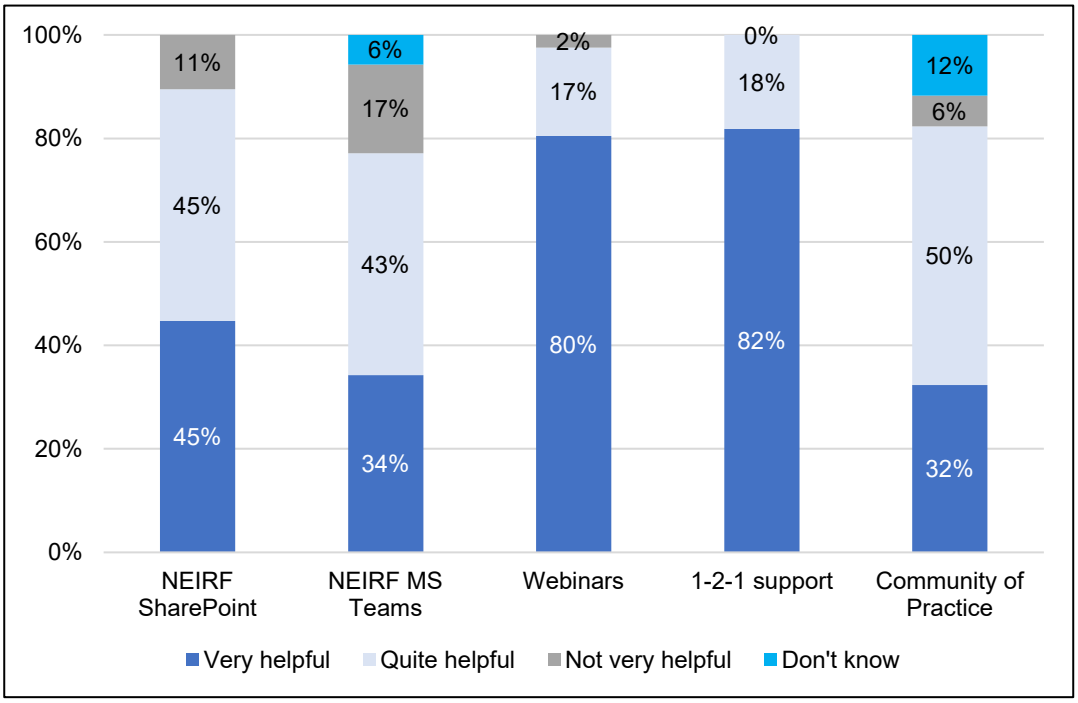
Project leads found the information provided on SharePoint useful, and could easily follow up with the various organisations if they had any questions.

> *"It has been one of the best designed and simplistic to manage grant programmes that has adapted as we have learnt lessons – well done!"* – Survey respondent

The survey showed that grantees largely took up the support on offer from Defra and the EA and found it useful. Interviewees praised the close contact that the NEIRF team kept with them; contacting them to ensure that they were receiving the help that they needed.

The Figure below shows that the majority of survey respondents who accessed support during project implementation found it helpful.

Figure 8. NEIRF grantee rating of support during project implementation



Source: Year 2 survey, Base=33-41.

Through interviews and the survey, grantees stressed their appreciation for the help and guidance received from the NEIRF team, noting that they developed positive working relationships and valued the ongoing support.

> *The NEIRF team at Environment Agency could not have been more supportive or helpful, especially when I have been feeling out of my depth quite often in the face of a very steep learning curve!* – Survey respondent

Interviewees were particularly positive about the flexibility of the Fund, which allowed them to adapt delivery plans when needed. They felt comfortable asking questions, which they said was not always the case in other funding streams. This flexibility was seen as recognising the emerging and innovative nature of projects and grantees appreciated this agile approach to management. Resources such as videos published by the National Environment Portfolio Team on MS Teams highlighted this flexibility.

> *"What became quite apparent is that [Defra a]re not ticking boxes in terms of [what] we have to have delivered, they would rather [we] create a functional marketplace in the long term than just tick the box to achieve a set of NEIRF goals, which has really been helpful!"* – Project lead

Survey respondents suggested a few areas for improvement, such as more joined-up working across Defra, NE and EA. Another suggestion was for monthly catch up calls with Defra/EA.

4.2.1 NEIRF Community of Practice

The NEIRF Community of Practice (CoP) is made up of grantees and other stakeholders, including Defra, the EA, NE, the Ecosystems Knowledge Network (EKN), Green Finance Institute (GFI) and others. It provides opportunities for networking and sharing learning among projects, through formal and informal events. Eighty-five percent of grantees surveyed had taken part in at least one CoP event in the last year (n=41). A small number of unfunded applicants (3 out of 13 survey respondents) had also joined some of the CoP events and rated them as very or quite useful. Grantees who had not attended CoP events reported in the survey that they either did not know about them, the time of the events was inconvenient or they were too busy.

The CoP ran 33 events between April 2022 and March 2023, on a range of themes including NEIRF grant administration support, environmental and financial topics relevant to the projects, and ongoing policy development. A theme from interviews was that grantees had limited resources to engage with CoP and their participation to NEIRF-related events was often restricted to those covering topics that were strictly related to their projects. Grantees also found that learning from the CoP significantly increased since Round 1 following the development of projects into more mature initiatives and the increasing number of projects working on similar domains. Although most interviewees claimed to have participated to online events, some grantees mentioned that the ease of Covid-19 restrictions made it easier to attend in-person CoP events.

Grantees surveyed were asked to rate the events they attended, and events were consistently rated as very or quite useful by a large majority of respondents. Events included Water Management, Codes & Standards, Peatland, Coast & Marine discussion groups, a Wilder Carbon webinar and Conservation covenants session.

It is worth noting that data should be treated with some caution as there are likely to be recall issues when asking projects to rate a list of events attended over the course of one year.

Findings from interviews and the survey show that grantees were satisfied with the CoP and thought it enriched their NEIRF experience and provided valuable learning and knowledge sharing opportunities.

> *"Overall it has all been very positive and [I] have been impressed with the depth and breadth of discussions and topics via the Community of Practice discussion groups."* – Survey respondent

Grantees valued being able to share their learning and exchange best practices with stakeholders who were working on similar projects to theirs. They found that webinars were useful to successfully develop and implement their projects, as well as to actively engage groups working on different topics. Learning is also regularly shared among projects supported by the same financial consultants (e.g. Finance Earth) or managed by the same organisation (e.g. National Trust). This enhanced knowledge sharing and has, for example, allowed for research into current stacking guidelines and potential future developments to be shared across these projects, saving time and resources.

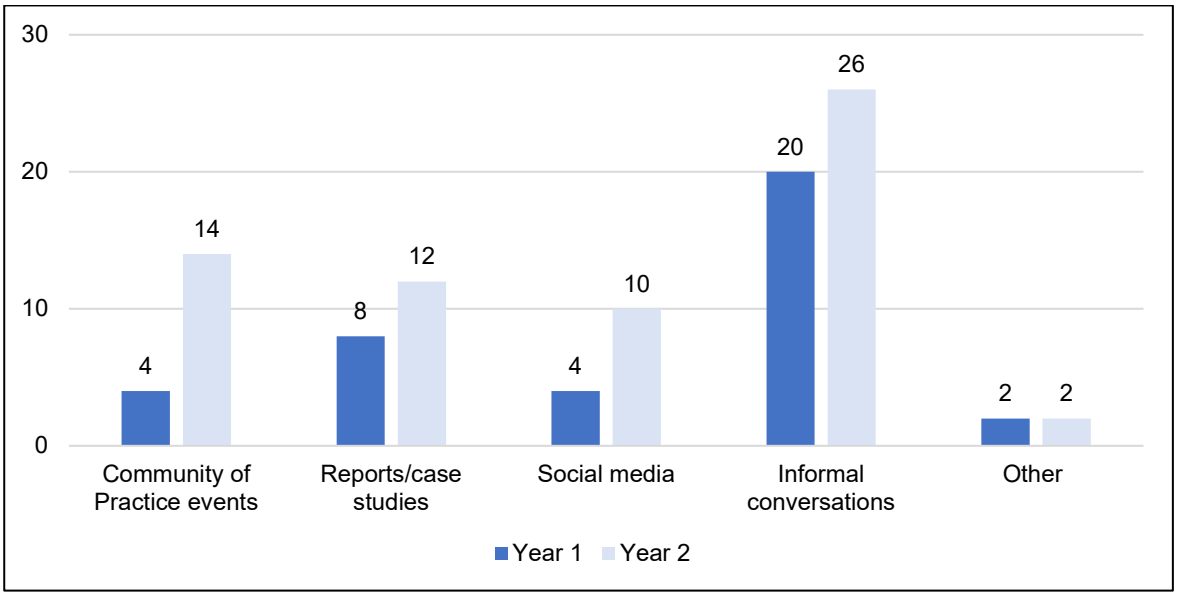
A strong theme among interviewees was that the online platform created a space for conversation and resource sharing, contributing to community building and providing a valuable source for tailored support:

> "*Some really good resources online that we're referring to a lot and you know, and then all the stuff like the existing services toolkit and that as well, that's given us something really useful to start to build a model on".* – Consultant

Survey responses showed that most projects had shared and accessed learning. Seven in 10 respondents (70%) said that they had been able to share learning from their project beyond NEIRF (18% said they had not, and 13% did not know) (n=40). Similarly, 83% of survey respondents said they had accessed learning from other NEIRF projects, either formally, or informally, compared to 15% who had not and 3% who did not know. These figures were comparable to those from the Year 1 survey. Additionally, all Year 2 survey respondents said they would like to learn from other NEIRF projects (n=40).

The Figure below shows how year 1 and Year 2 projects shared their learning beyond NEIRF.

Figure 9. Grantees sharing learning beyond NEIRF



Source: NEIRF Year 2 survey, Base: Year 1=21, Year 2=28

Overall, grantees were very positive about the CoP as a mechanism to learn and share knowledge. A few survey respondents and interviewees offered some suggestions for how the CoP could be improved, for example creating more opportunities for projects to share learning and network (and perhaps less time for presentations), and by the event organisers communicating the focus of each event more clearly.

> *"I appreciated the attempt to create a Community of Practice although I found it rather scattergun in practice – lots of invitations to attend events, where it was not entirely clear which were grant-related/critical, vs informative, decision-making, community-building, etc. These often duplicated discussions we were having elsewhere, including with Defra. It would perhaps have been more helpful to have had a smaller number of in-person NEIRF events, or some explicit links in to Defra's decision-making processes on the core environmental market issues". –* Survey respondent

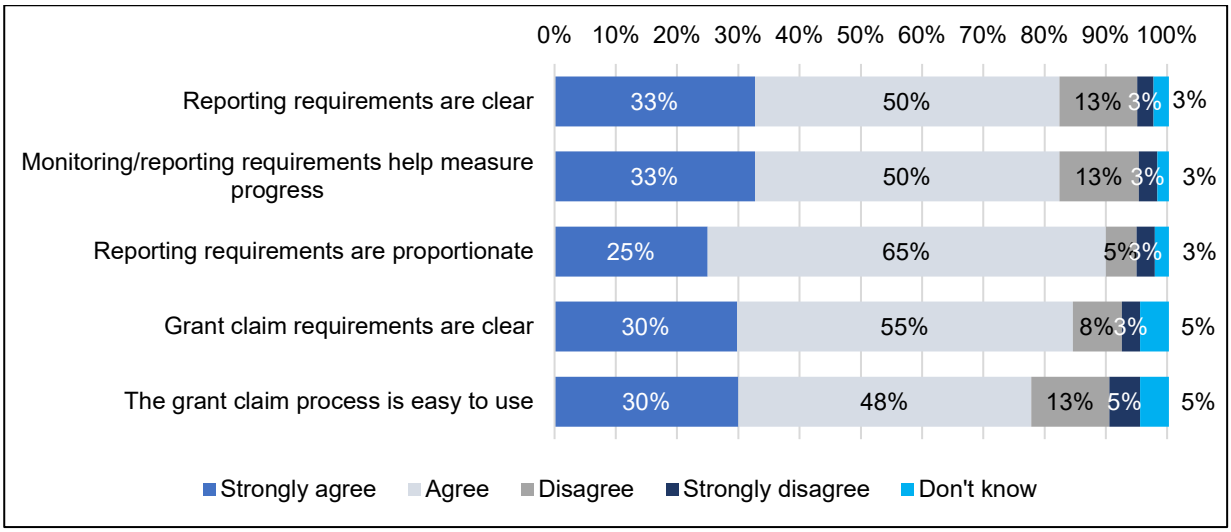
Some grantees noted that there is further scope for engagement and learning among projects. Preferences on event format varied, with some interviewees saying they would like more unstructured events with more time for networking, and others stating they would like more structured sessions.

> *"The way that projects are networked together could be done differently, […] encouragement is there but it's not facilitated enough in my view. Actually, a more structured facilitation is probably really valuable."* – Project manager

4.2.2 Reporting requirements

Survey respondents were asked to rate different elements of the reporting requirements and claims, as shown in the Figure below.

Figure 10. NEIRF project rating of aspects of reporting



Source: Year 2 survey, Base=40

Overall, projects were positive about the reporting requirements. Project leads interviewed highlighted how they had one-to-one chats with their key contact within NEIRF, which was very helpful in understanding their reporting requirements.

4.2 Enablers and barriers

Interviewees described the **support received from Defra and the EA** and their flexible approach to management as a strong enabling mechanism to the delivery of their projects, as mentioned previously.

> *"The fact that we're able to secure those extensions [to project delivery] will make a big difference to the quality of the overall outputs."* – Project lead

Some projects are led by consortia, and a **large delivery team** was cited by some interviewees as an enabler. Involving a range of experts strengthened project teams, with partners contributing different areas of expertise. The involvement of different scientific partners at early stages of development was a key factor for some projects developing a codes, and having scientific backing from partners and universities enabled them to address data and evidence gaps. However, consortium-led projects also brought challenges and delays in obtaining sign-off for activities due to the number of individuals involved. The involvement of multiple partners with very different opinions on what the project should monitor and deliver also posed a challenge for some projects. Another theme was the ability to use NEIRF funding to **pay for consultants** to support on elements of the project that grantees did not have capacity or skills to deliver.

Other enablers included **relationships** developed through the NEIRF network. For example, the EA provided links to potential buyers, with one project describing being introduced to buyers which they would have struggled to engage otherwise. The

reputation and credibility of the EA also increased stakeholders' willingness to engage with and trust the project.

> *"The Environment Agency's involvement was, in a way, as important in terms of its credibility as the actual money itself. They are [seen as] genuine, they endorsed our approach and what we were doing and that sent a signal to all of these people that we were not just another organisation operating in the marketplace, but [that] we had some degree of policymaker endorsement for our work and that meant that people wanted to talk to us in a way that they might not have done otherwise…with a market like this, endorsement is just as important [as funding] […]. By saying you're the Environment Agency funded initiative, that makes people sit up and take notice." – Project lead*

Survey respondents noted that the NEIRF gave them access to networks of organisations working on similar projects across the country, both through the CoP and more widely. Projects surveyed and interviewed also mentioned that the NEIRF contributed to greater collaboration within their organisation.

As in Round 1, a major theme among interviewees was that one of the main barriers in delivering projects has been the **uncertainty in policy and decision making** in key areas relevant related to NEIRF projects (e.g. what will and will not be considered regulatory compliance, agricultural tax exemptions, etc). The uncertainty influences farmers' and landowners' perceptions of the opportunity costs associated with adopting these schemes.

> *"A lack of clarity and the ability for farmers and land managers to really understand what their business models will be in the future. It means that this [the NEIRF project] is more complex and is deprioritised by people when they've got existential financial uncertainty around their Land Management businesses and farms."* – Project lead

Specifically, lack of clarity around the long-term implications of the Environmental Land Management Scheme (ELMS) and BNG was described as a major barrier to landowners and famers agreeing to shift land use towards these activities.

> *"If you're a landowner, say a farmer or an estate owner, then you can see how BNG might provide you with a good income stream, and you might have the ambition of [doing] something good for nature. But you've got to make a 30 year commitment [and] you don't, at the moment, know what ELMs is going to be. You don't know if you could get more money for other natural BES,(PES) like carbon for instance. There's a real lack of clarity there and actually landowners by and large aren't willing to commit to 30 years."* – Project lead

A number of grantees suggested that **short-term funding** presented challenges when recruiting experienced staff, due to low salaries and short term contracts. Some projects had to change recruitment approaches, for example hiring contractors or graduates. A lack of **staff time and capacity** to conduct this work was also a barrier for some projects. In some cases staff did not have sufficient resources to build relationships with buyers and investors. Another theme was that the NEIRF project required more staff resource than they had anticipated. However, some projects noted that the project helped them to

increase their staff capacity and resource. Maintaining a flexible approach has been key to overcoming barriers.

The enablers and barriers identified by NEIRF projects are common to other Defra projects that have recently been evaluated. For example the evaluation of ‘Increasing children's engagement with protected landscapes’ (Defra, 2022) identified recruitment challenges, and the need for flexible funding, as well as the benefits of knowledge sharing among organisations. Similarly, the ‘Assessment of the skills and capacity of local government to deliver Biodiversity Net Gain and other Environment Bill responsibilities’ (Defra, 2022b) found that more support with capacity building was needed to address skills gaps.

4.3 Conclusion

While some NEIRF projects are on track to deliver their outcomes and project milestones within agreed timescales, others are struggling in some areas. Some projects have adapted delivery plans based on information and lessons learned during scoping, which was expected due to the innovative nature of the programme. There are various examples of projects changing their plans to less ambitious objectives once they realised their initial proposal was not deliverable within the NEIRF timeframe. As NEIRF is a highly innovative programme delivered in an uncertain policy environment, it is unsurprising that projects faced unexpected challenges and haven't progressed against all outcomes they expected.

The support provided by Defra, NE and EA was wide-ranging (i.e. SharePoint, webinars, 1:1), flexible in allowing projects to adapt if necessary, and helpful to projects. Grantees also found the CoP helpful and emphasised the value of peer learning between NEIRF projects.

Interviewees identified a range of enablers and barriers to the delivery of their projects. Defra and EA’s support and flexible approach to management were described as key enablers. Other enablers included a large delivery team, for example where projects are led by consortia, which facilitated the involvement of a range of experts; and relationships developed through the NEIRF network, for example links to potential buyers. Barriers included policy uncertainties, recruitment challenges, and engaging stakeholders such as landowners.

5 Project outcomes

Summary

Organisational outcomes
Grantees reported that the NEIRF had strengthened their organisational capacity, by supporting their project and financial management. It had also strengthened collaboration among projects and led to job creation.

Investment readiness outcomes
Projects reported some progress against all eight steps in the investment readiness journey but struggled to develop accurate revenue-generating models and secure investment (where this was needed). Projects made progress in identifying ecosystem services and had conversations with buyers and sellers, but felt that additional clarity around the policies regulating natural capital markets would help secure buyers and sellers.

Projects had developed a range of revenue or investment models, but were struggling with the lack of financial skills and the cultural shift from grant funding to income-generation.

Only a small number of projects had accessed, or were planning to access, repayable finance. Many referred to buyers (particularly advance buyers) or philanthropic funders as investors. Additionally, some projects do not appear to need investment (due to the capital needs of its operating model) as long as they have sufficient buyers to ensure revenue.

Standard or code development outcomes
Progress towards developing standards or codes seems to have been slower than expected, either because projects were overly ambitious about the possibility to develop a Code in the timescale of the NEIRF, or because the project was rescoped after assessing some initial research.

Unintended outcomes
Unintended outcomes were mostly positive around developing new partnerships and working relationships, and accessing additional funding.

Scalability and replicability
All projects plan to scale-up and replicate their projects beyond the ambitions set out in their applications.

Interaction between NEIRF and policy
Policy is being developed in parallel with nature recovery interventions, which is at times challenging. Additional support for the NEIRF and similar technical assistance interventions is needed.

Attribution of outcomes to NEIRF
The NEIRF is greatly valued by grantees, giving them the opportunity, time, and resources to implement their projects. Many believe they would not have been able to deliver their project without NEIRF funding.

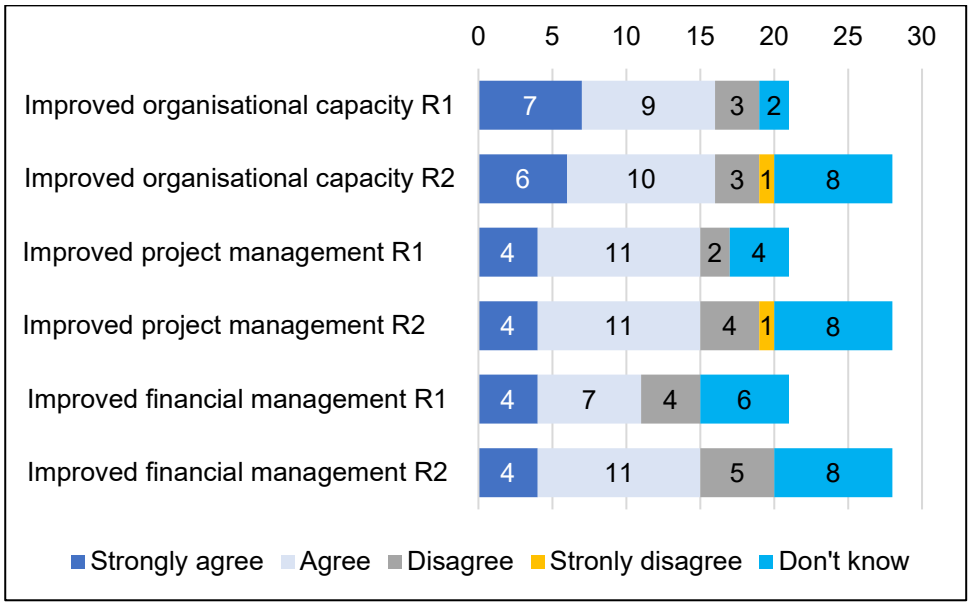
This chapter outlines early organisational and project-level outcomes, including unintended outcomes. It also covers projects' investment readiness journeys, and progress towards developing codes. Following this, the chapter discusses grantees' intentions to scale-up and/or replicate their project models, as well as project sustainability and learning so far. Finally, it describes the interplay between the NEIRF and wider environmental policy, and how they affect each other, and the degree to which any outcomes can be attributed to the NEIRF.

5.1 Organisational outcomes

Grantees interviewed and surveyed agreed that the NEIRF funding had helped them develop their organisational capacity, for example through improved systems, processes and governance structures, as well as their capabilities in project management and financial management. Projects interviewed highlighted how the NEIRF grant allowed them to develop consortia of partners with different skills and expertise, or bring in consultants to fill any gaps. Grantees especially stressed the contribution the NEIRF made to their project management skills, either through recruiting a dedicated project manager, or by funding training.

The Figure below shows that survey respondents across both rounds rated positively the contribution of the NEIRF to their organisational outcomes.

Figure 11. NEIRF contribution to funded organisations, by Round



Source: Survey. Base=21-28

Grantees surveyed also strongly agreed (38%) or agreed (53%) that the NEIRF had improved collaboration among different stakeholders involved in delivering the project, compared to 5% who disagreed and 5% who did not know (n=40).

NEIRF funding also contributed to job creation, with a total of 19.8 Full-Time Equivalent (FTE) jobs created by 40 grantees who responded to the Year 2 survey. All of these were

Round 2 projects and of these seven were standard projects, two were developing a code and four were market enablers and one had another focus (n=14). Seven of these projects were led by a charity, one by a private company, and four by public bodies (n=12). Nine out of 12 received a grant on £95,000 or above. Among those who created any jobs, the highest FTE was 4 and the lowest was 0.2.

5.2 Investment readiness outcomes

Investment readiness was measured through baseline, mid-point and end-point self-assessment tools, as well as interview data and project reports. Grantees aiming to develop revenue-generating projects completed a self-assessment tool asking them to design and RAG-rate their own milestones against each of the eight steps in the investment-readiness journey:

- Governance and delivery plans
- Identifying ecosystem services
- Identifying and working with buyers
- Identifying and working with sellers
- KPIs between sellers and buyers
- Intervention and long-term upkeep
- Developing an investment model
- Identifying and working with investors

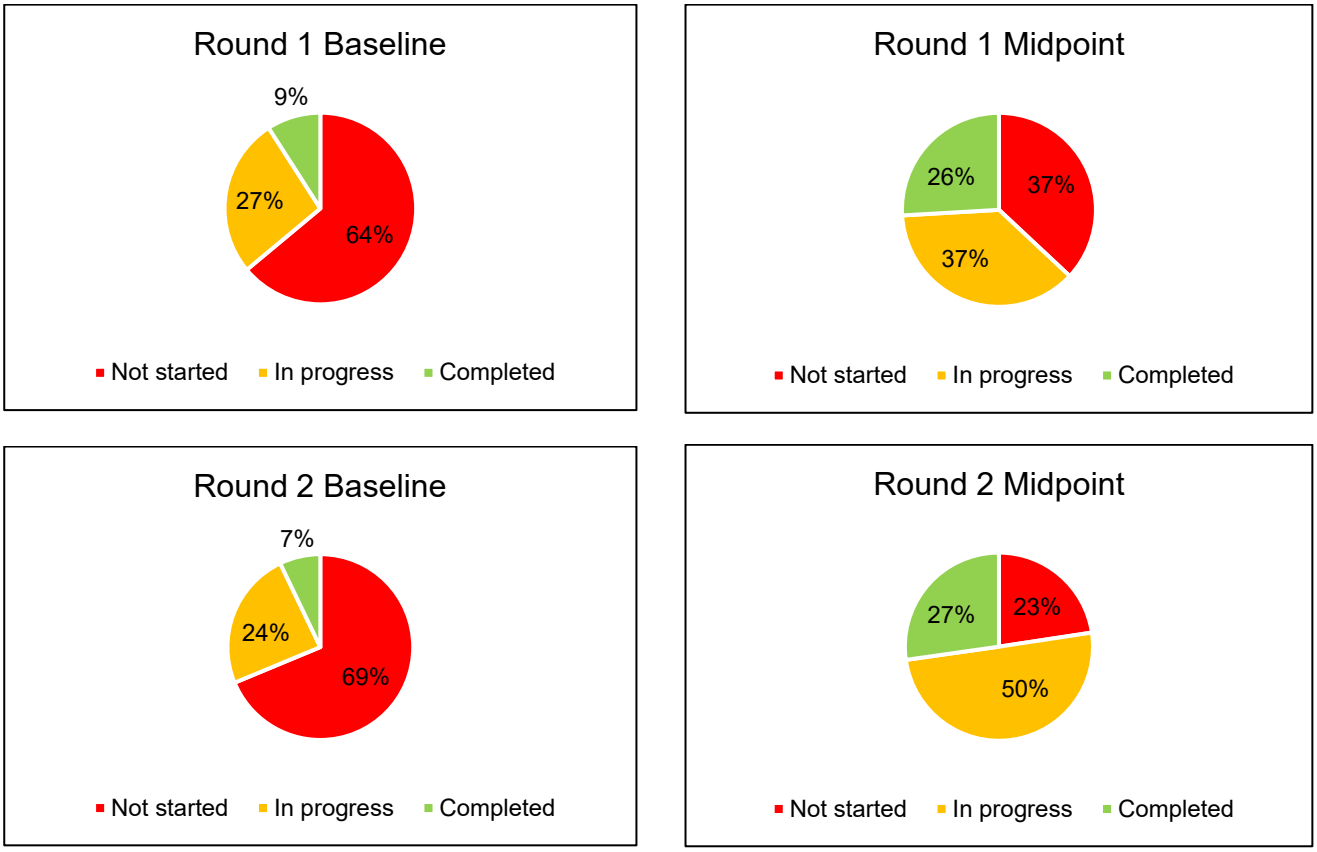
All 29 Round 1 projects[9] and 56 out of 57 Round 2 projects completed a baseline self-assessment. Additionally, all Round 1 projects and 15 Round 2 projects completed mid-point self-assessments, and 16 Round 1 projects submitted end-point self-assessments. This reflects the different start times and durations of the projects. The self-assessment tools are completed by grantees and reflect their own perceptions of project progress, based on their own milestones. These perceptions have been analysed in this chapter alongside interview and survey data, project reports, and our own views of project progress within the wider policy and market contexts.

The figures below illustrate the proportion of milestones rated Red, Amber or Green at baseline and mid-point for Round 1 and Round 2 projects that submitted baseline and mid-point self-assessments. Round 2 projects seem to have made more progress from baseline to mid-point than Round 1 projects, with the proportion of milestones rated red decreasing from 69% to 23% (compared to 64% to 37% in Round 1). The shift appears to have been mainly from red to amber. Faster progress among Round 2 projects could be due to accessing learning from Round 1 and additional clarity around, for example, stacking and bundling or taxation.

The charts refer to projects developing revenue-generating projects (those developing codes are analysed in section 5.3).

[9] Analysis of self-assessment tools is based on 28 Round 1 projects, as one project completed it incorrectly and the tool was removed from analysis.

Figure 12. Self-assessment milestones RAG rating at baseline and mid-point (revenue-generating projects)



Source: Baseline and mid-point self-assessment tools. Base: Round 1=760, Round 2=323

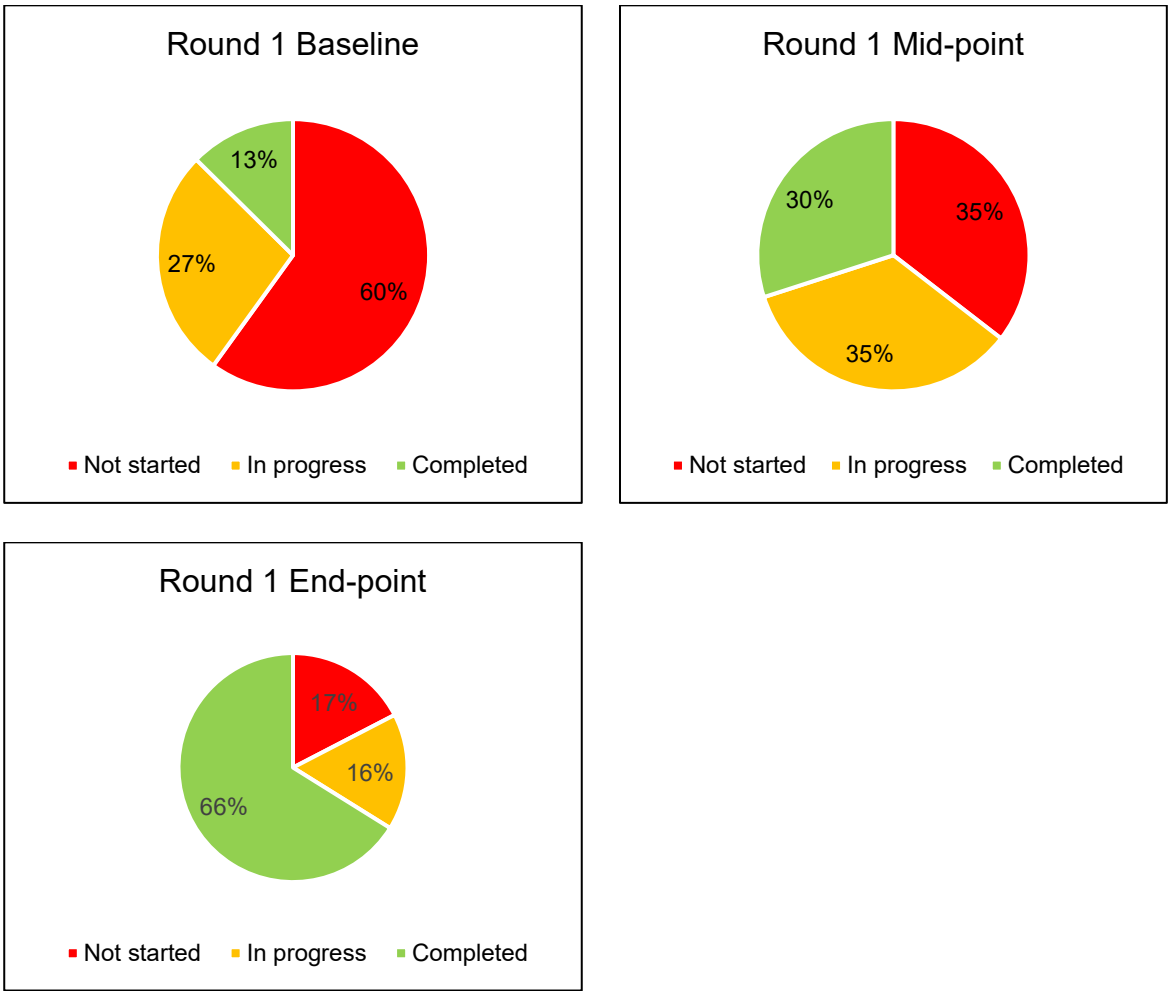
The Table below shows proportion of milestones rated Red, Amber and Green at mid-point for 28 Round 1 and 15 Round 2 projects that submitted baseline and mid-point self-assessments (with the highest proportion for each step highlighted). Each step was given an overall RAG rating based on the progress projects reported to have made. It is apparent that projects have made some progress along the investment readiness journey, with two-thirds of milestones rated Green at end point. Unsurprisingly, the area in which projects made the most progress is identifying ecosystem services. Projects had made the least progress in developing governance and delivery plans, identifying and working with investors, and planning their intervention and long-term upkeep. This chapter explores the reasons why projects are facing challenges in some of these areas.

Table 2. RAG ratings at mid-point (Rounds 1 and 2)

Self-assessment step	Red	Amber	Green	*Base*
Identifying ecosystem service(s)	10%	32%	58%	*154*
Identifying & working with buyer(s)	26%	55%	19%	*148*
Identifying & working with seller(s)	32%	39%	29%	*126*
KPIs between sellers & buyers	33%	46%	22%	*101*
Governance & delivery plans	41%	34%	25%	*154*
Intervention & long-term upkeep	40%	40%	20%	*126*
Developing an investment model	31%	48%	21%	*154*
Identifying & working with investors	51%	36%	13%	*121*

For the 16 Round 1 projects that also submitted end-point self-assessments, we can compare progress from baseline, to mid-point to end-point, as illustrated below.

Figure 13. Self-assessment milestones RAG rating at baseline, mid-point and end-point (Round 1 revenue-generating projects)



Source: Baseline and mid-point self-assessment tools. Base=437

The Table below shows the proportion of milestones rated Red, Amber and Green at end-point for 16 closed Round 1 projects.

Closed projects reported making more progress against the steps in the self-assessment tool, but it is worth noting that only between half and two-thirds of milestones had been achieved by the end of the project for the following steps: identifying and working with sellers, developing KPIs between sellers and buyers, developing governance and delivery plans, and planning the intervention and long-term upkeep of the project. This is reflected in findings from interviews and project reports, which show that a considerable number of the objectives initially set by projects were not achieved.

Table 3. Proportion of milestones rated Red, Amber and Green at end-point (Round 1)

Self-assessment step	Red	Amber	Green	*Base*
Identifying ecosystem service(s)	0%	9%	92%	*61*
Identifying & working with buyer(s)	14%	14%	72%	*65*
Identifying & working with seller(s)	15%	20%	65%	*55*
KPIs between sellers & buyers	22%	28%	50%	*32*
Governance & delivery plans	16%	26%	58%	*57*
Intervention & long-term upkeep	24%	18%	58%	*45*
Developing an investment model	9%	13%	78%	*67*
Identifying & working with investors	47%	11%	42%	*55*

The rest of this section outlines revenue-generating projects' progress against each of the eight key stages set out in the self-assessment tools. Section 5.3 'Code development journey' describes the progress made by projects developing codes on the journey set out in the code self-assessment tool.

5.2.1 Identifying ecosystem services

Milestones that projects set in the self-assessment tool around identifying ecosystems services include early-stage milestones such as identifying suitable pilot or priority sites, through document reviews, ecological surveys or drawing ecological maps to identify the most appropriate ecosystem services. Projects also planned to map opportunities, carry out research on carbon trading (including defining metrics and tools), and conduct market research to estimate demand.

In some cases, projects had milestones linked to ecosystems that had already been identified, such as:

- conducting research to confirm the viability of activities such as carbon capture, NFM or BNG,
- conducting some initial environmental and revenue modelling (including exploring stacking opportunities)
- costing of interventions, and

- social indicators such as measuring the value to health and wellbeing or joining social prescribing schemes.

More than three quarters of survey respondents strongly agreed (40%) or agreed (37%) that the NEIRF had helped them to achieve greater knowledge of the ecosystem service(s) relevant to their project, compared to three-quarters (18 out of 24) in Year 1. The rest disagreed (10%), strongly disagreed (3%) or did not know (10%) (n=40).

This was reflected in how projects that submitted baseline and mid-point self-assessments rated their milestones for 'identifying ecosystem services', shown in the Table below. This was the step where the greatest progress was reported from baseline to mid-point, which was expected as it is likely to be the first step in developing a business model. However, this sometimes took longer than expected, which affected delivery of the rest of the project.

Table 4. RAG rating of baseline and mid-point milestones towards identifying ecosystem services

	Round 1			Round 2		
Identifying ecosystem service(s) (base n: Round 1=110, Round 2=51)	Red (not started)	Amber (in pro-gress)	Green (com-pleted)	Red (not started)	Amber (in pro-gress)	Green (com-pleted)
Baseline	34	45	24	40	7	4
Mid-point	9	25	69	6	25	20
Difference	-25	-20	45	-34	18	16

The Table below shows that among Round 1 projects that submitted end-point self-assessments, 57 out of 62 milestones were rated Green, five were rated Amber and none were rated Red. For many projects identifying which ecosystem service(s) to sell was a first step in their project so perhaps it is unsurprising to see strong progress in this area.

Table 5. RAG rating of baseline, mid-point and end-point milestones towards identifying ecosystem services (Round 1)

	Round 1		
Identifying ecosystem service(s) (base n: Round 1=62)	Red (not started)	Amber (in progress)	Green (com-pleted)
Baseline	19	30	13
Mid-point	5	12	45
End-point	0	5	57
Difference (baseline to end-point	-19	-25	43

Projects aimed to monetise a range of ecosystem services, such as biodiversity (via BNG), carbon from a range of habitats (woodland and peatland appeared to be easier to

sell due to the existence of the established codes), water quality e.g. nutrient buffering via nutrient neutrality, and flood risk management. Some projects are planning to sell goods and services alongside ecosystem services, for example natural burial plots or wildflower seeds; sustainably produced seafood; short courses about habitat creation and management, flora and fauna identification, and conservation skills; or consultancy services.

Typically, projects interviewed started with the ecosystem services available on their pilot sites and aimed to monetise multiple ecosystem services. They expressed the importance of understanding whether ecosystems can be stacked or bundled, reflecting an awareness of the need to recognise market demand and how this linked through to a viable business model. It is also worth noting that an assessment of demand for the service is as important as the ability to sell it. This appears to have been overlooked in some cases, where projects had yet to conduct a market analysis.

Based on project reports, grantees were taking steps to monetise their environmental outcomes through research into ecosystem services and identifying buyers, sellers and investors. A key theme that emerged was there was greater confidence in the voluntary carbon market in the UK, and having suitable data to develop reliable models. Interviewees described assessing different options (e.g. carbon and BNG) and modelling outputs in terms of upfront and long-term sales. This involved engaging with buyers and testing assumptions on demand with them.

5.2.2 Identifying and working with sellers

Key milestones around identifying and engaging potential sellers included identifying sellers (including reaching agreements with landowners about land use changes) and holding engagement events. In some cases the landowner (seller) is the NEIRF lead applicant or a member of the project consortium, so milestones focused more on agreeing the principles of sale and getting agreements in place. There were also examples of projects purchasing the land where the project would be delivered.

Other milestones were around identifying local competitors selling ecosystem services, benchmarking projected costs against other areas and other ecosystem services developing revenue models, rolling-out and scaling-up the activities modelled, issuing letters of intent and signing contracts/lease agreements.

Projects mentioned the developments around ELMs and other regulatory parameters as a key dependency in being able to engage sellers.

7 in 10 survey respondents strongly agreed (23%) or agreed (47%) that the NEIRF grant had helped them to gain a greater understanding of the sellers of their ecosystem service(s), while 13% disagreed and 17% did not know (n=40). As mentioned previously, this represents a marked increase from Year 1, when only 9 out of 23 respondents agreed that NEIRF had contributed to this. A similar proportion of Year 2 survey respondents strongly agreed (22%) or agreed (45%) that NEIRF had helped them develop relationships with sellers, compared to 13% who disagreed and 20% who did not know (n=40).

This is reflected in the way projects RAG rated their progress against milestones in the self-assessment tool. Compared to the step on identifying and working with buyers, there was a greater shift to milestones rated Green.

Table 6. RAG rating of baseline and mid-point milestones towards identifying and working with sellers

	Round 1			Round 2		
Identifying & working with seller(s) (base n: Round 1=99, Round 2=34)	Red (not started)	Amber (in progress)	Green (completed)	Red (not started)	Amber (in progress)	Green (completed)
Baseline	63	23	6	22	9	3
Mid-point	32	38	22	8	11	15
Difference	-31	15	16	-14	2	12

Some progress can also be seen among Round 1 projects that submitted end-point reports, however more than half of all milestones had not been fully achieved.

Table 7. RAG rating of baseline, mid-point and end-point milestones towards identifying and working with sellers (Round 1)

	Round 1		
Identifying & working with seller(s) (base n: Round 1=55)	Red (not started)	Amber (in progress)	Green (completed)
Baseline	36	14	5
Mid-point	20	20	15
End-point	8	11	36
Difference (baseline to end-point)	-28	-3	31

Among projects interviewed some owned or managed all the land where the project was going to take place, while others needed to identify sellers or had more complex stakeholder set-ups, for example where the land still needed to be identified or bought, or multiple individuals owned or rented the land. One project was working with an initial group of 16 farmers who were implementing regenerative agriculture practices and would join the project selling carbon units. The project had used a small group of farmers to recruit other farmers, and was hoping that success in selling carbon from the initial group of 16 would have a snowball effect with more farmers joining the project.

Projects interviewed said that developing relationships with farmers and landowners was a key success factor. Where projects had pre-existing relationships with sellers, or had delivered previous land use change projects with them, this was seen as a facilitator.

> *"Engagement on the landowner side has been very good, primarily because we have an existing relationship. […] They trust the land use team and the specific*

farm advisor who they deal with, he's a familiar face they know he's delivered on what he said in the past". – Project lead

One project run by an organisation that owned the land described the benefits of being a well-respected national charity when selling BNG units, and how their reputation helped them plan a project requiring developers to purchase 20% BNG, rather than the mandated 10%.

> *"That's the price that they will pay for working with [us]. So we're a credible partner, we bring other […] reputational advantages to that. But it's our belief that 10% biodiversity net gain isn't enough, you know, to make a difference, it needs to be 20%".* – Stakeholder

Stakeholders working in nature finance felt that landowners/sellers have been on a 'very steep learning curve' and are becoming **increasingly willing to use their land for nature recovery**. One interviewee described landowners as mostly either open to new income streams from nature recovery, or aware that government subsidies are changing and they will have to use some of their land for nature recovery, but have reservations and would like to see successful examples first. A minority of landowners are completely opposed to using their land for nature recovery.

Some of the changes stakeholders in nature finance noticed among landowners include developing greater confidence in identifying buyers.

A strong theme among NEIRF grantees and nature finance stakeholders was **natural capital markets need better regulation**. Specifically, greater clarity on stacking and bunding and on taxation on income from natural capital businesses is crucial in private landowners agreeing to convert their land to nature recovery. This lack of clarity was described as a challenge for landowners who want the best income from their land, and need to be able to confidently project revenues from nature recovery. Possibly due to this uncertainty, landowners seem reluctant to enter longer-term selling agreements than 10-15 years. Similarly, interest in BNG has grown since the Environment Act 2021 mandated it, but uncertainties around the rules for BNG are seen as a challenge.

One of the perceived challenges for NEIRF projects, according to stakeholders involved in nature finance, is a **cultural shift** from grant funding and philanthropy to developing investible models. For some environmental organisations this includes overcoming reservations around the commodification of nature. For farmers and landowners it involves reassurance that using their land for nature recovery will be financially viable, and support to understand which natural capital businesses to focus on. Overcoming this barrier will require amendments to existing legislation to expand land uses deemed eligible for tax breaks[10].

5.2.3 Identifying and working with buyers

Milestones around identifying and working with buyers focus on mapping and identifying buyers, developing market engagement strategies and conducting engagement activities

[10] A consultation currently underway. For details see https://www.gov.uk/government/consultations/taxation-of-environmental-land-management-and-ecosystem-service-markets

with potential buyers, such as businesses wanting to offset their emissions (including agri-businesses), developers, philanthropic organisations, and utility companies.

Further milestones include exploring buyer expectations and requirements (and in some cases aligning project delivery with buyer demands), developing purchase agreements and developing/signing letters of intent.

More than 8 in 10 of grantees surveyed strongly agreed (35%) or agreed (48%) that the NEIRF had helped them gain a greater understanding of the potential buyers of their ecosystem service(s) (compared to 7% who disagreed, and 10% who did not know) (n=40). These findings show a marked improvement from Year 1, where only 9 out of 23 reporting an improvement in their understanding of buyers/sellers[11]. This is possibly because with more time there have been more opportunities to identify buyers. Additionally, more than three-quarters of Year 2 survey respondents strongly agreed (17%) or agreed (60%) that the NEIRF had helped them develop relationships with buyers (n=40).

The projects that submitted baseline and mid-point self-assessments reported moderate progress, with the main shift being from Red to Amber.

Table 8. RAG rating of baseline and mid-point milestones towards identifying and working with buyers

	Round 1			Round 2		
Identifying & working with buyer(s) (base n: Round 1=112, Round 2=43)	Red (not started)	Amber (in pro-gress)	Green (com-pleted)	Red (not started)	Amber (in pro-gress)	Green (com-pleted)
Baseline	66	32	7	28	13	2
Mid-point	30	54	21	8	28	7
Difference	-36	22	14	-20	15	5

The Table below shows that Round 1 projects that submitted end-point self-assessments had made some progress around identifying and working with buyers, however more than a quarter of milestones had not been fully met.

[11] In Year 1 the survey asked to rate the extent to which the NEIRF grant had helped achieve a 'greater understanding of the potential buyers and sellers of [ecosystem] services'. In Year 2 the survey asked to rate two distinct statements: the extent to which the NEIRF grant had helped achieve a 'greater understanding of the potential buyers of [ecosystem] services' and a 'greater understanding of the potential sellers of [ecosystem] services'.

Table 9. RAG rating of baseline, mid-point and end-point milestones towards identifying and working with buyers (Round 1)

	Round 1		
Identifying ecosystem service(s) (base n: Round 1=65)	Red (not started)	Amber (in progress)	Green (completed)
Baseline	38	20	7
Mid-point	18	32	15
End-point	9	9	47
Difference (baseline to end-point)	-29	-11	40

Based on project mid-point and final reports, possible buyers include developers and infrastructure companies looking to meet planning regulations for new developments, businesses and corporations aiming to offset their carbon emissions (including energy or transport companies, e.g., Network Rail and airports), and utility companies such as water companies.

Some of the grantees interviewed had not started engaging with buyers, because they were still at an earlier stage of planning and modelling. Those who had started approaching buyers had engaged with a range of organisations, as mentioned above. Pre-existing relationships with buyers, and having a defined product/service to sell were described by interviewees as facilitators to securing buyers. Some interviewees also mentioned that buyers prefer to purchase at scale so having sufficient resources to trade is an enabler.

Some projects selling services like water quality improvements described having keen buyers, including water companies, however they felt they needed to secure sellers and investors before putting a price on water quality improvements and begin to sell them.

A strong theme among interviewees was that buyers would like **more regulatory certainty** before committing to long-term agreements. In some cases buyers want recognition under certain standards e.g. a recognised code. Additionally, buyers sometimes prefer **local projects** to them, which can be a good opportunity for the project to make the case for environmental, social and economic benefits within the local community.

> *"You explain to [buyers] that they're gonna be paying a high price for these carbon credits, but you know they will be able to talk about not just offsetting their carbon budget, but also the way they're supporting a local farmer and keeping him farming and all of the sort of socio socioeconomic benefits that that has and the community benefits. So it's much more than just talking about offsetting carbon. It's talking about a whole strategy for farming in that region".* Project lead

Buyers can also be motivated by **price** – which can be in contradiction to wanting a local project as often international carbon units are cheaper (but not necessarily as rigorously measured and verified).

Projects interviewed discussed identifying buyers for BNG. One project gave an example of having influenced local buyers' expectations of price around BNG. At the beginning of the project, price expectations were around £10,000 per unit, based on evidence from Defra[12]. However, the project was able to share delivery costs with buyers and as a result price expectations rose to £15-20,000 per unit. Variations in pricing illustrate the importance of developing and testing a robust market price methodology for BNG units before approaching buyers and sellers

Another project mentioned that large developers achieve the 10% BNG increase on their own sites, leaving smaller developers wanting to buy a small number of units, which in turn makes it more challenging for projects to be certain about their financial viability.

> *"By and large, the bigger developers seem to be saying 'Yeah, I can get my 10% on site'. So therefore, the market for offsets is a little bit uncertain. It kind of feels like it's the little developers who will be wanting offsets and, you know, that makes it more difficult. If you're taking a habitat banking approach [...] three credits here, four credits there is kind of more difficult to build a business out of, as opposed to the piece we've got with 37 credits."* – Project lead

Stakeholders involved in nature finance felt that buyers' attitudes have changed in the last few years, and demand has increased to the point that it currently exceeds supply. For example, it is now commonplace for companies to have net zero commitments. Therefore many buyers have operational reasons to support nature recovery, such as reducing the risk of flooding or achieving BNG or net zero targets. *Conversely*, a number of those submitting their final reports have also noted concerns that demand may not cover their supply of BNG or carbon units, and/or that they may not be able to deliver the necessary future sales to cover operating costs. Should this prove to be the case, these projects state they would still view the resources put into their project as valuable, providing them with a 'test ground' or 'proof of concept' that has promoted understanding and learnings that they would not have achieved without the NEIRF. This could be explained as an increase in potential demand that, due to regulatory uncertainty or lack of proven models, is not converting into ready buyers yet.

Interviewees also said they expected the Government backed Nature-related Financial Disclosures framework[13] expected in Autumn 2023, represents an opportunity to standardise both the approach to assessing the impacts on the natural environment, and how this impact may be mitigated. Examples of government supported standardisation of processes (such as these) will help to mitigate the 'uncertainty' barriers raised by both investors and landowners.

[12] In the Defra Consultation on BNG, a market price of between £11,000 and £15,000 was proposed, with most respondents either agreeing or suggesting higher figures. Notably, Warwickshire County Council's rates were cited as approximately £40,000 for woodland and wetland and £30,000 for grassland (or £20,000 with economies of scale). Leeds City Council has proposed a rate of £20,000 across their administrative area.

[13] The Taskforce on Nature-related Financial Disclosures (TNDF) is a global, market-led initiative with the mission to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature-related risks and opportunities, with the ultimate aim of supporting a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes. More information is available at https://tnfd.global/

5.2.4 Key Performance Indicators (KPIs) between sellers & buyers

Milestones included drafting/signing legal documents and management agreements between buyers and sellers, assessing and agreeing baselines, developing environmental/revenue models, indicators and metrics, agreeing on compliance methodologies, and making decisions around stacking and bundling ecosystem services. Risks identified for this step included not being able to align supply and demand, not being able to agree on price, not being able to generate sufficient revenue to pay for the ecosystem services offered, and the longevity of the agreements which was seen as a barrier to seller participation.

RAG rating against milestones in the self-assessment tools is shown below.

Table 10. RAG rating of baseline and mid-point milestones towards developing KPIs between sellers and buyers

	Round 1			Round 2		
KPIs between sellers & buyers (base n: Round 1=66, Round 2=41)	Red (not started)	Amber (in pro-gress)	Green (com-pleted)	Red (not started)	Amber (in pro-gress)	Green (com-pleted)
Baseline	42	17	1	30	7	4
Mid-point	24	23	13	9	23	9
Difference	-18	6	12	-21	16	5

Among Round 1 projects that submitted the end-point self-assessment rated only about half of all milestones as Green at end-point.

Table 11. RAG rating of baseline, mid-point and end-point milestones towards developing KPIs between sellers and buyers (Round 1)

	Round 1		
KPIs between sellers & buyers (base n: Round 1=32)	Red (not started)	Amber (in progress)	Green (com-pleted)
Baseline	20	10	1
Mid-point	10	12	9
End-point	7	9	15
Difference (baseline to end-point)	-13	-1	14

The challenges highlighted previously about getting buyers and sellers on board, as well as the failure to carry out a market analysis to better understand their potential buyers, might explain the slow progress in developing KPIs between buyers and sellers. Future rounds of NEIRF or similar programmes could include an initial requirement for projects to outline how they would conduct a market analysis of buyers.

5.2.5 Governance and delivery plans

In some cases the milestones projects set around governance focused on governance structures of NEIRF funded activities, while in others they focussed on the governance of their revenue-generating activities, or they included both. Examples of milestones included engaging stakeholders, establishing governance structures and bodies and in some cases setting up boards with a specific roles, such as supervisory, advisory or quality assurance, or thematic working groups.

Some projects broke these activities down into specific steps, such as obtaining financial and legal advice, drafting legal documents, agreeing steering group terms of reference and membership, risk management, liability assessments, agreeing delivery and resourcing plans, developing communication/marketing strategies, knowledge sharing and capacity building.

Projects reported some progress from baseline to mid-point against the governance and delivery plans milestones in the self-assessment tool, as shown in the Figure below.

Table 12. RAG rating of baseline and mid-point milestones towards governance and delivery plans

	Round 1			Round 2		
Governance & delivery plans (base n: Round 1=105, Round 2=49)	Red (not started)	Amber (in pro-gress)	Green (com-pleted)	Red (not started)	Amber (in pro-gress)	Green (com-pleted)
Baseline	71	22	12	27	18	4
Mid-point	49	29	27	14	23	12
Difference	-22	7	15	-13	5	8

The Table below shows that more than 4 in 10 milestones had not been achieved at end-point for Round 1 projects.

Table 13. RAG rating of baseline, mid-point and end-point milestones towards governance and delivery plans (Round 1)

	Round 1		
Governance & delivery plans (base n: Round 1=57)	Red (not started)	Amber (in progress)	Green (com-pleted)
Baseline	34	11	12
Mid-point	23	15	19
End-point	9	15	33
Difference (baseline to end-point)	-25	4	21

5.2.6 Intervention and long-term upkeep

Project milestones around 'intervention and long-term upkeep' in the self-assessment tools focused on modelling capital costs, overheads, management, maintenance and monitoring costs, developing monitoring and maintenance plans (including identifying opportunities to scale-up), as well as designing and signing relevant agreements. For some projects, this included developing governance models for the revenue-generating activities.

RAG rating of milestones in the self-assessment tools showed more than a 60% decrease in Red ratings from baseline to mid-point for Round 1 projects (see Figure below).

Table 14. RAG rating of baseline and mid-point milestones towards intervention and long-term upkeep

	Round 1			Round 2		
Intervention & long-term upkeep (base n: Round 1=93, Round 2=41)	Red (not started)	Amber (in progress)	Green (completed)	Red (not started)	Amber (in progress)	Green (completed)
Baseline	64	17	4	28	11	2
Mid-point	39	32	14	11	19	11
Difference	-25	15	10	-17	8	9

The table below shows projects' self-reported progress from baseline to end-point for Round 1 projects: more than 4 in 10 milestones had not been achieved.

Table 15. RAG rating of baseline, mid-point and end-point milestones towards intervention and long-term upkeep (Round 1)

	Round 1		
Intervention & long-term upkeep (base n: Round 1=45)	Red (not started)	Amber (in progress)	Green (completed)
Baseline	31	10	4
Mid-point	20	14	11
End-point	11	8	26
Difference (baseline to end-point)	-20	-2	22

Based on interviews with projects, some planned to self-generate the capital and maintenance costs of the projects, either after receiving initial investment or simply through selling units. For example, various projects were engaging buyers to ensure sufficient revenue to cover the project's running costs. There were also examples of projects seeking or having accessed philanthropic or government grants to cover running

costs for some time, typically to work on the next stage of the NEIRF project (rather than for the revenue-generating businesses).

Other projects aimed to access upfront investment to cover the initial maintenance costs of the project. For example, a project explored the option of selling verified peatland units in the future versus selling non-verified units upfront. They were planning to seek upfront investment to sell verified units, then deliver the capital work, and cover maintenance costs through the verified unit sales. In this case, the model is viable if done at a large scale, and as long as the project can be verified by the Peatland Code. However, findings suggests this model only suits an equity investor who is willing to take on a long-term project and not expect repayments early on, or a patient or impact investor – depending on returns.

5.2.7 Developing a revenue-generating model

Milestones set against this stage in the self-assessment tools include the identification of income opportunities and profiles, investment options appraisals and valuations, developing business plans and financial models (including inputs and running costs), assumptions and outputs and testing them with relevant stakeholders, and developing an investment case, including marketing materials. Some projects also mentioned running pilots for proof of concept. Additionally, projects planned to prepare Memorandums of Understanding (MoU) and legal documents.

Round 1 and 2 projects that submitted baseline and mid-point self-assessments developed a total of 154 milestones for this step – the highest number together with identifying ecosystem services, governance and delivery plans.

The self-assessment tools showed progress from Red to Amber ratings from baseline to mid-point, as shown in the table below. Progress to Green ratings appears to have been slower.

Table 16. RAG rating of baseline and mid-point milestones towards developing an investment model

	Round 1			Round 2		
Developing an investment model (base n: Round 1=118, Round 2=37)	Red (not started)	Amber (in progress)	Green (com-pleted)	Red (not started)	Amber (in progress)	Green (com-pleted)
Baseline	89	25	3	26	8	3
Mid-point	39	55	23	9	19	9
Difference	-50	30	20	-17	11	6

Progress towards developing an investment model for completed Round 1 projects was stronger, with more than three-quarter of milestones rated Green at end-point.

Table 17. RAG rating of baseline, mid-point and end-point milestones towards developing an investment model (Round 1)

	Round 1		
Developing an investment model (base n: Round 1=67)	Red (not started)	Amber (in progress)	Green (completed)
Baseline	50	15	2
Mid-point	21	31	15
End-point	6	9	52
Difference (baseline to end-point)	-44	-6	50

Projects planning to sell more than one ecosystem service will model to stack and/or bundle their services. Interviewees mentioned waiting for national guidance on stacking and bundling before finalising their approach to selling multiple ecosystem services. Some projects will aim to also combine revenue streams by combining the sale of ecosystem services which can be sold as discrete units (e.g. BNG, carbon) and those associated with delivery of outcomes (e.g. water management).

Projects described in the proposals and reports plans to generate revenue in the following key ways:

- habitat creation or restoration for the purposes of facilitating BNG, the sale of carbon units, biodiversity units, and/or nutrient units
- offering investors a complete end-to-end service for units that includes site acquisition, planting (for projects generating carbon units through tree planting) and ongoing site management, and the sale of units generated
- providing a sales platform where partners can sell any units they generate

One of the closed projects analysed for this report said they had already generated some revenue through the sale of 37 BNG units at £25,000 each. Another project was planning to sell BNG units for £20,000 each. Projects selling advance BNG or carbon units appeared closer to being able to launch their revenue-generating activities than those needing start-up capital because finding advance buyers may be easier than finding investors.

Interviewees consistently mentioned ongoing uncertainties in environmental policy as a challenge to accurately anticipate future demand for carbon and biodiversity units, and even in some cases to finalise their investment model. Therefore many projects have developed revenue models modelling quite different scenarios, such as revenue if they take the project forward as a BNG scheme versus a carbon scheme, projected revenue if final policy announcements mean that their project is suitable for stacking versus if it is not, and varying levels of future demand for units generated. As such, ranges of unit sale and revenue estimates can be large, making robustly forecasting future revenue challenging.

Projects explored a range of investment models, including seeking forward investment for carbon or BNG units, and selling available units to buyers thus not needing investment. Some projects needed upfront investment to purchase the land where the revenue-generating activities will be delivered. Some of the projects interviewed had decided to take a mixed approach of seeking some forward investment for units that would be sold in the future, and funding some of the project's running costs through selling units once they become available.

> *"So I think we've learned two things. One is actually there's a maturity model, so actually some of those credits could mature by year five and or we could […] sell some of them at that point, and then sell some more […] after 10 [years], so we can manage the cashflow a bit differently. And the second is actually realising that you could take a blended approach. On our 10 hectares, why don't we sell three credits for now and that basically funds the habitat banking investment required for the other seven hectares. So we've kind of realised a blended approach there. So maybe particularly on our own land, not so reliant on investment."* – Project lead

Shifting to a nature finance approach requires building the technical skills to develop investible models and approach investors. Finding suitable independent financial advisors was seen as fundamental to supporting NEIRF projects in the investment readiness stage.

> *"The danger is that [NEIRF projects] haven't got the expertise to develop a business case [or] commercial model and talk to the private sector. So, they end up doing surveys and baseline assessments and doing all sorts of NGO stuff that's nice and comfortable and don't really get anywhere. Or perhaps they hire in consultants who are also maybe ecologists or environmental consultants, natural capital consultants, who actually still are doing something different but not necessarily creating an investible model".* – Nature finance stakeholder

As a solution, interviewees suggested Defra should focus on **developing investment readiness expertise** among all stakeholders involved, for example clarifying what nature finance is, and what is and is not investible. It was suggested that this could be achieved through accredited training courses or qualifications (which the GFI is working on).

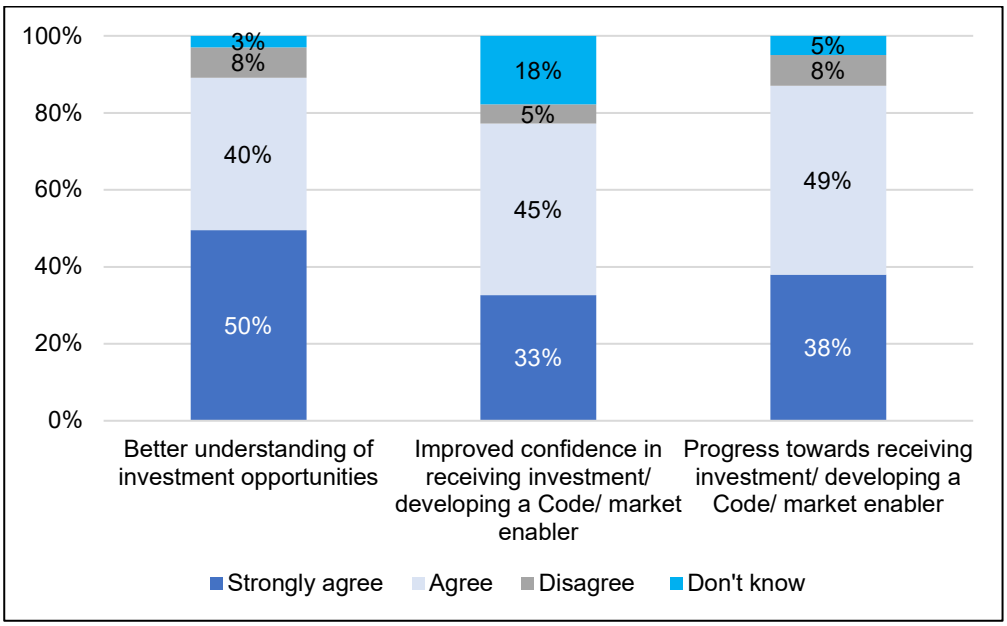
5.2.8 Identifying and working with investors

Milestones towards this stage in the self-assessment tool include assessing the amount and structure of investment needed, identifying potential investors, developing a strategy to engage investors, preparing engagement materials, approaching investors and eventually agreeing the terms of investment and signing contracts. Scale-up options were also mentioned. The milestones developed by projects suggest that there was some confusion between investors and buyers. Projects often used the term 'investment' to mean funding more generally (i.e. both investment and/or income), and so sometimes conflated engaging investors and engaging buyers.

9 in 10 survey respondents (90%) strongly agreed or agreed that the NEIRF had helped them gain a better understanding of relevant investment opportunities, which is similar to the findings from the Year 1 survey (19 out of 23). Additionally, more than three-quarters (78%) strongly agreed or agreed that the NEIRF contributed to their improved confidence

in receiving investment (or in developing a code or market enabler for projects not seeking investment), in line with the Year 1 findings of 19 out of 24 respondents. Nearly 9 in 10 respondents (87%) agreed or strongly agreed that the NEIRF had helped them make progress towards receiving investment (or developing a code or market enabler), which is again comparable to 22 out of 24 respondents in Year 1 (see the Figure below).

Figure 14. NEIRF contribution to accessing investment (Year 2)



Source: NEIRF Year 2 survey, Base=40

Self-assessment ratings show Red ratings decreasing by 16 points for Round 1 projects and 13 points for Round 2 projects, but the proportion of Red and Amber milestones at mid-point was still high.

Table 18. RAG rating of baseline and mid-point milestones towards identifying and working with investors

	Round 1			Round 2		
Identifying & working with investors (base n: Round 1=99, Round 2=24)	Red (not started)	Amber (in progress)	Green (completed)	Red (not started)	Amber (in progress)	Green (completed)
Baseline	73	19	5	18	5	1
Mid-point	57	29	11	5	14	5
Difference	-16	10	6	-13	9	4

Identifying and working with investors appears to have challenging for closed Round 1 projects, with more than half of milestones still rated Red at end-point.

Table 19. RAG rating of baseline, mid-point and end-point milestones towards identifying and working with investors (Round 1)

	Round 1		
Identifying & working with investors (base n: Round 1=55)	Red (not started)	Amber (in progress)	Green (completed)
Baseline	42	9	4
Mid-point	35	14	6
End-point	26	6	23
Difference (baseline to end-point)	-16	-3	19

Interviews suggest that many projects have not yet started engaging with investors because it is too early and they do not have investment models ready yet. As mentioned previously, others are not planning to engage investors as they think their project will be viable if they identify suitable buyers / philanthropists. Others expect to see an overlap between investors and buyers.

> *"We've got a market engagement event in the diary in March and we've started to invite investors to it and we reckon by March we'll have portfolio of investable propositions. I think it's more about philanthropy rather than having a clear return on investment."* – Project lead

Nearly three-quarters of survey respondents (73%) said they had discussed their project with potential investors (n=33). They reported generally positive outcomes from these conversations, with a number of respondents saying they had keen interest from investors, or they were close to reaching agreements (in some cases subject to the results of modelling and other work demonstrating profitability). Projects also reported that these conversations were helpful for them to gain a clearer understanding of the market they are trying to access and investor's needs. For example, it was mentioned that there was a lot of interest from investors, but these investors required sites to be accredited and codes to be in place before discussions could progress. These comments further reflect the importance of certainty and assurance across all actors (farmers, landowners and investors) in the value chain. Others said their project was still at an early stage, so discussions were ongoing, or that delays to the project mean that the outcomes of these discussions will only be seen after the end of the NEIRF funding.

Those who had approached investors had spoken with high street banks, private banks, investment funds, institutional investors offering finance for a return, equity investors with sustainability targets, companies that expect to benefit from the ecosystem services that arise from interventions (e.g. reduced flood risk or sequestered carbon), such as water companies, insurance companies, or local businesses and others that were looking to support nature recovery while boosting their environmental credentials. Projects were considering different funding options, including:

- pre-selling carbon to fund the project. However there were concerns that this would lead to underselling the value of their carbon due to the market trends and the increasing monetary value of high quality carbon sequestration
- institutional investors looking for sustainable investments

- agri-investors seeking to offset some of their emissions from intensive agricultural practices.

Among survey respondents, 18% said they had secured investment and 83% had not (n=40). Based on the sources of investment listed, respondents appear to have interpreted investment as covering more than just repayable finance. Sources of investment mentioned by survey respondents included the project's parent company, philanthropic investors, private companies including retailers and agribusinesses, business hubs such as Central District Alliance and investment from membership fees from farmers participating in the programme repaid in commissions on future trade. Some projects were expecting future additional private funding from their buyers.

When asked what type of investment they received, one project said they received equity, three received in-kind support, and four received other types of support, such as BNG unit sale and philanthropic investment. Projects surveyed that disclosed the amount of investment received mentioned amounts ranging from £180,000 to £900,000 for the purchase of BNG units to £3 million in philanthropic investment (which again does not seem to refer to repayable finance).

To date, across the 13 closed projects a combined total of £1.4 million of investment[14] funding has been secured by two projects. One of these anticipates needing additional investment on top of that already acquired. Of the remaining eleven projects, six[15] anticipate needing to acquire investment funding. Combined, this additional investment need is forecasted to amount to an estimated £7.7 million. Based on the forecasts submitted by these projects, the required investment funding breaks down into 75% required from venture/investor capital (of which 22% from interest bearing loans) and the remaining 25% from grants (potentially including government grants). However, as projects are still working to obtain this investment, it is not possible to say what the final balance between public and private investment will be.

In total, three[16] of the closed projects submitting their final reports do not anticipate needing any further investment, noting either that the upfront sales of units will cover their operating costs, or that their own organisation is providing investment to cover all project costs.

Among the projects interviewed, some had received or were very close to receiving investment.

> *"They're talking to an investor right now. They're gonna do a bond I think of £5,000,000 which will cover them for kind of a lot of their ambition in the near term. They're in the closing phase of that, I think they're just signing on the dotted lines now."* – Technical expert supporting the project

One of the challenges raised by interviewees around accessing investment was that investors are typically looking to invest in large-scale projects, such as 1000 hectares. This is because larger projects will help investors achieve on their Corporate Social Responsibility (CSR) and Environmental Social and Governance (ESG) commitments, as

[14] Revenue generated from the sale of credits/units is not included in the investment funding total.
[15] An additional three projects have not provided details on their future investment model.
[16] The three includes one project that has already acquired all the investment it anticipates needing.

well as lead to a higher return on their investment. This also means that farmers will need to form clusters and work together to offer investors catchment-scale projects.

Among those who were aiming to access investment, some would have liked more support from Defra and the EA in making contact between projects and potential investors.

> *"Venture labs in the private sector provide not only funding and technical support, but also access to potential investors and buyers of services. Defra has considerable convening power; it would have been ideal if they had provided more assistance convening buyers and investors for these NEIRF projects in a structured process and the NEIRF programme [could] have ended in a presentation to a list of ready investors. This would have been a welcomed addition to many in the programme, especially those from nature-based charities, who are not used to selling investment opportunities or services."* – Survey respondent

Interviewees working in nature finance had contrasting views on the role of investors. Some stakeholders said that investors are extremely keen on nature capital investments, particularly investors that manage pension funds for public sector organisations, and insurance companies. Some felt that programmes such as the NEIRF place excessive focus on investors, when in reality having buyers and sellers is often sufficient to develop a viable business.

> *"I think it's in danger of being a bit of a red herring, talking about investment in this whole area. […] The real game is buyers and sellers."* – Nature finance stakeholder

As mentioned previously, there may be overlap between the role that buyers and investors can play in nature projects, and at this stage in the development of natural capital market markets it is important to keep all business models open for exploration.

5.3 Code development outcomes

The self-assessment tool used for standards and codes includes the following development stages:

- Assessment of demand for the code
- Scope for the code and eligibility requirements
- Development of code methodology
- Testing/Pilot

AND either:

- Relationship with the Land Carbon Registry
- The International Carbon Reduction and Offsetting Accreditation (ICROA)] certification[17]

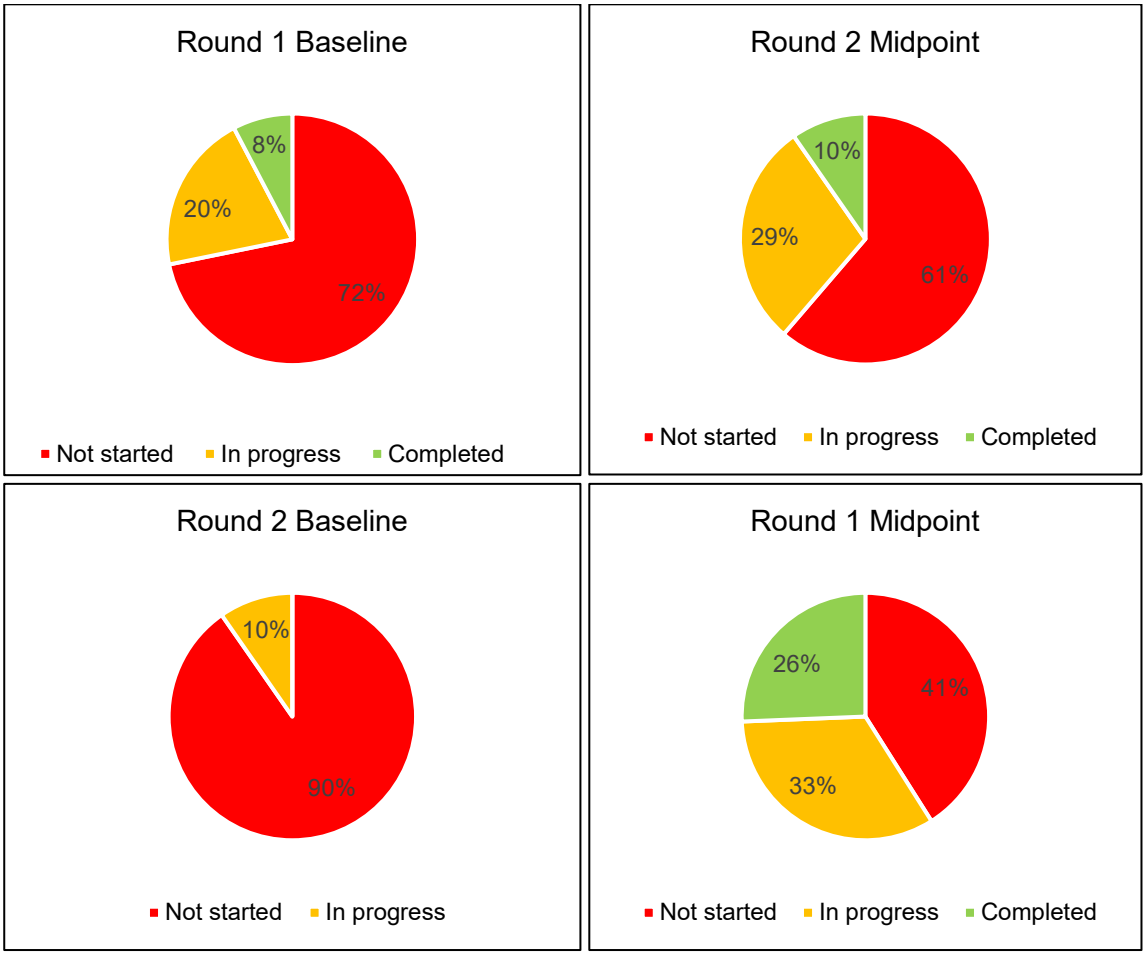
OR:

- Integration into broader codes

[17] Relationships with the Land Carbon Registry and ICROA certification will only apply to carbon schemes

Six projects (four from Round 1 and two from Round 2) developing codes submitted baseline and mid-point self-assessments in time to be included in this report. Of the Round 1 projects, two had also submitted end-point self-assessments. The Figures below illustrate the proportion of milestones rated Red, Amber or Green at baseline and mid-point for Round 1 and 2 projects. Given the small number of projects on which the charts are based, it is not helpful to compare Round 1 and 2, but it is worth noting that both show progress from baseline to mid-point.

Figure 15. Self-assessment milestones RAG rating at baseline and mid-point (codes)



Source: Baseline and mid-point self-assessment tools. Base: Round 1=78, Round 2=31

Overall, progress towards developing codes was slower than grantees expected. Based on project reports the initial proposals did not account for some of the challenges projects have faced, such as whether an independent code would be commercially viable, or whether sufficient data would be available to develop a code during the timeframe of NEIRF funding. Therefore, some projects changed their scope from developing a code to developing Minimum Standards, while others used the grant funding to conduct background research and have secured additional funding to develop a code in the next few years.

5.3.1 Assessment of demand for the code

Key themes projects listed for this step included building a delivery plan to estimate the costs and form an overall investment case. Projects also sought to generate publicity through marketing strategies and increase their outreach to stakeholders and interested parties. Other milestones included interviewing members of the farming and investment community, and reporting feedback. Projects also sought to gather and review data, as well as complete working group sessions.

The table below shows that projects had made limited progress in the area.

Table 20. RAG rating of baseline and mid-point milestones towards assessing of demand for the code

	Round 1 & 2		
Assessment of demand for the code (base n: 23)	Red (not started)	Amber (in progress)	Green (completed)
Baseline	14	7	2
Mid-point	11	7	5
Difference	-3	0	3

Among the two Round 1 projects that submitted end-point self-assessments, all milestones were rated Green, suggesting project felt confident about the level of demand for their code (see Table below).

Table 21. RAG rating of baseline, mid-point and end-point milestones towards assessing of demand for the code (Round 1)

Assessment of demand for the code (base n: Round 1=13)	Red (not started)	Amber (in progress)	Green (completed)
Baseline	6	6	1
Mid-point	6	3	4
End-point	0	0	13
Difference (baseline to end-point)	-6	-6	12

Projects interviewed felt that buyers prefer sites that have verification for outcomes set out in specified codes, and often also want recognition under certain industry standards (e.g. airport groups want the Peatland Code to be accepted by their industry if they are going to offset their emissions through buying peatland units). This is a common challenge because of the certainty and assurance codes offer. However, current codes are quite limited and development of new codes is a slow process, which in turn can hinder project development.

However, they noted that additional funding would be needed to develop code, before it can be expected to be financially self-sufficient.

"I think that government funding initially will be required to develop the code and probably set [it] up, and then it should be the code itself can generate fees from, you know, projects registering or to kind of charging fees for them to kind of open an account or anything like that." – Consultant

5.3.2 Scope for the code and eligibility requirements

Milestones around defining the scope for the code and eligibility requirements focused on conducting meetings to discuss eligibility requirements, and having the code tested by auditors. Projects also set to initiate discussions with potential customers, and established a Project Steering Committee.

The Table below shows some progress around identifying eligibility requirements for the codes.

Table 22. RAG rating of baseline and mid-point milestones towards defining the scope for the code and eligibility requirements

Scope for the code & eligibility requirements (base n: 15)	Red (not started)	Amber (in progress)	Green (completed)
Baseline	8	5	2
Mid-point	3	7	5
Difference	-5	2	3

Round 1 projects that submitted end-point tools made good progress towards defining the scope of the code and eligibility requirements, with only one milestone not rated Green by end-point, as shown below.

Table 23. RAG rating of baseline, mid-point and end-point milestones towards defining the scope for the code and eligibility requirements (Round 1)

Scope for the code & eligibility requirements (base n: Round 1=8)	Red (not started)	Amber (in progress)	Green (completed)
Baseline	4	4	0
Mid-point	0	6	2
End-point	1	0	7
Difference (baseline to end-point)	-3	-4	7

An example was a project developing a code had decided that it would only sell units verified by independent accredited validation and verification bodies. They had also assumed annual verification to avoid selling pending units, which in the long-term could potentially lead to insufficient revenue to cover the running costs of the project.

"Selling can occur only after the validation of the restoration. […] If you sell everything up front, but you've got a 100 year project and your costs go up, that could bring a risk to projects so that the revenue that they've received isn't sufficient anymore to kind of deal with all the ongoing costs". – Consultant

This highlights the importance of ensuring the price point for the unit factors in the potential for changes in costs. As mentioned previously, providing accredited training and guidance might help projects to undertake economic forecasting when setting their price.

5.3.3 Development of code methodology

Milestones around developing a methodology for codes included literature reviews including analysing international codes, data collection, validation and developing metrics.

This is the area in which projects reported making the most progress, as shown in the Table below.

Table 24. RAG rating of baseline and mid-point milestones towards development of code methodology

Development of code methodology (base n: 25)	Red (not started)	Amber (in progress)	Green (com-pleted)
Baseline	24	0	1
Mid-point	8	9	8
Difference	-16	9	7

Completed Round 1 projects had only one outstanding Red milestone, while all the others were rated Green, suggesting they felt they had developed a methodology. However, project interviews and reports included limited information around this, with more detail provided on systematic reviews and background work carried out.

Table 25. RAG rating of baseline, mid-point and end-point milestones towards development of code methodology (Round 1)

Development of code methodology (base n: Round 1=14)	Red (not started)	Amber (in progress)	Green (com-pleted)
Baseline	14	0	0
Mid-point	6	4	4
End-point	1	0	13
Difference (baseline to end-point)	-13	0	13

5.3.4 Testing/ Pilot

Key milestones around testing and piloting codes were identifying test sites, applying the methodology to test sites and refining it, launching and rolling out the scheme.

Progress on this step was limited, as shown in the Table below. This is likely because this is a sequential stage, and projects had not finalised approaches for testing or piloting.

Table 26. RAG rating of baseline and mid-point milestones towards testing/pilot

Testing (base n: 22)	Red (not started)	Amber (in progress)	Green (completed)
Baseline	19	3	0
Mid-point	14	6	2
Difference	-5	3	2

The Table below shows less progress towards testing/piloting among completed projects, compared to other steps, with two milestones still rated Red at end-point.

Table 27. RAG rating of baseline, mid-point and end-point milestones towards testing/pilot (Round 1)

Testing (base n: Round 1=10)	Red (not started)	Amber (in progress)	Green (completed)
Baseline	7	3	0
Mid-point	6	3	1
End-point	2	0	8
Difference (baseline to end-point)	-5	-3	8

5.3.5 Relationship with the Land Carbon Registry/ICROA certification or Integration into broader codes

A small number of milestones were set around defining the code's relationship with the Land Carbon Registry and obtaining ICROA certification, or integration into a broader existing code. Examples of these milestones were assessing income generation and unit pricing options and identifying a code owner.

Probably due to the early stage of Round 2 projects, and the changes in scope for Round 1 projects developing codes, no progress was reported against these steps.

5.4 Unintended outcomes

Survey respondents and interviewees reported a number of unintended outcomes, defined as benefits of the funding which they had not expected or set out to achieve. These included the **development of good working relationships** with Defra and the EA, as well as new partnerships and collaborations with other NEIRF projects and external stakeholders, including developers, landowners, Local Authorities, utility companies, private banks.

> *"Engaged with many organisations exploring similar problems from different perspectives and collectively advance[d] our thinking and knowledge – councils, Flood Re, GFI, water companies, utilities, banks, home builders etc. Met a wave of support for supporting nature!"* – Survey respondent

A strong theme among interviewees was also that the grant was a catalyst to form **partnerships** and to plan projects collaboratively.

> "*I think NEIRF enables […] all these project partners to come together, and to start thinking, and to start developing this."* – Consultant

Another unintended positive outcome mentioned was the development of **new ventures**, such as new models of carbon capture, or new directions for the projects if the initial proposal appeared unviable. Finally, some survey respondents mentioned an unexpected outcome of **access to additional funding** including investment.

> *"Potential partnership with a large scale impact investor that wasn't apparent before the project."* – Survey respondents

Most survey respondents said they had not faced any unintended negative outcomes. A few minor points were mentioned, such as the pressure linked to raised expectations; challenges with some environmental partners around the ethics of the project activities, including the risk of greenwashing; and the fact that the resources required for delivery were greater than estimated and this could put a strain on staff time.

5.5 Scalability and replicability

Nearly 9 in 10 survey respondents (88%) agreed or strongly agreed that they planned to grow or scale up their NEIRF project beyond the application's ambition. Only one respondent disagreed with the statement, while the remaining four respondents said they did not know (n=40). These data are similar to the Year 1 survey, where 21 out of 24 respondents agreed or strongly agreed with the statement, with the remaining three saying they did not know (n=40).

A theme among grantees interviewed was that even though they are still in the process of testing financial models and acquiring relevant learning from pilot sites, they expect projects to **scale-up** fairly quickly. Most interviewees plan to develop projects beyond the pilot stage, for example a project engaging universities to apply regenerative farming practices on their land mentioned plans to engage additional universities to scale up the project beyond the pilot sites:

> *"They've got the 15 projects right now, which are kind of the pilot, the first phase. They wanna expand out quite substantially and one of the entities that they're working with is looking to invest in […] farms, and they may be able to support them with scaling up further as well."*– Consultant

Interviewees said they were keen to **replicate** the activities funded by the NEIRF on a larger scale. Most survey respondents strongly agreed (48%) or agreed (23%) that they planned to replicate the activities supported by the NEIRF, compared to 8% who disagreed and 23% who did not know (n=40). Again these findings are similar to Year 1,

when 20 out of 24 respondents agreed or strongly agreed that they planned to replicate their NEIRF project.

Additionally, 8 in 10 survey respondents strongly agreed (45%) or agreed (35%) that they planned to share their project model for others to replicate, while 20% did not know (n=40). This is in line with Year 1 data, which showed that 20 out of 24 respondents agreed or strongly agreed with this statement.

Some grantees had started thinking about replicating their projects across NEIRF funding rounds as they found that learning from projects financed in previous rounds helped the replicability and scaling-up of these projects. Others had started thinking about replicating their model outside of the UK, for example in the US and Europe.

> *"We're not bound by constraints of technology for sequestration [of carbon from] woodland, we're not bound geographically, you know, potentially there might be opportunities in other territories."* – Project lead

5.6 Interaction between NEIRF and policy

Stakeholders in nature finance and NEIRF grantees described how **policy is being developed in parallel with nature recovery interventions**. Policies launched since the NEIRF incentivise the development of natural capital markets. Building on the 25YEP, the EIP reiterates the target of raising at least £500 million a year of private finance into nature recovery by 2027, and more than £1 billion by 2030. (GOV UK, 2023).

ELMS provide payments to landowners in return for climate change mitigation and adaptation, water and air quality enhancement, and habitat restoration. The clarity provided recently around ELMS was welcomed by grantees as it will help projects develop business models and understand how much they will receive in government funding for certain interventions. The NEIRF aims to inform the ongoing development of ELMS by testing approaches and developing project models. It also aims to contribute to the pipeline of projects that can be scaled up through ELMS and access private or blended finance for long-term, large-scale nature recovery projects (for example some Round 1 NEIRF projects are currently in receipt of Landscape Recovery funding).

Additionally, as part of the Environment Act 2021, the Government mandated 10% Biodiversity Net Gain (BNG)[18] for new developments requiring planning permission and Nationally Significant Infrastructure Projects (UK Parliament, 2021), which was welcomed by research participants. In July of 2022, the Government announced plans to protect environmentally valuable and vulnerable sites in England. This includes a new legal duty on water companies to upgrade wastewater treatment works by 2030 in 'nutrient neutrality' areas to the highest achievable technological levels and the creation by Natural England of a new 'Nutrient Mitigation Scheme' (Defra, 2023). This scheme is designed to enable investment into woodland and wetland creation projects which would enable local planning authorities to grant planning permission for new developments in areas with nutrient pollution issues.

[18] Biodiversity net gain (BNG) is defined by Natural England as 'an approach to development and land management that leaves the environment in a measurably better state'.

In 2022 Defra launched the Big Nature Impact Fund, a blended finance vehicle that will target NbS projects in England with the greatest potential to mitigate the effects of climate change and restore biodiversity. The Fund aims to use NEIRF as a potential project pipeline (Federated Hermes, 2022). The £12.5 million pilot programme funded by the Treasury's Shared Outcomes Fund on Nature-based Solutions for Climate Change at the Landscape Scale aims to build on lessons and best practice from NEIRF (GOV UK, 2022).

The British Standards Institution (BSI) are leading the Nature Investments Standards programme, in partnership with Defra. The programme will develop a new, consensus-based, UK-wide standards' framework to provide clarity and structure in nature markets, to overcome barriers to investing in nature and the services it provides, and to accelerate progress on environmental goals such as reversing biodiversity loss and achieving net zero (BSI, 2023).

One of the nature finance stakeholders interviewed described Defra's policies around developing natural capital markets as 'radical', and acknowledged that it is challenging. There were different views about whether additional regulation and guidance from government would facilitate natural capital market development: some interviewees felt that government is developing policy gradually so that landowners and other stakeholders can be involved; others felt that the lack of clarity is a barrier to landowners switching to nature recovery.

They also felt that additional government funding for programmes like the NEIRF, or larger-scale schemes such as Landscape Recovery, is needed. A successor to the NEIRF after a one-year break was recommended. Some interviewees also suggested further support is needed for NEIRF projects that have potential to become investible but are not quite ready, otherwise they risk being abandoned.

> *If Defra wants to help secure a market that's going to be £500million by 2027, they're going to need to spend at least £1million, probably more, on providing extra support for those projects that ended their NEIRF journey but aren't quite ready yet.* – Nature finance stakeholder

The Big Nature Impact Fund (BNIF), with an investment of £30 million from Defra, will support high-quality Nature-based Solutions (NbS) projects, while generating financial returns for institutional investors by selling ecosystem services. Managed by Finance Earth and Federated Hermes and expected to begin funding projects in 2023, it is seen to contribute to further supporting investment readiness. However, there might be a bottleneck between NEIRF projects ending and BNIF starting, as the data collected so far shows that not all projects achieve investment readiness by the end of their NEIRF project.

It was also suggested that Government could play a role in bringing together regional natural capital offers across England, Scotland and Wales to present a cohesive offer to investors.

5.7 Attribution of outcomes to NEIRF

Grantees greatly valued NEIRF funding, mentioning both in interviews and in the survey that without it they would not have been able to deliver their project, or it would have been on a smaller scale and progress would have been slower. Some grantees mentioned that the NEIRF gave them the opportunity to dedicate the necessary **time and resources** to further develop the ideas they had for their project. For example, one interviewee explained that the NEIRF allowed them to consider alternative financial models and investigate technicalities that were necessary to set up and develop the project.

The NEIRF also gave projects the opportunity to access and collaborate with a network of stakeholders, experts and projects operating in the same sector and facing similar challenges and obstacles.

> *"So, if we had got funding from another organisation, we may not have had that access to similar projects and codes and the learning community. I do think it was a brilliant source of funding because we did have that collaboration and that community to work with, so it was more than just the funding that was of benefit."* – Project lead

5.8 Conclusion

Projects reported mixed progress in their journey towards accessing investment/developing viable revenue-generating projects and developing codes.

Projects had made good progress in identifying the ecosystem services they planned to monetise, and while some had identified buyers and sellers, others were struggling. The main challenges around identifying sellers were linked to limited regulation of natural capital markets and the required cultural shift which makes some landowners reluctant. Buyers tend to be motivated by organisational sustainability targets, expected benefits from the ecosystem services purchased (e.g. reduced flood risk), and sometimes by price. They are more likely to buy certified services, such as carbon units certified by the Woodland or Peatland Code.

Progress in defining KPIs between buyers and sellers was relatively slow, possibly due to the challenges described above around getting buyers and sellers on board, as well as projects' failure to carry out a market analysis to better understand their potential buyers.

Projects explored a range of investment models, including seeking forward investment or buyers for carbon or biodiversity units, selling available units to buyers thus not needing investment, or a blended approach. Challenges in developing revenue models are tied to the lack of standardisation in nature markets and other regulatory drivers that would enable the development of robust investment models, and potential buyers and investors hesitating to make financial commitments. This caused uncertainty around supply and demand for units and services and therefore revenue projections. These challenges apply to both investible projects and projects developing codes and standards.

Overall, progress towards developing Codes was slower than grantees expected. Based on project reports the initial proposals did not account for some of the challenges projects have faced, such as whether an independent code would be commercially viable, or whether sufficient data would be available to develop a code during the timeframe of

NEIRF funding. Therefore, some projects changed their scope to developing minimum requirements, while others used the grant funding to conduct background research and have secured additional funding to continue their code development journey in the next few years.

It does not seem realistic to develop codes within the timeframe of the NEIRF grant, given the time it took to develop some of the existing schemes. Within the NEIRF timeframe, the grantees' experience shows that is only possible to identify gaps in the current evidence, develop a robust methodology to address them. With this in mind, perhaps objectives of projects aiming to develop codes could have been reviewed and narrowed down by Defra/EA and projects when grants were awarded. However, it is worth noting that the BSI work on the Nature Investment Standards programme aims to address these issues.

Overall, it appears that many projects developed their applications based on a limited evidence base as they aimed to develop business models in entirely new markets. During NEIRF delivery, projects noted that they underestimated the time and research needed to understand the relevant market, the needs and concerns of buyers and investors, and to test and refine investment and revenue models to identify what would be profitable for their site(s).

Uncertainties in environmental policy made it difficult for projects to develop accurate investment models. Therefore many projects have developed revenue models modelling different scenarios, such as revenue if they take the project forward as a BNG or carbon scheme, projected revenue if the project is or is not suitable for stacking, and varying levels of future demand for units generated.

Projects had not made as much progress as anticipated around accessing investment. This was largely due to many projects not needing repayable finance as long as they have buyers (and particularly advance buyers). Among those who did want to access investment, some mentioned the challenge of investors looking for larger-scale investments than the ones projects were planning.

6. Value for Money (VfM)

Summary

Use of grant funding
There are emerging indicators that projects are looking to spend the grant effectively and provide VfM. For example, projects that have needed to involve outside consultancy companies have recruited via a competitive bidding process, choosing the applicant that offered the best VfM.

Effectiveness
Round 1 and Round 2 projects highlighted that sharing learning added value for themselves, their project partners, and other stakeholders. Projects have been flexible in their delivery plans but have reported a barrier to spending effectively due to uncertainty around environmental policies, which are causing delays in financial modelling and planning. Most projects are yet to generate revenue streams.

Deviation from budget
There has been very little change in proposed total budgets but many projects have submitted budget variation requests. These requests have focused on delaying funding planned for the first quarter of their project to a later date. Projects have also requested to move funding forward and between spending categories. Changes in project aims or scope have also resulted in variations.

Revenue modelling overview
Projects highlighted several challenges in developing their revenue modelling, including identifying buyers and sellers and uncertainties in environmental policy which make it difficult for projects to anticipate demand. Additionally, the limited existing evidence base resulted in projects dedicating considerably more resources than anticipated on background research.

Overview of investment
Most Round 1 projects submitting their final reports expect to require some level of further investment. The size of investment varies but for some it is considerable, running into millions of pounds.

Future VfM work
Work on the VfM strand is ongoing. The final report will provide a more thorough analysis of spending, deviation from budgets, revenue and investment models,.

A VfM analysis is being conducted as part of this evaluation and is ongoing. This section of the report looks at whether the information collected to date indicates that the NEIRF grants are being spent in a way that represents good VfM, by addressing the following three questions about Round 1 and Round 2 grantees based on final and mid-point reports:

- What did the grantees spend the NEIRF grants on?
- What evidence has been provided that projects spent the grant effectively?
- How significantly, if at all, have projects deviated from their proposed budgets to date?

The analysis also provides high-level overviews of grantees' revenue modelling and their anticipated future investment requirements, based on final reports submitted by closed projects.

Overall, closed projects' self-assessments (see section 5.2), mid-point and end-point reports showed a mixed picture of progress. Projects faced challenges developing investment models and accessing investment. Some of the reasons for making less progress than expected were described previously, while others are set out in this section.

6.1 Use of grant funding

Chapter 5 describes the main activities on which NEIRF grants have been spent so far. There are emerging indicators that projects are looking to spend the grant effectively and provide VfM. For example, projects that have needed to involve outside consultancy companies have recruited via a competitive bidding process, choosing the applicant that offered the best VfM.

6.2 Effectiveness

As discussed previously, projects (both Round 1 and Round 2) highlighted that **sharing learning added value**. The undertaking of literature reviews also demonstrates that projects are looking to build on and adapt the work of others, rather than developing financial and stakeholder engagement models from scratch.

Projects have also been **flexible in their delivery plans**. Where delays have occurred in one workstream, they have looked to bring other workstreams forward to avoid potentially costly delays to the project. Additionally, projects have adapted their plans based on their monitoring and research. For example, where research revealed that one proposed market/site will generate more revenue or investment than another, projects have switched their focus to the more profitable market/site. Projects are also looking out for opportunities to improve effectiveness beyond what they set out in their proposals, for example, one project has repurposed real time water quality testing stations from a redundant research project to enable them to accurately track water quality over time.

As mentioned previously, the main barrier to spending effectively highlighted to date by both Round 1 and 2 grantees relates to ongoing **uncertainty around environmental policies**, in particular ELMS, future market regulation (especially around stacking), and

prices of carbon and BNG units, which are causing delays in financial modelling and planning.

As a result of this uncertainty many projects struggled to develop robust models for their whole project and **most projects are yet to generate revenue streams**. While this is to be expected at this stage for the Round 2 projects, among the 13 closed Round 1 projects revenue generation was either yet to begin or was in its early stages when they submitted their final reports. A number of projects mentioned having to wait for policy to be confirmed before they can develop robust project models, and/or determine an affordable, or the most profitable, revenue model for their project. The small minority that have generated revenue have achieved this through the upfront sale of carbon or BNG units before the restoration of the project site has been completed. However, to date the number of units sold is currently below what these projects expected to have achieved.

All closed Round 1 projects highlighted the learning for themselves, their project partners and other stakeholders (such as councils, investors, farmers) that resulted from their NEIRF project, particularly around greater understanding of investor expectations, greater understanding by stakeholders of the potential for environmental benefits on their land, and the development of multiple-scenario financial models that can be used to assess feasibility of other ELMS. This point is also emphasised in the survey, with 80% of respondents noting that they plan to share their final project model for others to replicate.

6.3 Deviation from budget

To date there has been **very little change in proposed total budgets**. Among projects submitting their final reports, some have noted that the project required significantly more staff time than they anticipated. However, as this staff time was being provided in kind, this had not directly increased the project budget.

Many projects to date have submitted budget variation requests which have been approved by the EA. To date these requests have focused on **delaying funding** planned for the first quarter of their project to a later date. The key reason for requesting funding to be moved back has been short delays in setting up projects, as mentioned previously in Section 4.3 Enablers and barriers.

In the smaller number of cases where requests have been made to **move funding forward**, this has often been due to project management work, stakeholder engagement activities or staff training being moved forward, allowing for more time to be spent on gathering the information needed to feed into baseline and financial modelling.

A minor theme among projects was that funding schedules were moved to fit in with partner invoicing dates, or as a result of projects using other funding sources to cover some of their initial costs.

Projects have also requested to **move funding between spending categories**. For example, by doing more environmental and financial modelling in-house than originally anticipated, one project has saved on consultancy fees. They are now using these savings to enhance their communication strategy, which early work on the project highlighted was essential due to the number of project partners involved and the media exposure received.

Changes in the project aims or scope have also resulted in variations. For example, where projects realised that more research was needed before a code or financial model could be developed, funds were moved away from activities such as transaction due diligence to data collection and education.

6.4 Revenue modelling overview

As discussed in Chapter 5, projects highlighted several challenges in developing their revenue modelling, including identifying buyers and sellers and uncertainties in environmental policy, both of which make it difficult for projects to anticipate demand. As noted previously these two key challenges have led to many projects modelling quite different scenarios, such as revenue if they take the project forward as a BNG scheme versus a carbon scheme. As such, ranges of sold units and revenue estimates can be large, making robustly modelling future revenue challenging.

Additionally, the fact that some projects were aiming to develop entirely new market business models based on a limited existing evidence base resulted in projects dedicating considerably more resources than anticipated on background research. For some projects, this additional focus on research has resulted in them changing their project aim, and they are now focused on delivering the research programme required to underpin the business model, rather than developing the business and revenue model itself. Despite this change in aim, NEIRF funding has still helped drive these markets forward, as robust research on which to base modelling is an essential first step in building a business model.

6.5 Overview of investment

To date, the majority of Round 1 projects submitting their final reports expect to require some level of further investment. The size of investment varies but for some is considerable, running into millions of pounds. The level of finance often varies depending on project location, project size, and the cost of the restoration required to meet the minimum mandate. Further investment is required to enable projects to carry out ongoing research activities such as developing the evidence-base associated with restoration potential, construction activities, and site maintenance.

Further details on progress towards accessing investment and the main challenges projects are facing are described in section 5.2.8.

6.6 Conclusions and future VfM work

While work on the VfM strand is ongoing, there are some positive signs that projects are focused on achieving VfM. In particular, the drive to share information to contribute to the evidence base, including sharing financial models, represents a potential sizeable benefit of the NEIRF. Subsequent reports will build on the information gathered to date to provide a judgment on VfM, thorough analysis of spending, deviation from budgets, revenue and investment models and predictions, and future requirements. This will include updating the information provided in this VfM section, as well as new analysis looking at:

- anticipated revenue projections or wider economic outcomes of NEIRF business models;
- ratio of £ in investment unlocked per £ of programme spent;
- extent that investment replaces government funding, the extent that government funding continues to be needed for blended finance models, and how private and public sector work together to deliver blended finance models;
- inferred financial value of the environmental outcomes anticipated; and
- how the inferred financial value of the environmental outcomes compares to project budgets.

Information to answer these questions will be obtained from NEIRF applications, budgets, claim forms, and end-of-project financial reports. We will review Enabling a Natural Capital Approach (ENCA) guidance developed by Defra on the values of ecosystem service flows to standardise the values assigned to different services and enable comparisons across projects. A comparison of the information contained in these documents will allow Ecorys to see if and why projects deviated from their original plans. Final reports along with longitudinal interviews will provide additional information on projected income-generating activities, environmental benefits and their estimated value, and expected/secured investment. Together, this information will allow us to compare project spending to the value of environmental outcomes, and to estimate the ratio of investment unlocked to project spending. It will also allow us to make an assessment as to whether projects are on track to achieve the outcomes they anticipated in their applications. Policymaker interviews will provide additional insight as to the extent that investment may have replaced government funding.

Annex 1. Full Methodology

The methodology adopted for this phase of the evaluation is set out in the Annual Report Year 1 found here: Science Search (defra.gov.uk). Annex 1 includes:

- Theory of Change
- Evaluation Framework
- Evaluation KPIs

Annex 2. Project summary tables

NEIRF2005	Natural Burial Grounds Feasibility Study- Growing For Nature
Lead organisation type	Charity (Caring for God's Acre)
Governance structure	A Project Management Team consisting of Trustees, key senior staff, partners, investors and community representatives will develop and deliver this project. Whilst Trustees are ultimately responsible for the work legally and strategically, the Project Management Team will be responsible for the management and delivery of the Natural Burial Ground proposal, formally reporting to Trustees. The project will utilise the waterfall project management method; the Project Management Team will be Chaired by the organisation's National Director and the Delivery plan, which includes a set of pre-determined actions set against time and budget, will be led by an internal Project Manager.
Type of project	Revenue-generating Project (Standard Project)
Budget	£11,850
Innovation	There are only 270 Natural Burial Grounds in England and Wales, around half of which are run by landowners, charities, and non-profit organisations (the rest by local authorities). Given the relatively small number of charity-led Natural Burial Grounds in the county, this project demonstrates a unique approach both for the lead organisation and nationally. This exemplar site has high potential to raise sustainable external investment and the organisation's 20+ years' experience will be used to replicate, advise, and encourage new biodiverse rich Natural Burial Grounds throughout the UK. The innovative investment model also includes the development of learning opportunities and volunteer involvement; for example, short courses focusing on natural heritage, habitat creation, and habitat management.
Key objectives/ aims	Caring for God's Acre is seeking to develop an investment model for Natural Burial Grounds within the Shropshire Hills Area of Outstanding Natural Beauty (AONB), to achieve high biodiversity gains, including the development of rich meadow, habitat creation, tree and hedge planting, ponds, streams and ditches, habitat connectivity and will reverse local species loss.

	NEIRF funding will be used to produce a route map from concept to completion of the project including the undertaking of a Feasibility Study to develop the project, address barriers to investment and present an attractive case for potential investors. The project aims to develop and operate a showcase Natural Burial Ground in partnership with local landowners to develop investment potential assisted through engagement with a professional consultant.
Habitats	Farmed land Grassland
Geographical area	Shropshire
Revenue model	A Feasibility Study will identify ways in which the project's investment model will generate sustainable income from ecosystem services. This will include the sale of natural burial plots; the sale and delivery of short courses associated with habitat creation and management and of flora and fauna identification; and of the provision of a consultancy service, effectively selling the experiences of developing and managing an exemplar natural burial ground to others wishing to undertake similar business developments throughout England. In terms of generating revenue, a specialist consultant will be directed to investigate the 'habitant bank' model as the project's unique selling proposition to attract investment. This project will enable investors to play an active role in creating and maintaining priority habitats which will support threatened species in an AONB. These include the creation and management of hedgerows, traditional orchard, deciduous woodland and a particular focus on lowland meadow.
Investment needed	TBC via the Feasibility Study

NEIRF2009	Lancashire Climate Resilience Insetting Mechanism
Lead organisation type	Public body (Lancashire County Council)
Governance structure	TBC – the final report will include local governance and resourcing arrangements, informed by stakeholder feedback.
Type of project	Revenue-generating Project (Standard Project)

Budget	£71,180
Innovation	Authority-Based Insetting (ABI) has gathered interest rapidly. Whilst prior mechanisms for ABI have taken a top-down approach, this project will take a bottom-up, collaborative approach by unlocking private sector opportunities and investment, facilitated by direct, local engagement. The ABI method is open-source and designed for a Local Authority user to apply, enhancing public trust in the method. The administration of ABI will be funded through project income, potentially providing local authorities with additional resource and cost-efficiencies. The ABI Concept Framework was co-created with multiple local authorities and is intended to be scaled-up nationally, unlocking the potential to group projects together and increase investor appeal. Additionally, ABI will enhance Lancashire County Council's existing relationships with local partners and complement existing certified offset schemes.
Key objectives/ aims	Lancashire County Council aim to reverse environmental degradation and sequester carbon, working with River Ribble Trust and Groundwork, building on the ABI Framework. The project will build capacity and deliver new governance functions to validate, report, verify, and review permeance of the emissions savings from projects. Carbon sequestration and biodiversity net gain units will serve as the primary revenue drivers, with at least 10 new investible 'pilot' projects identified, and 5 reviewed for quantified emissions savings.
Habitats	Urban Woodland Freshwater and wetlands Grasslands Mountain, moor, heath
Geographical area	Lancashire
Revenue model	Carbon sequestration and BNG units are the key drivers of new revenue creation, with consideration also being given to 'revenue stacking'. The project will generate revenue by selling individual project carbon impacts to private investors, and by directing a share of existing forms of council income.
Investment needed	Lancashire County Council seek to create a uniform mechanism for investors to assess where they wish to buy

	their insets. Anthesis will do market-testing to understand what the value of the insets could be. A rolling funding platform will be created to introduce new projects to funders, and new funders can browse potential projects. By creating a steady market, carbon insetting projects can be developed, knowing that funders are available to invest and claim their insets. This will provide stability, rigour and accountability through a platform that has strong governance and solid local ties, supporting the delivery of Net Zero across the country.

NEIRF2013	**South Tyne Sediments: Evidence-led, nature based solutions to tackle pollution**
Lead organisation type	Charity (Tyne Rivers Trust)
Governance structure	The project's governance structure comprises of 3 elements; Project Management, Steering Group, and Advisory Group. Monitoring of project delivery will be the responsibility of the Project Manager, with oversight provided by the Project Sponsor and steering and advisory groups, ensuring continuous evaluation against project milestones. Steering and Advisory Groups, including Buyers and Sellers groups, will act as forums to hold project managers accountable and resolve stakeholder issues.
Type of project	Revenue-generating Project (Standard Project)
Budget	£99,993
Innovation	This project will carry out innovative fine sediment fingerprinting research to identify the main sources of fine sediment pollution in the catchment. The NEIRF grant will be used to establish an investible, commercial model that enables a streamlined transaction process, ensuring the most appropriate interventions can be delivered in the best locations at a scale that will maximise environmental and economic benefit.
Key objectives/ aims	Tyne Rivers Trust aims to address fine sediment pollution in the South Tyne working with the Rivers Trust, Nature Finance, and North Pennines AONB. The ambition is to deliver a core

	environmental benefit of reducing the fine sediment load of the River South Tyne by 10-20% alongside numerous secondary environmental benefits such as carbon capture, BNG and natural flood management. The project seeks to attract investment from businesses impacted by the universal problem of fine sediment pollution in rivers to deliver targeted nature-based solutions with broader environmental and societal benefit.
Habitats	Farmed land Mountain, moor, heath Freshwater and wetlands Woodland
Geographical area	Tyneside
Revenue model	Revenue will be generated mainly through river sediment load reduction as an ecosystem service, with additional streams identified to deliver secondary environmental benefits such as carbon capture, BNG, and water quantity and quality benefits (to diversify funding streams and maximise environmental impact). The buyers of this ecosystem service will be businesses adversely affected by high sediment loads (e.g., Northumbrian Water and Port of Tyne), who have confirmed support for the project by agreeing to work in partnership.
Investment needed	The project is still finalising the level of investment required to achieve the target of reducing fine sediment load of the South Tyne by 10-20%. It is likely they will target two investor groups, including: those focused on the core environmental benefit of reduced fine sediment load of the rivers, and; those with interest in secondary environmental benefits such as carbon capture and BNG that will arise from our use of NbS to tackle the core environmental benefit.

NEIRF2014	**Establishing a biodiversity net gain market in South Yorkshire and beyond**
Lead organisation type	Charity (Sheffield Wildlife Trust)
Governance structure	The Business Development Manager will provide oversight and report to the Chief Executive of Sheffield Wildlife Trust and the

	Board of Directors and Trustees. The Board will also review project progress to key milestones and mitigate risks.
Type of project	Revenue-generating Project (Standard Project)
Budget	£91,953
Innovation	The project will develop a pipeline of BNG units for sale, to offer the BNG metric assessments and advice locally. It will develop an adaptive ecological monitoring framework, supported by a bespoke database and ‘nature counts’ online tool that lends itself to BNG condition and species monitoring.
Key objectives/ aims	Sheffield Wildlife Trust aims to develop the biodiversity unit market through a one-stop shop for BNG services, with partners Wildscapes CIC and Keepmoat. The project will kickstart a biodiversity unit market, with an initial focus on Sheffield and Rotherham, and native broadleaf restoration on a 169ha site. The project will create a Wildscapes Consultancy to produce habitat assessments and monitor BNG, growing the pipeline of projects, generating revenues from the sale of BNG units.
Habitats	Urban Farmed land Woodland Grassland
Geographical area	South Yorkshire
Revenue model	Revenue will be generated through the sale of BNG units to developers.
Investment needed	One potential investor has been identified so far; Keepmoat has a large number of housing sites across the country being brought forward in the next 5 years, including at least 8 in Sheffield and Rotherham likely to require offsite BNG units to meet their requirements for delivering at least 10% net gain. This provides an indication of the financial potential of this proposal.

NEIRF2016	Development of an Agroforestry Carbon Code (ACC)
Lead organisation type	Charity (Soil Association)
Governance structure	The project will be led by the Soil Association who will take responsibility for key deliverables. Deliverables will be allocated to partners: Soil Association, Woodland Trust, Organic Research Centre and Finance Earth, and Scotland's Rural College (SRUC). An Advisory Group will be formed of representatives of all partner organisations that will meet virtually every two months for the duration of the project.
Type of project	Market Enabler (Code)
Budget	£99,708
Innovation	Soil Association will develop a scientifically based voluntary certification to verify carbon benefits of agroforestry systems, opening a new carbon market. This project will provide innovation in the carbon code development market by co-designing and trialling the potential integration of practice specific modules to existing carbon codes to provide evidence and an example of how complementary carbon codes can be amalgamated in the future.
Key objectives/ aims	This project aims to evaluate the potential for an Agroforestry Carbon Code (ACC). It will investigate the feasibility and opportunity to generate robust carbon units from in-field agroforestry systems, assessing relevant components for its development in the UK alongside the implementation of ELMs (and other initiatives in the devolved nations). Objectives include drafting a framework for the ACC and testing the code on five pilots, representing a range of scale and agroforestry systems, to promote and assess its effectiveness and accessibility for farmers whilst testing the market with potential buyers of Agroforestry units. Units might be used for: insetting, as a contribution to a landowner/supply chain net zero strategy; for sale to third parties, or; as units for offsetting of unavoidable emissions within a robust emissions reduction strategy.
Habitats	Farmed land Woodland

Geographical area	5 Five locations across Devon, Essex and Nottinghamshire and Cumbria.
Revenue model	The ACC is intended to replicate the revenue generating model of the Woodland Carbon Code by registering carbon units as Agroforestry Carbon Units (ACU). ACUs will provide added income and/or avoided costs through insetting approaches. Only verified ACUs (i.e. representing sequestered carbon dioxide, rather than future sequestration) can be used as a legitimate reporting component of a net zero strategy.
Investment needed	The project team will seek an appropriate organisation to manage the implementation of the ACC or incorporate modules into existing carbon codes with the aim to launch in 2024. It is intended that the code will be financially sustainable through income generated through project registration and/or seller fees but one-off costs for registration and accreditation for the code may be required. Funding may be required to support this transition and the project will consider the exit strategy for the code in more detail through the project.

NEIRF2017	**Developing of a stacking and bundling standard to enable investment into ecosystem services at scale**
Lead organisation type	Private company (Anglian Water)
Governance structure	Anglian Water will act as Project Lead and manager for the duration. They will be responsible for driving forward the programme, managing the risk register, monitoring and controlling the effectiveness of the project plan and making necessary adjustments to ensure the delivery of objectives. All partners (Anglian Water, Sandringham Estate, and Environment Bank) will contribute towards the risk register and will be updated monthly against the planned programme and objectives.
Type of project	Market Enabler
Budget	£94,825

Innovation	There are currently no published accounting approaches to unbundling stacked assets and selling the asset units separately to separate buyers in the UK market.
Key objectives/ aims	Anglian Water will develop an approach for verifying multiple revenue streams across ecosystem asset classes, working with the Environment Bank, Sandringham Estate, and Water Resources East. The project will deliver a robust and legitimate accounting model for multiple or combines measures of ecosystem service asset classes (specifically biodiversity, carbon, nutrients, and water quality), and will test approaches on the 8100ha Sandringham Estate, with revenues expected from biodiversity and soil carbon.
Habitats	Farmed land Coastal
Geographical area	Norfolk
Revenue model	This project is not intended to generate revenue. It is an enabling project that should support natural capital markets by addressing one of the barriers they face.
Investment needed	As a research project, investment is not being sought. The project is directly relevant to all markets focusing on carbon, biodiversity and water, but the principles it will develop will be relevant to all ecosystem markets where stacking or bundling are possible.

NEIRF2018	**Investing in Nature Recovery for the Liverpool City Region (LCR)**
Lead organisation type	Public body (Liverpool City Region (LCR) Combined Authority)
Governance structure	Information not available.
Type of project	Revenue-generating Project (Habitat Bank)
Budget	£99,851

Innovation	The project will build on existing innovative LCR Natural Capital baseline (NCB) modelling to profile the environmental gain from proposed habitat intervention to deliver wider environmental problems (e.g., water quality, flooding, climate crisis). The project seeks not only to deliver on nature recovery but also to provide innovative solutions addressing wider social and economic issues including local authority land assets, the legacy of brownfield land, development viability, and access to nature.
Key objectives/ aims	LCR Combined Authority will address ecological and environmental degradation in three areas within the region, working with other local authorities, catchment partnerships and Liverpool John Moores University. The project plans to identify habitat creation and restoration actions to deliver revenues from biodiversity habitat banking, carbon, community stewardship, and accredited membership schemes. It will develop an online site register and open-source toolkits.
Habitats	Urban Farmed land Freshwater and wetlands Woodland Grasslands
Geographical area	Liverpool
Revenue model	The project will explore, test and develop the potential to monetise ecosystem services with contractual partners. It aims to develop an investment model for BNG units, carbon and nutrient units, Suitable Alternative Natural Greenspace (SANG) units and nature-based flood solutions. The project is particularly interested in assessing whether investment n habitat banking is a viable alternative to development where development viability is a particular issue, unlocking these sites for the benefit of the natural environment and people. The project also aims to demonstrate understanding of how best to maximise impact from regulated payments, but also looks at how units can be stacked on sites and create opportunities for additional discretionary sources of one-off and sustainable long-term revenue.
Investment needed	Through creation of a thriving nature based market, the project is seeking investment from a range of sources. Early exploratory conversations with buyers, sellers and investors have raised interest in the investment model.

NEIRF2019	Connecting Natural Capital for the Culm
Lead organisation type	Public Body (Devon County Council)
Governance structure	The project will be managed by Blackdown Hills AONB Unit, an independent partnership organisation hosted by Devon County Council. Additional project management capacity will be commissioned. The project team will meet regularly to ensure progress against objectives, and progress reports will be submitted to the partnership quarterly. A 'peer review' group of buyers and sellers and other catchment partners will ensure ownership, buy-in and quality assurance.
Type of project	Revenue-generating Project
Budget	£72,950
Innovation	This project asks whether the public sector can de-risk the project for private investment and trigger additional benefits that could not be secured from public funding alone. A strong partnership with Network Rail and its novel interest in funding NbS, the range of potential public investment, and the involvement of new partners in pilot projects co-created by communities, NGOs and statutory bodies have meant that this project can be innovative and ask the above question at a scale not done before.
Key objectives/ aims	Devon County Council plans to secure a programme of targeted investment for a range of NbS across the 100 square mile catchment of the River Culm in Devon, to deliver a range of measurable public benefits. This project aims to reduce the damage caused by flood and drought, tackle failing biodiversity and water quality, mitigate climate change and reconnect people's broken relationships with the river and its heritage.
Habitats	Farmed land Freshwater and wetlands Woodland Grasslands

Geographical area	Devon
Revenue model	The project will provide a range of ecosystem services monetised to secure revenues from reduced flood risk, water quality and supply improvements, BNG, and carbon sequestration. It has identified potential revenue sources, notably groups who would benefit financially from better-functioning ecosystems (e.g., organisations that experience a financial penalty from flooding who have a commercial interest in reducing their exposure to losses, or businesses looking to offset their carbon footprint). The project will offer an evidence-based, transparent and trustworthy "one-stop-shop" that operates at scale, making transactions cost-effective, enabling businesses and organisations to purchase these benefits on an ongoing basis and reduce their exposure to environmental risk. This catchment-scale investment will link to the Woodland Carbon Code and other emerging carbon codes.
Investment needed	The project will seek at least £3.6 million investment. Existing public sector investors include Network Rail, National Highways, Devon Council County and Mid-Devon District Council. The current stage of commitment from these investors is cash support (c£65K) plus pipeline funding bids for c£2.8 million. The project does not currently have any private sector investment but are in active conversations with South West Water and have mapped out other potential funders.

NEIRF2023	**Greater Manchester Biodiversity Net Gain (BNG) Investment Facility (IF)**
Lead organisation type	Charity (Lancashire Wildlife Trust)
Governance structure	Governance will be centralised through an Investment Facility to ensure the offsite BNG market operates according to the relevant legislation. This includes ensuring: surveys are conducted by a 'competent person'; biodiversity metrics have been correctly calculated and verified; management plans are realistic and will provide the BNG units committed to; processes and structures are in place for ongoing site monitoring by a competent person. The biodiversity outputs will also be measured against the 5-year Environment Plan for Greater Manchester and the LNRS. Carbon benefits will be measured using the Peatland Code.

Type of project	Revenue-generating Project (Habitat Bank)
Budget	£99,876
Innovation	There is no existing local market for BNG in Greater Manchester at present. This project seeks to develop a centralised BNG Investment Facility across the city region.
Key objectives/ aims	Lancashire Wildlife Trust, working with Cheshire Wildlife Trust and Greater Manchester Combined Authority, will develop a BNG habitat bank facility, developing 9 sites and delivering 230ha of habitat restoration/creation. The project will develop a web-based one-stop-shop for buyers and sellers of BNG units, providing verification, site registration and fund management. The project will support leveraging £6m annually into Greater Manchester.
Habitats	Woodland Mountain, Moor, Health Freshwater and wetlands Grasslands
Geographical area	Greater Manchester
Revenue model	Revenue will be generated through sale of BNG units. Sites fitting the strategic priorities identified in the Greater Manchester's Local Nature Recovery Strategies (LNRS) will be assessed for their biodiversity value. Management plans will be developed for each site to increase the BNG value through interventions to increase the extent and condition of priority habitats. The creation of priority habitats by landowners will generate a BNG unit which can be traded through the BNG Investment Facility. The cost of creating priority habitat and its ongoing management will be encompassed within the sale of a BNG unit and will include an element of profit. This project trials an innovative payment mechanism for combined authorities: the development of a centralised BNG Investment Facility across the Greater Manchester City Region would streamline the BNG unit payment and delivery process. The BNG Investment Facility will market BNG units to housing and commercial developers. Sale of the units will allow landowners to generate an income from creating new nature on their land. A transaction fee will enable the IF to support market operations into the future. The economies of scale benefiting both buyers and sellers will be quantified through financial model and capital structuring undertaken as part of BNG IF set up.

	The project will also consider other NbS revenue options such as ELMs, carbon, and flood management, building upon the stackable investment/blended finance initiatives currently being trialled.
Investment needed	Mandatory BNG through the Environment Act and secondary legislation provide a major opportunity to attract private capital into the market for habitat creation and restoration. A preliminary assessment of development targets in GM, based on 9,000ha to 2038, indicates a potential annual demand of 558 BNG units and income of £6 million generated through the sale of offsite BNG units from restored habitats.

NEIRF2024	Windermere Catchment Environmental Impact Bond
Lead organisation type	Charity (Lake District Foundation)
Governance structure	Lake District Foundation are the legally responsible body for the project, ensuring that the project outputs and outcomes are achieved, and that appropriate financial management is undertaken. However, the project will be delivered as part of a wider programme of activity being commissioned by Windermere Long Term Planning Group. A Project Board will be established, with membership drawn from the board who will be responsible for the overall direction and strategic management of the project. A dedicated Project Manager will be appointed who will be responsible for the day-to-day management of the project, reporting to the Project Board.
Type of project	Revenue-generating Project (Standard Project, Environmental Impact Bond)
Budget	£72,681
Innovation	The project incorporates existing natural environment investment models in development, that use stacked ecosystem services and blended finance from sources such as ELM and other schemes.
Key objectives/ aims	The Lake District Foundation, working with the Lake District National Park and Fresh Water Biological Association, will

	address the significant pressure to Lake Windermere from diffuse pollution from a range of sources, leading to rapidly increasing phosphorus levels. The project will develop a pipeline of a range of interventions, including trialling a Community Septic Tank emptying scheme, and a monitoring tool for water quality factors, reporting of algae blooms and pollution incidents and generate revenues from visitors and a tourist levy. The project seeks to unlock up to £150k of investment in the first two years.
Habitats	Mountain, Moor, Heath Freshwater and wetlands
Geographical area	Lake District
Revenue model	Much of the work focuses on the prevention of further deterioration and hampering eutrophication. Projects will focus on engagement and behaviour change. The most clearly defined project focuses on community septic tank amelioration. Private septic tanks currently contribute an estimated 30% of the phosphorus load on the lake. They'll fund an initial emptying scheme for up to 1900 properties, conduct engagement activities, and share best practices. United Utilities, as the local water company, act as both a buyer and seller and potentially an investor. They already provide some investment into the organisation and are keen to scale this up.
Investment needed	Lake District Foundation will establish, in partnership with their existing network of high-net-worth individuals, a Windermere Environment Bond. They have 4 interested private sector / equity investors and are connected to the 'Revere platform through the National Parks Partnership, which has a range of potential investors who are looking for investible propositions at scale in the national parks. Their investment model includes similar finance streams to those being explored in other areas through stacked financing and payment for ecosystem services through BNG, ELMs, and natural flood management. There is a need to benchmark the current state of the water quality in the lake and the wider catchment. The work with partners will deliver this and create investable propositions showing tangible outcomes.

NEIRF2025	Developing Landowner Natural Capital Investment Plans for Nature Restoration
Lead organisation type	Charity (Surrey Wildlife Trust)
Governance structure	The Project Board will be responsible for the success of the project. It will meet monthly to manage risk and stakeholder engagement. Additionally, a Steering Group of the 6 landowners and Project Board will meet at least monthly. The Project Board will report into the Steering Group and Surrey Wildlife Trust Board.
Type of project	Revenue-generating Project (Standard Project)
Budget	£100,000
Innovation	This project will enable landowners to enter natural capital markets using LandApp mapping technology to inform recommended delivery opportunities, enable flexible scenario planning, and give confidence to landowners.
Key objectives/ aims	Surrey Wildlife Trust, working with a range of partners including ERP, SWT Ecology, FarmEd and Finance Earth, plan to support 6 pilot sites across Surrey to develop plans for natural capital interventions designed to support nature recovery for environmental and economic recovery. Surrey Wildlife Trust will work with landowners to measure water quality and availability, flood risk, and monetise carbon and biodiversity benefits aiming to target 500-700ha for nature recovery within the Surrey Nature Recovery Network.
Habitats	Urban Farmed land Mountain, moor, heath Freshwater and wetlands Woodland Grasslands
Geographical area	Surrey

Revenue model	The main revenues will be generated from the biodiversity enhancement and carbon sequestration achieved through delivering interventions in the Landowner Natural Capital Investment Plans, with a review to extend to ELMs payments from government as policy is defined. • BNG: at least 2 habitat banks will be created/enhanced to deliver measurable uplift to biodiversity, creating BNG units for sale to developers. The financial potential is significant; the estimated supply of BNG units is 2000 in 3 surrey Biodiversity Opportunity Areas, with a market value of c. £30 million. The Natural Capital Investment Company funded under NEIRF1 will be a vehicle to take the BNG units to market. The main buyers will be local and national developers. • Carbon: Existing codes such as the Woodland Carbon Code and the carbon/hedgerow codes will be used to register planting and restoration projects where relevant. NCIC will support landowners to sell aggregated carbon units to aligned corporate off-takers. • ELM Payments: Recommended changes in land use will deliver outcomes such as water quality, flood mitigation and biodiversity, with payments received as part of the ELMS initiative once policy is defined. Where a range of ecosystem benefits can be monetised, the project will explore appropriate stacking and bundling of ecosystem service payments whilst ensuring additionality.
Investment needed	This project will deliver a financial model and business case for private landowners to deliver LNCIPs across pilot landowner sites based on opportunity-mapping and prioritisation, as well as stakeholder engagement. The resulting business case will be used to engage with potential off-takers of ecosystem services, secure indicative agreements and assess the need and opportunity for third party investment. It will be used to develop a standardised governance and delivery model for the creation of similar LNCIPs across other landholdings. This development of the LNCIPs for different landowner categories will inform the type of investment required and potential funders. Opportunities requiring investment will be aggregated as part of the NCIC pipeline for raising third party investment at scale.

NEIRF2026	Carbon Sequestration in Well Managed Woodlands
Lead organisation type	Charity (Small Woods Association)
Governance structure	The CEO of Small Woods Association will have ultimate responsibility for the project whilst the Project Manager will ensure all elements of the project are in place and that all risks have been addressed with mitigation procedures in place. A senior manager will act as a project manager 2 days per week, managing the project and team whilst also seeking corporate partners, with the assistance of the Project Advisors JRP Solutions and the Forest Stewardship Council. They will also manage the Project Officer, and will engage with other experts within the field to ensure deliverables are met. The Project Officer will be responsible for engaging the membership, creating the cluster and working with the woodland owners to develop their management and operation plans.
Type of project	Revenue-generating Project (Standard Project)
Budget	£100,000
Innovation	This project involves delivering a pilot verification group scheme to small woodland owners, previously available only to large forestry organisations. It will track the environmental benefits of the intervention and result in more effective woodland management.
Key objectives/ aims	Small Woods Association, working with FSC, JRP and the Soil Association, will increase resilience of small woodlands through better management within its membership. The project will focus on supporting owners and managers better manage woodlands to the UK Forestry Code, delivering a range of ecosystem services, in particular carbon sequestration and biodiversity. Tool kits will be developed and tested to enable FSC Ecosystem Services certification and for revenues to be generated mainly from Corporate Social Responsibility markets.
Habitats	Woodland
Geographical area	N/A

Revenue model	Environmental gain will be used to promote how engagement from corporate clients can be used to drive change. The model will use woodland improvements, number of trees planted, enhanced biodiversity and carbon sequestration to promote engagement. The project will research the most accurate method of tracking carbon use, assessing both the Woodland Carbon Code and the British Ecological Society method of calculation. Companies can compensate for their UK-based emissions and environmental footprint by investing in woodlands to offset this response. The project will work with organisations to encourage long-term investment rather than short-term purchase of carbon units alone.
Investment needed	Small Woods Association has several corporate supporters interested in securing a scheme and expanding their support of the organisation. They also seek organisations interested in offsetting their energy consumption and sustainability, whilst supporting them on their journey towards net zero. Small Woods Association has received requests from organisations who wish to work to offset their carbon consumption, particularly from clients who wish to take a more holistic approach. They will look to expand their offer through their established business networks. Organisations will be sought to invest in the project through sponsorship of individual woodlands, training packages and woodland work. The ecosystems services verification scheme has only been available to large forestry organisations, but creation of a group scheme would make it accessible to smaller managed woodlands.

NEIRF2027	**The Green Avon Valley Project**
Lead organisation type	Private Company (Environmental Farmers Group)
Governance structure	The Board of Governors will meet monthly, and weekly meetings are held between the Board, advisors and the service provider (Game and Wildlife Conservation Trust).
Type of project	Market Enabler (Platform)
Budget	£100,000

Innovation	There is a developing demand from private investment to fund environmental improvements in the UK. However, the market is still not established and there is uncertainty about how this investment can be delivered. This project aims to address these issues by bringing together farmers through existing farm clusters to create the landmass required to deliver appropriate environmental projects at a scale, that is attractive to the development and corporate sectors, and; by facilitating an efficient trading environment between farmers and investors through establishment of legal frameworks and wholesome comparable financial data which promotes trading confidence to both parties.
Key objectives/ aims	Environmental Farmers Group, working with Game and Wildlife Conservation Trust, aims to develop a Cooperative to cover 50,000ha of farmland and enable farmers to gain access to larger, quicker and better trades. The project will support website development and maintenance, legal advice and agreements, and a range of facilitation activities to help farmers understand natural capital assets, how to measure them and generate accurate data on potential tradable headroom. They are aiming to become a regionally significant organisation which will increase the knowledge on natural capital trading amongst farmers and facilitate trading with developer and corporate partners until it is able to sustain itself through a sound business model.
Habitats	Woodland Freshwater and wetlands Grasslands Farmed land Urban
Geographical area	N/A
Revenue model	The Environmental Farmers Group receives investment from 5 sources, including membership fees, sponsorship, and grants. It also operates an equalisation model which shares trading revenues between active and passive members as well placing a small percentage toward group overheads in order to support the continued growth of executive capability and fuel growth. Additionally, the Environmental Farmers Group is expecting to partner with a carbon code tool which will provide investment into the group, providing revenue resource to complete carbon audits of participant Member farms.

Investment needed	Included in revenue model.

NEIRF2029	Lincolnshire's Chalk Streams Ready for Investment
Lead organisation type	Public Body (Lincolnshire County Council)
Governance structure	Governance and legal support will be provided by Lincolnshire County Council's Legal Services Lincolnshire. Internal knowledge and expertise within Lincolnshire County Council and across the partnership will support risk management and mitigation.
Type of project	Investment Project (Standard Project)
Budget	£48,738
Innovation	This project will create an innovative investment toolkit looking at putting financial value to a rare and underutilised priority habitat which has significant scope for investment. This innovative chalk stream habitat restoration process, using a suitable investor to take responsibility from a landowner, will provide funding to the organisation and implement long-term monitoring for investment return.
Key objectives/ aims	Lincolnshire County Council will improve rare and unique chalk stream habitats, springs, and blow wells in the Lincolnshire Wolds, by mapping the restoration potential for investors interested in developing BNG units. The project will monetise the biodiversity value of chalk streams, address barriers to investment, draw up legal contracts, and create a replicable toolkit which will be tested through a pilot project. The project will contribute to the 25YEP outcomes of: Clean and plentiful water; Mitigation of and adaptation to climate change; Thriving plants and animals.
Habitats	Freshwater and wetlands
Geographical area	Lincolnshire

Revenue model	The investment model from this project will demonstrate how revenue can be raised through ecosystem services such as water quality, quantity and biodiversity. The model will be tested using a 'shovel-ready' capital project with landowners (sellers) and investors (buyers). The project is not anticipated to generate income for investments, but instead to reduce the costs associated with maintaining water quality demands and supplies, and increase payments from, for example, increased crop yields from improved pollination/soil health.
Investment needed	The project seeks long-term sustainable funding to support the work of the Lincolnshire Chalk Stream Project. The project has an established partnership with Anglian Water who have invested in this work for many years, and wish to continue. The project is exploring a range of investors (e.g., insurance companies) who may be interested in investing in Natural Floor Management (which could, for example, reduce insurance payments). Lincolnshire have over 90km of chalk streams and more than 18 named waterbodies. Future investment will lead to multiple, long-term, tangible enhancements across the chalk stream catchments.

NEIRF2030	**Building a new investment model to use England's small waterbodies and wetlands to deliver 25YEP goals**
Lead organisation type	Private Company (NatureSpace Partnership Ltd)
Governance structure	A Project Board will meet quarterly, comprising representatives from Nature Space, New Conservation Partnership, Freshwater Habitats Trust and Advanced Research Clusters, with two Local planning Authorities. There will be a Project Director, and day-to-day line management of the 2 Project Officers will be the responsibility of an identified senior member in NSP and NCP.
Type of project	Revenue-generating Project (Standard Project)
Budget	£88,374
Innovation	The proposed project is innovative in piloting and testing the first ever integration of species and habitat units, complementing current markets by linking District Licensing and BNG

	mechanisms. It recognises small waters and builds on existing research.
Key objectives/ aims	NatureSpace seeks to create, restore, and manage pond, fen, headwater, and floodplain sites piloting a new funding mechanism to integrate District Licensing for great crested newts with BNG. Working with Newt Conservation Partnership, Freshwater Habitats Trust, ARC, and 8 local authorities a pipeline of projects in Oxfordshire and Buckinghamshire will be developed. Revenue will be generated from habitat creation, clean water and carbon, with potential for stacking units from ecosystem services and the potential for a “Small Waterbody and Wetland Carbon Code” that complements existing Peatland and Woodland codes.
Habitats	Freshwater and wetlands
Geographical area	Not specified
Revenue model	The creation and management of small waterbodies and wetlands will provide BNG units for purchase by developers and infrastructure projects/providers. This will offer cost efficiencies for those requiring both great crested newt licensing and BNG units – both of which will be dealt with alongside and as part of the planning process. Funding raised through the selling of BNG units will be transferred to an asset-locked, not-for-profit Community Benefit Society. An endowment fund will pay landowners for the creation, management and maintenance of ponds, freshwaters and other habitats. The funding model will be designed to fully fund the long-term management and monitoring of created/restored habitats and contribute proportionately to the ongoing operation of the scheme.
Investment needed	The level of future investment at this stage is not known and a key part of the project will be to explore investment opportunities. They do not anticipate the need for further capital investment to move the pilot project to the implementation phase. Further roll out across larger parts of England may require capital investment and they will explore this if needed. Potential buyers have been approached informally and there is keen interest in having a dual great crested newt licensing and BNG option – developers will be able to buy their BNG units at the same time and in the same way, as they buy their species conservation units.

NEIRF2032	Replenishing Nature: making it easier for business to invest in water
Lead organisation type	Charity (The Rivers Trust)
Governance structure	Monitoring of the project will be the responsibility of the Project Manager with overview provided by the Project Sponsor, Steering Group and Advisory Group. Project progress will be monitored against delivery of milestones, delivery of outputs, and adherence to constraints (including for cost, schedule, capacity and interdependencies). A Steering Group will hold the project accountable to agreed objectives and engage wider catchment stakeholders. Membership will include The Rivers Trust, Buy, Seller and Technical Advisory groups. Advisory Groups will act as a forum to resolve stakeholder issues and will be comprised of buyers, sellers and Technical Advisory Group. The Rivers Trust will coordinate the Project Manager and Sponsor, taking responsibility for project delivery, plan and budget.
Type of project	Market Enabler (Code)
Budget	£87,482
Innovation	This project is the only investment-readiness approach that seeks to create a warehousing facilitate to aggregate seller opportunities from the farmer/landowner community. This will improve current tools and practices, increase accessibility and lower the barrier to market entry for buyers and sellers.
Key objectives/ aims	The Rivers Trust seeks to improve water quality by formulating a Water Stewardship Metric working with Norfolk, Westcountry and South East Rivers Trust, Thames 21, and Wye and Usk Foundation. The project will standardise approaches to measure river habitat restoration in 5 locations across England. The project involves developing a toolbox (including capacity-building to roll-out implementation, verification and monitoring) and facilitating trades with buyers and sellers. Revenues will be generated from corporate water stewardship.
Habitats	Farmed land Freshwater and wetlands Grasslands

Geographical area	Upper Medway (Kent), CamEO & Broadlands catchments (Norfolk), Wye & Usk catchments (Hereford and River Wye SSSI), River Tamar (south west), River Thames and tributaries (south).
Revenue model	A growing number of businesses have water stewardship commitments. Investors also seek increased reassurance that companies are acting on water-related risks associated with a business's operations, reputation and supply chains. The toolbox will provide a robust code for measuring the benefits of NbS through Volumetric Water Benefit accounting, quantifying the total ML/year of Replenish for each project. Corporates can buy these Replenish volumes, enabling them to meet their water stewardship commitments and report on their mitigation activities in a consistent, meaningful way. Performance-based payments will give confidence to buyers that their contractual obligations have been met. Performance will be assessed through pre-post monitoring. Sellers will be responsible for the monitoring, and the cost will be built into the buyers' contract for delivering and maintaining the environmental benefit. This approach is currently being trialled with several corporate businesses (including Nestle, Coke, Tesco) at the supply-chain level. With further development, a pipeline of projects managed through a warehousing facility will provide legitimacy and structure to scale the approach.
Investment needed	The initial focus of this project is to develop a revenue generating business model. It does not anticipate that debt-based finance from investors will be required within the timeframe of this project.

NEIRF2033	**Nature Friendly Farming Transition Fund**
Lead organisation type	Charity (The National Trust for Places of Historic Interest or Natural Beauty)
Governance structure	National Trust will take overall responsibility for the delivery, supported by Finance Earth and other project partners. The project will follow Association for Project Management principles, governed through a Project Board with a Central Director level sponsor, and client and board members from relevant parts of the organisation. Day-to-day management will be completed by a dedicated project manager and key decisions will be taken by the Board with the Sponsor holding ultimate accountability.

Type of project	Both a Revenue-generating Project and Market Enabler (Fund)
Budget	£100,000
Innovation	National Trust is unaware of existing models that support managing tenant farmers into nature-friendly farming. This will be a new model utilising private investment to accelerate this transition. National Trust is uniquely placed to provide support and share learnings based on the scale and variety of its tenant landholdings.
Key objectives/ aims	The National Trust, working with Finance Earth, plan to create an investment case for a Fund to transition tenant farmers to nature friendly farming and generate a financial return through Payments for Ecosystem Services (including carbon and biodiversity units). The project will pilot across 3-5 tenant farm sites in England, to model the capital and operational costs, and revenue streams from nature-friendly practices to build an investment case and template for other landowners. The overall objective is to use these pilot sites to create a blueprint for how all National Trust tenants are able to access financing and technical support, and to create a central transition fund to enact these changes on a tenant-led, landlord facilitated basis.
Habitats	Farmed land Mountain, moor, heath Grasslands Woodland
Geographical area	Not specified (3-5 tenant farm sites)
Revenue model	The environmental benefits from which revenue will be generated are predominantly land management and farming practice change, on-farm woodland planting, peatland restoration, habitat creation and improvement, and riverine restoration. The project will mainly focus on payments from ELM schemes, BNG, and carbon, as these are the most commercially reliable sources of future revenue from environmental benefits delivered through nature friendly farming. Where other environmental benefits can be monetised (i.e., nutrient mitigation), appropriate systems will do so while ensuring additionality and environmental impact is assessed. The transition fund will assess the most suitable ecosystem service to monetise from each pilot site and create a business case based on the initial opportunity mapping. Expected buyers include retailers and other supply chain actors looking to decarbonise within their

	supply chain. The aim is to create an aggregation fund to support farmers in their transition to nature-friendly farming.
Investment needed	Investment needed is uncertain at this stage. Testing the investment model across pilot estates will provide the evidence base to scale a central transition fund across the National Trust's tenanted estate. The financial model and the scale of the investment case will inform the type of investors that will be suitable for engagement. National Trust may seek external investment or finance the fund itself.

NEIRF2034	Decarbonisation through accelerating nature restoration
Lead organisation type	Charity (The National Trust for Places of Historic Interest or Natural Beauty)
Governance structure	National Trust (NT) will take overall responsibility for the delivery, supported by Finance Earth and other project partners. The project will use NT's Project Management Framework, following APM principles, and governed through a Project Board with a Central Director level sponsor and client and board members from relevant parts of the organisation. Day-to-day management will be completed by a dedicated project manager and key decisions will be taken by the Board with the Sponsor holding ultimate accountability.
Type of project	Revenue-generating Project (Standard Project)
Budget	£100,000
Innovation	This project will develop a blueprint for landholding organisations for a Science Based Target initiative (SBTi) Net Zero pathway by accessing cheaper finance to fund carbon projects and using surpluses to decarbonise business activities.
Key objectives/ aims	The National Trust will develop a National Urban Nature Fund to aggregate investment into habitat restoration and urban green space projects alongside key partners the National Lottery Heritage Fund, Finance Earth, and local authorities, expecting investment in at least 13 Primary Urban Areas and across up to 20,500ha. Biodiversity gains will be monetised, and the project will support the implementation of a targeted £20-30m fund.

Habitats	Urban Mountain, moor, heath Freshwater and wetlands Woodland Grasslands Coastal
Geographical area	Not specified
Revenue model	The project will focus on payments for carbon units from woodland and peatland but will also consider revenue stacking from the sale of other ecosystem services through reputable accreditation schemes. • Woodland carbon: 18,000ha of woodland is targeted to be created to deliver permanent biodiverse woodlands. Sites will be registered under the Woodland Carbon Code and Pending issuance Units and Verified Carbon Unites will be sold to aligned corporate off-takers. • Peatland carbon: 12,300ha of degraded peatland is targeted to be rewetted and restored where suitable to deliver permanent conservation. Peatland projects will be registered under the Peatland Code and Pending Issuance Units (PIUs) and voluntary carbon units will be sold to aligned corporate off-takers. The project will use the difference between the single-digit expected returns paid to investors in NbS projects, and the returns provided by the sale of ecosystem services, to invest in the decarbonisation of National Trust's estate.
Investment needed	The level of investment is uncertain at this stage, as it will depend on a number of factors such as prices for carbon and other ecosystem services, and the availability of grant funding for woodland creation and peatland restoration. The financial model produced during the course of the project, as well as investors' preferences, will inform on the potential size of the decarbonisation fund.

NEIRF2037	Freshwater Biodiversity Investment Model & UK Freshwater Biodiversity Code
Lead organisation type	Charity (Bristol Avon Rivers Trust)
Governance structure	The project direction will be undertaken by Bristol Avon Rivers Trust, and project management by an economist. A collaboration agreement will be made with Federated Hermes, The Rivers Trust, and The Duchy of Cornwell. Regular bi-weekly meetings will be held with all stakeholders involved.
Type of project	Both (Code & Standard Project)
Budget	£92,460
Innovation	The development of an investment model for freshwater biodiversity will be a world first. This model has the potential to benefit freshwater biodiversity throughout England and globally
Key objectives/ aims	Bristol Avon Rivers Trust, with partners Federated Hermes, The Rivers Trust, and the Dutchy of Cornwall, will restore freshwater biodiversity and improve fish populations in the Chew and Newton Brook catchments. The project will develop a standardised Freshwater Biodiversity Investment Model and commence a UK Freshwater Biodiversity Code. It will enable the enhancement at 5 sites totalling 2317ha. This will: enhance habitat for Atlantic salmon, trout and eel; improve coarse fish populations; restore freshwater biodiversity; improve water quality, and; store carbon and reduce flood risk to ~134 properties. The project has scope for biodiversity enhancement to be used across the food retail industry and globally, as a metric to report on freshwater habitat improvements.
Habitats	Freshwater and wetlands
Geographical area	Chew and Newton Brook catchments which are in Somerset, Bristol Avon
Revenue model	Freshwater biodiversity could be bundled with other benefits for carbon, water resource, nutrient neutrality, BNG and Natural Flood Management. The project seeks to generate revenue from

	enhancements to freshwater biodiversity through the sale of ecosystem services. This could be achieved through the sale of accredited contracts, or through bespoke contracts which specify the agreed responsibilities and obligations of the buyer and seller. Demand for freshwater ecosystem services comes from potential buyers who have a direct or indirect financial or ethical interest in the services which the benefits provide. Likewise, companies which depend upon or operate within product supply chains where these products directly or indirectly depend upon the productivity of freshwater plant or animal species may have a commercial reason to buy freshwater ecosystem services units.
Investment needed	The development of an investment model for freshwater biodiversity will be a world first and will provide the foundation of the evaluation of direct impact investments into freshwater biodiversity for institutional investors. The lack of a standardised model for the appraisal of these investments, and the accompanying lack of a standardised security or 'unit' for freshwater biodiversity are the two remaining obstacles to the realisation of a wave of private capital into the restoration of river health. Bristol Avon Rivers Trust are also in the process of establishing a NbS investment strategy across land, river and sea; the outputs of this project would provide a basis for Federated Hermes and many others to include direct investments into river health and strategies seeking to deploy hundreds of millions of pounds in the next 2 years into UK NbS.

NEIRF2040	**Creating a blueprint for private investment in new lowland rewilding sites**
Lead organisation type	Charity (Heal Rewilding CIO)
Governance structure	The management and delivery of the investment-ready proposition will be undertaken jointly by Heal and Finance Earth, following four sequential workstreams: Options assessment (Finance Earth and Heal); Investment case development (Finance Earth); Investor engagement and fundraising (Finance Earth) and; Learning materials (Heal). The project has a Delivery Plan and regular meetings.
Type of project	Revenue-generating Project (Standard Project)

Budget	£100,000
Innovation	England ranks 234th among countries and territories for the intactness of its biodiversity. This project will improve that position, by acquiring lowland sites across England for rewilding (10,000ha by 2050) to create new dynamic, wildlife-rich habitats outside of the protected site network.
Key objectives/ aims	Heal Rewilding, working with Finance Earth, will create a blueprint for investment in rewilding, for piloting on an ecologically depleted site to deliver increased carbon sequestration and storage, habitat diversity and condition, species gains and better water quality through using rewilding as a method. As well as environmental benefits (e.g., addressing declining species or poor soil health, amongst others), this project aims to increase public engagement with the natural environment and the number of people engaged in social action for the environment and provide health and wellbeing benefits.
Habitats	Farmed land Freshwater and wetlands Woodland
Geographical area	Not specified
Revenue model	The 2 ecosystem services revenue opportunities being developed within this blueprint are carbon offsetting and BNG income.
Investment needed	The project seeks £282,500 in carbon income from buyers over 20 years and £11.03 million in BNG income over 30 years. It also aims to secure up to £3.675 million in investment.

NEIRF2041	**Blue Natural Capital Project**
Lead organisation type	Public Body (Cornwall Council)
Governance structure	Cornwall Council will lead the project and be accountable on behalf of partners. A small Project Management group will ensure that partners and consultants deliver the required outputs on time and within budget. A wider stakeholder group of academics,

	industry regulators and relevant charities will be kept informed of progress, to maximise synergies with other work in the region.
Type of project	Market Enabler (Code)
Budget	£99,885
Innovation	This project entails habitat restoration through undertaking assessment and valuation using innovative methods for a wide range of ecosystem services for blue natural capital habitats. This will involve baselining, modelling and monetary valuation for habitats within 2 coastal locations (Fal and Helford; Mounts Bay) and develop options for investment. The project will build upon innovative and proven methodologies for assessing the sequestration potential of eelgrass and apply this to other habitats and ecosystem services.
Key objectives/ aims	The project will provide baseline evidence for blue carbon and wider ecosystem services through surveys and analysis of 2 coastal sites for kelp, marl and eelgrass; model their recovery potential to maximise ecosystem services; and work with environmental economists (University of Exeter) to undertake their monetary valuation to unlock future investment and develop investment proposals. As well as helping progress the sites towards investment readiness, it could help inform blue carbon code development, marine net gain approaches, and support the development of a blue natural capital bank.
Habitats	Marine
Geographical area	Cornwall
Revenue model	An evidence base will be developed to inform development of an investment model for the specific sites, as well as providing learning to inform wider market enablers such as code development and approaches to marine net gain. It is envisaged that the funding model may generate investment via statutory and voluntary routes including, but not limited to, environmental units, visitor contributions, Corporate Social Responsibility investments and wider payments for ecosystem service options for specific marine-based outcomes, such as for water quality.
Investment needed	TBC – investment sought will be identified through the project's assessment of the restoration potential and monetary valuation of the sites' ecosystem service potential. If significant investment is

	locked, this will lead to tangible outcomes for marine biodiversity (by restoring important marine breeding and nursery grounds), clean water (by locking agricultural, sewage & legacy mining pollutants within sediments), carbon sequestration and storage (in habitats with significant accumulation potential), and flood and coastal resilience (by dampening wave energy).

NEIRF2042	Environmental Offsetting Delivery Strategy to Deliver Hart's 2040 Vision
Lead organisation type	Public Body (Hart District Council)
Governance structure	The Project Board will manage the strategic aims, objectives and deliverables of the Project Team. The Project Sponsor and Project Manager contribute to this Board. The Countryside Manager will be responsible for the delivery of objectives and day-to-day management. Project development will be overseen by the Operations Manager, the Biodiversity Manager and, for Objective 3, the Sustainability Officer. The Senior Ranger, Site Ranger and Visitor Services Manager will be consulted at an early stage to ensure projects related to Objectives 1 and 2 are viable.
Type of project	Revenue-generating Project (Habitat Bank)
Budget	£100,000
Innovation	The delivery of offsetting projects complements the current market and allows for the optimisation of Hart District Council's landholding. The project will use biodiversity and carbon off-setting to achieve several goals of the Environmental Plan whilst also delivering significant enhancements to the benefit of residents. Through the strategy's innovative pilot projects, case studies for BNG delivery on SANG and a best practice model for maximising the natural capital value of local authority landholding will be produced.
Key objectives/ aims	This project aims to adapt the Council's SANG strategy to the provision of a model for BNG and Carbon units, for maximising commercialisation and utilisation of the natural capital value of a local authority landholding.

Habitats	Urban Mountain, moor, heath Freshwater and wetlands Grasslands
Geographical area	Hampshire
Revenue model	The existing SANGs funding model will be applied to BNG and Carbon offsetting schemes. This enables developers to pay the council to mitigate impact on nearby Special Protection Areas, with confidence in the efficacy and delivery of said mitigation, which is then managed by the council and secured in perpetuity.
Investment needed	TBC – the scoping project will identify the level of investment opportunity for developers.

NEIRF2044	**Establishing commercial governance & future trades for the Eden catchment market**
Lead organisation type	Charity (The Rivers Trust)
Governance structure	Monitoring of project delivery will be the responsibility of the Project Manager with oversight provided by the Project Sponsor and steering and advisory groups. The Steering Group will be responsible for holding project accountable to objectives and engage wider catchment stakeholders. Advisory groups will convene stakeholder groups and act as forum to resolve stakeholder issues. The Rivers Trust will co-ordinate and take responsibility for project delivery, including the project plan and budget.
Type of project	Market Enabler (Aggregator)
Budget	£96,838
Innovation	This project will develop a dedicated aggregator governance structure for Cumbria Landscape Enterprise Networks (LEN) based on independent entity, to facilitate efficient flow of capital and raise demand-led long-term investment, to deliver environmental enhancements in the Eden. It will create a £10m

	pipeline of investment to deliver NbS over the next 5 years in the Eden Catchment, to enhance ecosystem service benefits.
Key objectives/ aims	The Rivers Trust will deliver a range of NbS in the Eden catchment with partners 3Keel, United Utilities, and Eden Rivers Trust. The project will create an aggregator governance structure to align buyers and sellers of ecosystem benefits and create a £10 million pipeline of investment. The LEN approach to create a market for ecosystem services will provide business benefits for buyers through a combination of risk avoidance, cost sharing and saving, regulatory compliance and reduced transaction costs. Revenue will be generated from nutrient management and trading, natural flood management, integrated water management, and BNG.
Habitats	Freshwater and wetlands
Geographical area	Cumbria
Revenue model	LENs provide business benefits for buyers, attracting demand-led investment. Also, demand aggregation makes NbS a more affordable option for buyers, therefore increasing opportunities for trading. LENs generates revenue for sellers of ecosystem services by mapping buyers, defining a service proposition, and working with both to broker deals. Also, with the proposed governance structures in place, to scale up and attract more buyers and more trades beyond existing investment, the aggregator model will increase the value of trades by at least 10-fold in the next 5 years.
Investment needed	This is a demand-led revenue generating business model. As such, debt-based finance from investors is not initially required, as investment needs are met by buyers of ecosystem services using the LENs approach. Buyers in this model invest in NbS to deliver benefits that meet their demand against business requirements. Where demand-led funding from buyers cannot meet the required upfront capital investment, they will also identify financial investment to address gaps in capital, and use the demand-led revenue generated by buyers as a payment model and return on investment (ROI) for financial investors.

NEIRF2048	University and College Land for Carbon
Lead organisation type	Charity (Environmental Association for Universities and Colleges)
Governance structure	The Project Manager will be supported by Technical Support Advisors. Project governance will be managed by Environmental Association for Universities and Colleges, supported by an Independent Advisory Board and oversight by the Environmental Association for Universities and Colleges Deputy Chair and the wider Board of Trustees. A full risk register will be produced and reviewed monthly, along with the project plan and budget.
Type of project	Revenue-generating Project (Standard Project)
Budget	£99,987
Innovation	This project will maximise the practical use of university and college land by combining projects into a single project design, allowing for cost-effective scalability. The project will establish an independent Expert Advisory Board made up of academics and scientists to develop project best practice. Students and staff will be engaged in framework design and research, to develop skills and monitoring data to support the green economy.
Key objectives/ aims	Environmental Association for Universities and Colleges, working with the Woodland Carbon Code, aims to leverage the land held within institutional estates of approximately 52,000ha to develop Woodland Carbon Code verified projects for institutions to achieve their net zero targets. The project will pilot on the College of West Anglia and Leeds University, but has potential, across the sector, to sequester 2.08m t/CO2e at a value of £92.37 million.
Habitats	Woodland Mountain, moor, heath Grasslands Farmed land Urban
Geographical area	Pilot in West Anglia and Leeds

Revenue model	The sellers will be universities and colleges that own the land. They may choose to use the Carbon units for their own net-zero targets, then selling any surplus. The institutions can use the Environmental Association for Universities and Colleges Carbon Coalition to sell their carbon units to other universities and colleges. The buyers will be universities and colleges that are unable to create sufficient carbon units themselves. Carbon units will be generated following a business model, based on the following factors: Hectares available; 50-year potential (t/CO2e/ha); Baseline WCC price; Predicter VER price (£/2050); Average CO2e sequestration; Predicted VER price growth/annum; Assumed % land used; Total Carbon; Total Value; Average Price. An assessment of the potential revenue scale will be conducted but initial estimates estimate 10% land utilisation would result in 2.08 million tonnes of CO2e sequestered over a 50-year period, with a 50-year revenue of £92.37 million.
Investment needed	Institutions will initially focus on land they already own, however, the potential for institutions to purchase land for the sole purpose of creating carbon units is in early development stage.

NEIRF2050	**Evaluating the Investibility of Continuous Cover Forestry and Payment for Ecosystem Services In England**
Lead organisation type	Private Company (SLM Partners Ltd)
Governance structure	SLM Partners will act as the Project Lead and coordinator between teams. The project plan will be split between teams specialising in each goal.
Type of project	Revenue-generating Project
Budget	£99,908
Innovation	The creation of a Continuous Cover Forestry (CCF) growth and carbon model is innovative and complements the wider carbon market by offering alternative systems to standard forestry that can align with the growing market. The inclusion of additional payments for ecosystem services into cash flow models also innovates both in terms of commercial forestry investment

	specifically, that has mainly focused on carbon units in large scale afforestation projects, and environmental investment in general.
Key objectives/ aims	SLM Partners will identify 5 properties suitable for CCF with tailored investment models and produce comprehensive case study reports, with full management scenarios, and associated cash flow models that include ecosystem service revenues with the aim of investing a potential £20- 30 million in English forestry. The Project will identify developers to buy BNG units, and/or buyers for water quality units from key catchments. It will also develop timber growth and carbon sequestration models exclusive to English CCF commercial mixed species, and conventional forestry baseline models for comparison. A study will be undertaken to assess options to get the new carbon methodology validated.
Habitats	Woodland
Geographical area	Not specified
Revenue model	Revenue will be derived from timber products, carbon units and other potential payments for Ecosystem Services. Some markets (i.e., timber and carbon) are already well developed, whilst others (i.e., biodiversity and water) are still emerging. The funding model will aim to be replicable and scalable.
Investment needed	The project funding pot will be £20-30 million. SLM Partners have existing investor clients interested in investing in CCF properties in England, subject to investment return thresholds being met. Further development of a CCF/PES investment model is required before investor commitments can be made. Should the model provide to be investible, immediate benefits include increased woodland cover in England; use of a more sustainable land management system that enhances the beauty of landscapes with perpetual forest cover, and; more efficient use of timber resources which are all goals in the 25 YEP.

NEIRF2051	Transforming the Great Fen through Carbon Income
Lead organisation type	Charity (The Wildlife Trust for Bedfordshire, Cambridgeshire and Northamptonshire (TWTBDC))
Governance structure	The project will be managed within the management structure of TWTBDC, which includes dedicated staff for land management, financial management, project administration, communications and HR. The technical assistance will be provided under contract with Finance Earth. The Executive Board reports through the Chief Executive to the Council of Trustees. TWTBDC leads a partnership of The Environment Agency, Natural England, Middle Level Commissioners and Huntingdonshire District Council that meets quarterly to advise and support, and will provide strategic project oversight.
Type of project	Revenue-generating Project (Standard Project)
Budget	£99,836
Innovation	The project aims to secure sustainable investment in fen peatland restoration via unlocking new carbon income streams alongside existing grants, and ELMs and paludiculture income as policy/trials are finalised, for conservation and demonstrate the benefits of the model to others. To date there are no credible lowland peat carbon schemes to offer potential investors, which is why TWTBDC and Finance Earth undertook a Great Fen peat financial assessment and initial carbon buyer engagement to assess the market. This research evidenced that carbon income could support Great Fen restoration (revenue potential of £4.4 million to cover £3.6million investment need). This project will build on this and support the new IUCN UK Peatland Code by being one of the first projects for fens and develop key learnings for subsequent lowland peat restoration. The project will draw on pioneering wet farming that lock in carbon and support farming livelihoods, with significant opportunities for expansion. This project will build on existing initiatives run by TWTBDC, such as helping to realise the Great Fen vision to restore 3,700ha of fens.
Key objectives/ aims	TWTBDC will rewet lowland peat on a 134ha pilot in the Great Fen project area. Working with Finance Earth, Cranfield University, and Peatland Code, the project will develop an investment model for carbon unit generation from peatland restoration. The pilot claims the potential to generate £4.4 million

	in carbon revenues and will explore the monetising of paludiculture and blending with Environmental Land Management.
Habitats	Freshwater and wetlands Farmed land
Geographical area	Bedfordshire, Cambridgeshire and Northamptonshire
Revenue model	The project will mainly generate revenues from sale of voluntary carbon units from peat restoration. There is potential also to engage with UK Farm Soil Carbon Code around monetising paludicultural activities. Buyers will include SBTi-compliant corporates interested in compensating for unavoidable emissions. Engagement to date has evidenced willingness to pay a premium for domestic carbon projects delivering strong carbon co-benefits.
Investment needed	The project will generate revenues from the sale of carbon units through the IUCN Peatland code revised for fenland. Potential buyers engaged to date indicated a strong interest in purchasing carbon units that not only have a positive impact on peatland restoration, but also provide multiple co-benefits, such as improved water quality, biodiversity and community benefits. The project tackles key environmental problems in the lowland peatland of East Anglia. Future investment will help secure tangible environment outcomes by building greater levels of trust and support amongst investors in peatland restoration and management; helping secure robust, sustainable landscapes to help mitigate impacts of climate change and benefit the environment over the longer term.

NEIRF2052	**Blue Carbon & the Natural Capital Marketplace**
Lead organisation type	Private Company (Biosphere Foundation CIC)
Governance structure	The Sponsoring Group has been identified as the Biosphere Foundation Board. The CEO will be the Senior Responsible Officer. Alongside project management tasks (e.g., risk management, reporting and financial management), governance will also include farm advisory work, estuary habitat change

	management, and stakeholder engagement (including specialist contractors).
Type of project	Both a Revenue-generating Project and Market Enabler (Code)
Budget	£99,750
Innovation	The project brings new environmental products to market, with new techniques for managing project delivery with landowners, based on stacking revenue from saltmarsh restoration, including Blue Carbon & BNG. In addition, the value of flood risk benefits will be estimated in partnership with the EA. Moreover, the project seeks to “digitally transform” ecosystem service delivery and leverage cutting-edge expertise, utilising novel Blue Carbon technology to harnesses remote sensors, earth observation, and Artificial Intelligence.
Key objectives/ aims	Biosphere Foundation, working with the UK Centre for Ecology & Hydrology (UKCEH) and University of Plymouth will deliver saltmarsh restoration projects in the Torridge & North Devon area, testing methodologies for carbon verification developed by UKCEH in their Round 1 project. The project aims to demonstrate investment models based on a blue carbon code that can be supported by the Government in the same way as the Woodland & Peatland code. It does this not only by creating the units but also by providing a commercial route to market in a platform that is transferable and scalable nationally.
Habitats	Freshwater and wetlands Coastal Marine
Geographical area	Devon
Revenue model	The project will utilise the Natural Capital Marketplace (NCM) to provide a route to market, testing blended finance for saltmarsh restoration and revenue from BNG units. NCM project workflows ensure each outcome is verified against science-based, third-party standards (e.g., woodland carbon code, saltmarsh code & biodiversity) and converted into asset entries in the Natural Capital Register. This register is managed as an auditable Asset Ledger within the NCM. When these assets are marked for sale within the NCM, they are added to the inventory to be marketed & sold via the NCM to buyers. The NCM is the route to market and

	handles pricing, stock, payment processing, inventory control, and customer invoicing to create a robust transaction platform.
Investment needed	N/A

NEIRF2053	Northern England Biobanking Aggregator: Blueprint for the private sector
Lead organisation type	Private company (Peel L&P Group Management Limited)
Governance structure	Governance structure to be confirmed within the first 6 months.
Type of project	Both Revenue-generating Project and Market Enabler (Aggregator, Standard Project)
Budget	£100,000
Innovation	There are two key innovative elements to the proposed model: 1. Private sector aggregation with blended internal/external investment, leveraging Peel's initial investment to bring in third party finance for scaling: The aggregator vehicle, with a remit spanning the Peel estate and with Peel having the ability to act in partnerships as buyer, seller and/or investor, would be the first of its kind in the UK. 2. Blended revenue: The aggregator will deliver a novel revenue model for repayment of investment, comprising both biodiversity and carbon revenue from multiple projects. This is to allow flexibility and creativity in the type of project the vehicle can finance, ranging from, e.g. woodland creation or saltmarsh restoration (with a primarily carbon focus) to freshwater wetland regeneration (with a primarily biodiversity focus).
Key objectives/ aims	The Peel L&P Group, working with Finance Earth, aims to restore peatland and establish community engagement with nature, piloting on the Speke and Garston Coastal Reserve and Chat Moss. The project will deliver an aggregation vehicle with a project pipeline developed to enable biobanking across a portfolio

	of Peel sites, with primary revenue streams from BNG units, carbon units and potential revenues from water quality modelled.
Habitats	Urban Farmed land Mountain, moor, heath Freshwater and wetlands Coastal
Geographical area	Liverpool
Revenue model	Peel L&P will be the initial buyer of BNG units generated by the aggregator, to support its property and infrastructure development plans. This underpins the proposed investment model, giving confidence in expected returns, with other stacked revenue opportunities, such as carbon units, also reducing investor risk and increasing scalability. All potential units will be verified through relevant codes (e.g., Peatland Code, Woodland Code, Biodiversity Metric 3.1), and sold internally to Peel companies, directly to external buyers or indirectly via broker services.
Investment needed	Using the £100k awarded by the NEIRF, the aggregator will be structured to allow both internal (i.e. Peel) and external investment to fund up-front regeneration costs. Peel intends to provide a foundation investment into the aggregator to kick-start the Speke Garston Coastal Reserve project and develop this as a proof-of-concept pilot. However, to achieve impact at scale it will be vital to raise external investment into the aggregator; this will form a key aim of the NEIRF project.

NEIRF2054	**National Wildflower Centre Development Company**
Lead organisation type	Private Company (Eden Project International)
Governance structure	Eden Project will be joined by the Conservation Capital and The Biodiversity Consultancy in the development of the business plan. The National Wildflower Centre will take responsibility for the ecological, logistical and marketing aspects of the scheme. Conservation Capital will focus on delivering four key business and finance deliverables. The Biodiversity Consultancy will

	support The National Wildflower Centre to understand the value of its wildflower habitat creation and the monetisation mechanism.
Type of project	Revenue-generating Project (Standard Project)
Budget	£98,430
Innovation	The proposed scheme recognises the substantial importance of rich flower landscapes and aims to reverse the decline by creating novel wildflower projects, in mainly urban and peri-urban situations, with additional projects on degraded agricultural land.
Key objectives/ aims	Eden Project will address habitat and biodiversity loss, erosion and pollution, and climate change mitigation with partners Conservation Capital and the Biodiversity Consultancy. The project will develop the business case for a biodiversity offset scheme based on creating wildflower interventions and generating additional revenue from the sale of wildflower seeds. The issuance of a Wildflower Bond will facilitate private capital flows to establish hectares of traditional wildflower meadow particularly in areas high on multiple deprivation indices in England.
Habitats	Urban Grasslands
Geographical area	Liverpool, Manchester, Cornwall, Cheshire West, Chester, Lancaster
Revenue model	Offsets from wildflower habitat creation and sale of wildflower seeds.
Investment needed	They have identified a number of high-profile organisations who have expressed an in-principle interest in purchasing wildflower offsets from the project. Initial thoughts with respect to financing the wider development would be delivered through the issuance of a long-dated (provisionally) £12 million Wildflower Bond.

NEIRF2056	Financing city centre multi-benefit surface water drainage solutions for a changing climate
Lead organisation type	Public Body (Plymouth City Council)
Governance structure	Plymouth City Council will work closely with South West Water and EA to continue the joint Better Places strategy, a long-term programme of investment to transform the city centre's streets. Finance Earth will undertake financial analysis and investment case development.
Type of project	Revenue-generating Project (Standard Project)
Budget	£99,600
Innovation	The project contributes to developing the domestic market for retrofitting surface water drainage infrastructure in existing urban areas. Outcomes-based investment products for sustainable drainage and NbS are already an established practice in other markets, such as the USA and Europe, as demonstrated by the work of Quantified Ventures, Future Cities and others, but has yet to become established in the UK.
Key objectives/ aims	Plymouth City Council seeks to improve water quality and address flood risk by maximising the benefits of multifunctional surface water drainage infrastructure in Plymouth City Centre, with partners Finance Earth and Southwest Water. The project will map interventions, including retrofitting surface water drainage systems, and will model revenues from reduced flood risk, improved water management, climate resilience, and unlocked development, and test the investment case for a £2-5 million outcomes product.
Habitats	Urban
Geographical area	Plymouth
Revenue model	The project will generate revenues from surface water interception to reduce peak flows entering the sewers. This has environmental benefits which may be monetised through potential beneficiaries (South West Water, Plymouth City Council and large developers) by unlocking development sites, which are increasingly constrained by their potential impacts on environmental quality and public health through flood and storm

	overflow risk arising from intensification. A payment-by-results contractual arrangement will be implemented and structured as follows: The 'seller' of the environmental benefit will be the special purpose vehicle set up to deliver the outcomes payment mechanism and will raise money from third-party investors and pay for the interventions to be installed and delivered. South West Water and Plymouth City Council will be the 'buyers' of these environmental benefits, saved costs and reduced risks, and they may enter into agreements to pay this vehicle, with payments used by the special purpose vehicle to repay third-party investors.
Investment needed	Plymouth City Council will develop the final investment case to be marketed to investors.

NEIRF2057	**Developing the business case and a pilot transaction for seagrass restoration**
Lead organisation type	Public Body (Plymouth City Council)
Governance structure	The project will bring together Plymouth City Council, which will be responsible for coordinating project delivery, the Ocean Conservation Trust as technical partner for delivery of seagrass restoration and pilot delivery planning, Plymouth University as technical partner for development of seagrass site and blue carbon methodology, and Finance Earth as financial advisor for development of the business and investment cases for seagrass blue carbon in Plymouth Sound.
Type of project	Both Revenue-generating Project and Market Enabler (Standard Project; Code)
Budget	£95,585
Innovation	This project aims to build upon the existing evidence from seagrass restoration projects in the Plymouth South and Estuaries Marine Protected Area, and in other locations, to develop a business and investment case for seagrass restoration in the UK. The key innovations from this project include: • Delivery of a high-quality, localised dataset to strengthen the national evidence case for seagrass carbon

	• Development of the business and investment case for seagrass blue carbon in the UK • Restoration of seagrass to deliver a net gain in carbon sequestration • Evaluation of an appropriate governance structure for overseeing seagrass restoration and blue carbon delivery in Plymouth South, informing a national code • Development of a nationally applicable transaction model • Development of pilot seagrass carbon code principles, including risk factors, additionality and leakage considerations, appropriate proxies and proposed testing methodologies, to be further tested and refined at other sites across the UK following this project
Key objectives/ aims	Plymouth City Council, working with Finance Earth, Ocean Conservation Trust, and the University of Plymouth, will restore seagrass in the Plymouth South and Estuaries Marine Protected Area, bringing a range of environmental benefits including carbon sequestration and reduction of coastal erosion. Seagrasses are important carbon sinks and enable sequestration by slowing water currents and capturing and storing organic matter within the accreted sediments. The project will collect data to support carbon sequestration verification and produce a financial and investment model for restoration covering over 6000ha of the protected area, resulting in buyer agreements for carbon units.
Habitats	Urban
Geographical area	Plymouth
Revenue model	The project will generate revenue by selling the carbon from restoring seagrass. Units of carbon emission reductions and removals verified to this methodology (VCUs) will be traded on voluntary carbon markets. The project will also aim to achieve community (social or environmental) benefits to attract premium prices for VCUs.
Investment needed	As part of this project, Finance Earth will develop a pilot investment case based on the carbon sequestration potential of the selected seagrass sites, which will be used to prepare marketing materials for and engage with investors. Throughout the project PCC and Finance Earth will engage with their existing network of investors to test the proposed structure and ensure that it is structured in line with investor needs ahead of capital raising.

NEIRF2058	Developing a scalable blended agri-carbon model for lowland peat restoration
Lead organisation type	Private Company (SaltyCo Ltd)
Governance structure	The project will be governed by a Project Board led by SaltyCo and with representation from Finance Earth, Polybell and the research (CEH/UEL/Pilio) and conservation (WTBCN) communities. The Board will meet fortnightly as a minimum and oversee progress, facilitate stakeholder engagement, and ensure emerging opportunities are identified and progressed.
Type of project	Revenue-generating Project (Standard Project)
Budget	£100,000
Innovation	UK damaged peatlands, mainly driven by lowland peat intensive agriculture, creates net GHG emissions of 20 MT CO2/year (approximately 4% of the UK's annual GHG emissions). Textile productions emits up to 8% of global carbon emissions, with approximately 80% of that impact being made up by raw material extraction. Moreover, drainage-based agriculture results in soil degradation due to eroded organic content and reductions in soil productivity. Healthy wetland systems also play a vital role in managing agricultural runoff and improving water quality. Rewetting peatlands halts the aerobic decomposition of peat, preventing CO2 production and locking carbon into the ground. SaltyCo's paludiculture crops stabilise peat (reducing flood-risk), sequester carbon, and ultimately contribute to peat creation.
Key objectives/ aims	Saltyco Ltd, working with Finance Earth and the Centre for Ecology and Hydrology, seeks to restore damaged peatland and create raw materials from innovative sustainable textiles in a 5ha pilot on an organic farm near Doncaster. The project will develop an operating model for optimising paludiculture and develop a revenue model for lowland peat farmers, generating stacked revenue opportunities from biodiversity and carbon, in addition to the textiles produces from the paludiculture farming process. The model aims to engage investors to raise £0.5-1 million to scale roll-out.

Habitats	Farmed Land Freshwater and wetlands
Geographical area	Doncaster
Revenue model	This project seeks to develop additional carbon revenue, providing landowners with a blended income model for peatland restoration. This offers a commercially viable substitute to drainage-based agriculture, with carbon revenue alone insufficient to drive a significant shift to date. Based on the 5ha pilot at Pollybell Farm in Doncaster, potential GHG reduction is estimated at 20-30tC/ha/year.
Investment needed	The project seeks to secure commitments of £500,000-£1 million in 2023, to scale the approach through to 2025.

NEIRF2059	**A scalable protocol to measure, unitise and trade carbon for terrestrial rewilding and nature recovery projects**
Lead organisation type	Other (Knepp Estate)
Governance structure	The project includes a team of partners with the following distinct roles: the Knepp Estate will host the project; Arup will administer and run the project; Treeconomy will support in designing the protocol and analysing the data; Queen Mary and Agricarbon will fill the data gaps and scale the measurement protocol.
Type of project	Market Enabler (Code)
Budget	£99,618
Innovation	The Knepp Estate has generated high-quality soil and scrub carbon data, which will be analysed to develop the methodology needed to create a scalable and affordable carbon measurement protocol for nature-based systems. This will enable the unitisation and sale of carbon across large areas of the UK, including the ELMs Landscape Recovery pilots.
Key objectives/ aims	The project aims to develop a scalable and affordable carbon protocol for nature-based systems that can integrate with new

	emerging standards to enable the utilisation of carbon across at least 0.5 million hectares of land.
Habitats	Farmed land Mountain, moor, heath Woodland Grasslands
Geographical area	West Sussex
Revenue model	Revenue will be generated primarily from carbon units, with additional revenue streams from rewilding to be explored, including biodiversity, natural flood management payments, water units, tourism, and meat production.
Investment needed	The project will not need large amounts of investment, which will be sourced from buyers of carbon into natural habitats.

NEIRF2064	**Developing Scalable Models for Biodiversity Offsets and funding Urban Green Space**
Lead organisation type	Public Body (Plymouth City Council)
Governance structure	Plymouth City Council will provide project governance and lead the establishment of an independent project board representing key interests from environmental, finance, health and economic development sectors. Plymouth City Council will also operate as project manager. Finance Earth will operate as financial advisor for development of the business and investment case for the Habitat Banking Vehicle (HBV). The Conservation Finance Specialist will support Finance Earth and lead engagement with stakeholders to deliver the HBV.
Type of project	Revenue-generating Project (Habitat Bank)
Budget	£98,225
Innovation	This model builds on other innovation locally, benefiting from ongoing work as part of the Future Parks Accelerator to develop

	a novel funding and governance framework, known as the Ocean City Fund, to support the scale up of such initiatives.
Key objectives/ aims	Plymouth City Council, working with Finance Earth and Future Parks Accelerator Programme, seek to deliver resilient urban green space in Plymouth with the development of a habitat banking vehicle to fund the delivery of habitat sites. Habitat enhancement will be delivered across 108ha in the pilot across woodland, grassland, and heathland and shrub. The core revenue stream will be biodiversity units with an indicative £40 million investment over time and an initial target of £1.5 million.
Habitats	Urban Freshwater and wetlands Woodland Grasslands
Geographical area	Plymouth
Revenue model	The central revenue stream will be the sale of biodiversity units to developers to fulfil their obligations under the EA to deliver a 10% gain in biodiversity. The HBV will fund the delivery of habitat sites across the city. Biodiversity units will be sold over time. Proceeds will be used to capitalise an endowment fund to provide for the ongoing maintenance of the sites. Surplus profits will be used to repay investors and to seed further nature-based interventions across the city. The model attracts upfront third-party investment based on forecasted future biodiversity unit sales to deliver habitat in advance of impact. The key benefit of this model is the insulation of revenue streams from variable council funding, allowing for better forward planning and management. The HBV will operate as the seller of the biodiversity units.
Investment needed	Within Plymouth, a HBV could indicatively raise £40 million over time with a target initial raise of £1.5 million. As part of this project, Plymouth City Council and Finance Earth will develop the final investment case to be marketed to investors. The financial model will inform the type of investors that will be suitable for engagement. Throughout the project, Plymouth City Council and Finance Earth will engage with their existing network of investors to soft test the proposed structure and ensure that it is structured in line with investor needs ahead of capital raising. Indicative interest in this work has already been received from Federated Hermes, and Plymouth City Council itself as a potential direct investor. Due to the innovative nature of this pilot project,

	Plymouth City Council expects to target a mix of higher risk capital from aligned institutions alongside direct investment.

NEIRF2066	Developing a National Urban Nature Fund (hereon 'NUNF') for investment in urban green spaces
Lead organisation type	Charity (The National Trust for Places of Historic Interest or Natural Beauty)
Governance structure	The National Trust will take overall responsibility for delivery, supported by Finance Earth and the co-design organisations. The project will use The National Trust's Project Management Framework, following APM principles, with governance and oversight through a Project Board with a Central Director level sponsor and client and board members from relevant parts of the organisation. Day-to-day management will be completed by a dedicated Project Manager and key decisions will be taken by the Board with the Sponsor holding ultimate accountability. The Project Manager will also have strong links into the Future Parks Accelerator (FPA) team who will liaise with the co-design sites and local authorities, and enable close links with local authorities and members of the Special Protection Areas cohort. A bi-weekly call will be scheduled with the project delivery team to monitor progress and agree actions.
Type of project	Revenue-generating Project (Standard Project/Habitat Bank)
Budget	£99,750
Innovation	This project represents the only national aggregator model specialising in investing in the creation and restoration of urban green space and habitats via BNG.
Key objectives/ aims	The National Trust will develop a NUNF to aggregate investment into habitat restoration and urban green space projects alongside key partners the National Lottery Heritage Fund, Finance Earth, and local authorities, expecting investment in at least 13 Primary Urban Areas and across up to 20,500ha. It will create or enhance biodiversity, showing improvement to the natural environment, measured using the Defra Biodiversity Metric. BNG will be monetised, and the project will support the implementation of a targeted £20-30 million fund.

Habitats	Urban Mountain, moor, heath Freshwater and wetlands Woodland Grasslands Coastal
Geographical area	Not specified (13 primary urban areas)
Revenue model	NUNF will invest in creating and enhancing habitat across England. The uplift will create BNG units that will be sold to housing and infrastructure developers unable to mitigate for biodiversity impact onsite, enabling them to fulfil their obligations to deliver a 10% gain in biodiversity (in accordance with the EA). Early consultation and modelling indicate this approach may provide enough funding to maintain habitats for the long term and some in perpetuity. NUNF will reinvest any profits to support the ongoing financial challenges associated with urban green spaces. The sellers are expected to be the individual HBVs led by local authorities, their partners, or other aligned organisations (e.g. green space charities, parks foundations and eNGOs). The buyers of the BNG units will be housing or infrastructure developers, which may be private companies, national infrastructure organisations, or local authorities. Demand will be assessed by utilising established local networks of developers in the co-design cities who will aid understanding of local expertise, previous Section 106 negotiations, and relevant local plans. Finance Earth additionally engage with a wide range of national developers with interest in understanding BNG requirements and HBV opportunities.
Investment needed	Finance Earth will develop exemplar HBV site-level financial models, as well as an integrated fund-level financial model. This will inform the development of the investment case for the NUNF and help identify the types of investors sought. Alongside investor engagement and marketing materials, this information will be used to approach a range of potential lenders. Finance Earth will consult its existing network to test the proposed structure, ensuring it aligns with investor needs ahead of capital raising. Review and feedback from development of the investment case for the Plymouth HBV will be built into this process, as similar investors may be interested in financing a larger HBV. Finance Earth has experience structuring over £500 million of social and environmental impact investments. The project has secured support and interest from a leading global investment management company.

	Of the 55 Primary Urban Areas in England, 26 have a direct link to National Trust or FPA, with expected demand to raise a fund of £20-30 million. The project leads estimate that NUNF could unlock the restoration of 4,736ha of habitat and up to 20,500has if scaled across England.

NEIRF2067	**Building capacity and delivering a scalable investment model for peatland restoration**
Lead organisation type	Other (Raby Estate)
Governance structure	The project will be managed by the Head of Environment & Sustainability at GSC Grays.
Type of project	Revenue-generating Project (Standard Project)
Budget	£93,300
Innovation	This project will use machine learning and AI to automate the process of identifying and specifying areas suitable for peatland restoration works.
Key objectives/ aims	Raby Estate will restore degraded peat across the estate in Teesdale, County Durham for carbon sequestration, water quality, biodiversity, and flood risk reduction benefits, working with GSC Grays, North Pennines AONB and Climate Solutions Exchange Ltd (CSX) for technological support. The project plans to restore around 200ha of damaged peat with up to 1800 tCO2e/year abatement monitored by remote sensing technology and resulting Peatland Code units sold on the CSX platform.
Habitats	Freshwater and wetlands
Geographical area	Teesside County Durham
Revenue model	They will work with CSX to develop technological solutions that will enable landowners to deliver carbon benefits from peat restoration more cost effectively, at scale and give buyers greater confidence in carbon units from peatland projects. This will

	enable them to efficiently specify and deliver restoration and sell units via the CSX platform to generate revenue. CSX AI and remote sensing technology will be used to produce an accurate specification of works over a large area, quotes will be secured for works and carbon benefits estimated.
Investment needed	Funding for the works will initially be provided by Raby Estate. This may be in combination with a private investor who wishes to secure access to a proportion of their carbon benefits upfront in return for early investment. Once the restoration work has been delivered the project will be verified by CSX, using drone imaging and other metrics. Verified carbon will then be sold using the CSX platform, providing a ROI for the Estate. The first part of the project will be to work with CSX and North Pennines AONB to scope the peatland restoration works required on an area of approximately 325ha in Upper Teesdale. The aim is to have this area investment and shovel ready by July 2023.

NEIRF2068	**Building a blueprint for scaling conservation finance for urban river restoration**
Lead organisation type	Charity (The Zoological Society of London)
Governance structure	The Zoological Society of London's (ZSL) Sustainable Business and Finance Team will act as project manager, securing operations support from across organisations. An advisory board comprised of key stakeholders and technical experts will review deliverables and guide project activities. ZSL's Estuaries and Wetlands Team will lead on stakeholder engagement and the technical design of the work including spatial planning & cost estimate. ZSL's Sustainable Business and Finance Team will lead on market engagement and business planning. Finance Earth will act as financial advisor for the project, assessing the investibility of the project, developing and testing the capital structure and investment case.
Type of project	Revenue-generating Project (Standard Project)
Budget	£100,000
Innovation	The project will develop a new model to attract private finance for river restoration in a more heavily urbanized catchment context.

Key objectives/ aims	The project aims to address an array of environmental pressures associated with the River Crane catchment including water pollution from point and diffuse sources, reduction in habitat value and species diversity, and flood risk. The proposal will develop a financial, governance, and contracting structure to secure investment and form a blueprint for the scaling of urban river restoration in England.
Habitats	Urban Freshwater and wetlands
Geographical area	London
Revenue model	Revenue will be generated from biodiversity units, water quality, and natural flood management, with further revenues explored from carbon and improved community access to nature. The project will assess and determine the most suitable financing mechanism for the project over the course of the project, based on identified revenue streams. One potential mechanism which will be explored is an environmental impact bond, a funding mechanism where investors provide the upfront capital for environmental interventions and are then repaid by outcome payers only when certain results are achieved, transferring performance risk from the outcome payer to the investor.
Investment needed	The value of the investment being sought will be dependent on a number of factors, including the type and scale of interventions chosen. This will be determined over the course of the project. Through this project, Finance Earth and ZSL will develop an investment case which will be soft tested with investors. The financial model will inform the type of investors which will be suitable for engagement.

NEIRF2072	The River Bank
Lead organisation type	Charity (Tees Rivers Charitable Trust)
Governance structure	This project will be jointly managed by Tees Rivers Trust and Industry Nature Conservation Association, and reporting will be to both boards of Trustees of the organisations. Tees Rivers Trust will deal predominantly with the sellers, and Industry Nature Conservation Association with the buyers. Financial arrangements and liabilities for brokerage are yet to be defined and will be one of the outputs of the project.
Type of project	Revenue-generating Project (Standard Project)
Budget	£98,795
Innovation	After advising landowners on activities to reduce impact of land management on water quality for over a decade, this project is innovative as it aims to completely nullify the impact on water quality.
Key objectives/ aims	Tees Rivers Trust, working with the Industry Nature Conservation Association, will create the Riverbank, and design 5 small to medium scale BNG projects that restore water quality in freshwater habitats. The Trust will work with landowners and developers on wetland and woodland creation and other land use changes in the Tees Catchment to model biodiversity revenues.
Habitats	Farmed land Freshwater and wetlands Woodland Grasslands
Geographical area	Teeside
Revenue model	All uplift potential identified through assessment towards biodiversity net gain, from either habitat creation or improvement, to generate biodiversity units, will then be available for purchase by developers, to discharge their planning obligations and ensure net gain. Each unit has a monetary value which is then available for acquiring through agreed sale. Industry Nature Conservation

	Association and Tees River Trust will generate revenue from the scheme by charging a brokerage fee to both the seller and buyer. There will also be a sliding scale of management fee depending on the complexity of a scheme and an annual monitoring/audit charge. All revenue generated through the scheme will be fed directly back into ecological improvements in the Tees Catchment.
Investment needed	At this stage they are not seeking investors, however, there is an ambition to grow this programme. The Trust are currently working with partners on developing a range of estuarine habitat improvements including sea grass meadow restoration, native oyster reef and intertidal habitat. There is some interest from industry partners in the potential of these to offset carbon and as the metrics evolve for the marine environment, they will be offering carbon and habitat up for sale to potential investors.

NEIRF2073	**Hill, Stone and Wood: Generating funds for Natural Flood Management**
Lead organisation type	Private Company (Hill, Stone and Wood)
Governance structure	Hill, Stone and Wood will be responsible for project and risk management throughout the project, acting as the Project Manager. Each workplan will have a Subject Matter Expert and a member of Hill, Stone and Wood staff (not the Project Manager) responsible for workplan assurance. In the case of a dispute, the core partners will meet, table options, and vote on a way forward. If an agreement cannot be reached, a dedicated stakeholder will be engaged to broker a resolution.
Type of project	Market Enabler (Financial Product)
Budget	£97,740
Innovation	This projects includes the following innovations: • Business model: bringing a not-for-profit business model by brokering a home insurance product to secure key nature-related outcomes • Business service: providing ecosystem services to help mitigate the insurance underwriters' risks

	• Value chain: bringing together typically disparate stakeholders to address common challenges • Monitoring and impact measurement design: supported by data from scalable modern technology.
Key objectives/ aims	Hill, Stone and Wood, working with Insta Assoc., Sparkgeo, and Pundamilia, will address flood risk with NFM in support of Local Nature Recovery Strategies, by delivering a home insurance brokerage service that puts financial profits into NFM to reduce flood risk close to policyholders' homes, monitor impacts, and pilot the scheme in the Sussex Ouse catchment.
Habitats	Urban Farmed land Freshwater and wetlands
Geographical area	Sussex
Revenue model	Projects will be generated through the financial platform and potentially from the ecosystem services.
Investment needed	The project seeks the following investment and support: • Distribution channel partners: large distribution partners such as water and utilities companies, and charities to distribute the insurance project, are needed. • Additional grants for the first yet: to pay for the set-up and initial operation costs that precede income generation. The Return on Investment will be calculated in the monetary equivalent of ecosystem services generated, environmental units, or other commercial benefits.

NEIRF2074	**Revitalising our Estuaries: Investment Model for Estuary Restoration**
Lead organisation type	Charity (Groundwork North East and Cumbria)
Governance structure	Groundwork will be legally and financially accountable for reporting to the Head of Business Development and Strategic Development Committee of the Board. A Project Board will be established with Groundwork as the Project Executive, Defra as the Senior User

	and consultants as Senior Suppliers. Senior Suppliers will report to Groundwork formally in quarterly reports and informally through regular meetings. The Project Board will meet through inception, interim and final project report meetings. Groundwork is governed by a Board of Trustees equipped with appropriate skills, experience and knowledge to make informed decisions. They, along with the Chief Executive and Executive Management Team, determine the policy and strategic direction of the charity.
Type of project	Revenue-generating Project and Market Enabler (Standard Project / Code)
Budget	£99,716
Innovation	This project focuses on unique, floating ecosystems in turbulent, intertidal rivers. It uses a newly developed micro-biome tool to assess the impact of the intervention on genomics and detect new microbial and viral strains.
Key objectives/ aims	Groundwork North East and Cumbria, working with Biomatrix Water, Sustainable Finance Factory and the Zoological Society of London, will create an Estuary Restoration Metric (ERM) to quantify ROI for 3 sites on the Tyne and Wear Estuaries with floating ecosystems, saltmarsh/mud flat restoration and mussel roles/oyster baskets. The project will provide economic blue carbon units and environmental benefits (water quality; at-risk habitat and species protection and enhancement), generating sustainable ROI.
Habitats	Urban Coastal Marine
Geographical area	North East and Cumbria
Revenue model	The ERM will provide economic and environmental benefits ripe for investment. Revenue will be generated by selling benefits to investors. Investment potential also lies in the urban/peri-urban nature of estuaries, with high value corporates providing vested interest for investment in their back yard and a need to offset development impacts locally. Units will be valued and available to purchase as singular or stacking opportunities. Revenue is generated by selling units, biodiversity offsetting and Corporate Social Responsibility from increasingly important and integrated

	Economic and Social Governance reporting requirements for large corporates. Potential buyers include green/blue finance brokers, sustainable investment companies, developers, corporates and local authorities. Sellers include Groundwork, landowners, and Biomatrix (IP) Brokers supporting the route to market.
Investment needed	There is significant investment-generating ROI on this project, given the rising value of carbon units and the high demand for BNG, with restricted opportunities given the constraints on space in urban areas.

NEIRF2076	Derbyshire's Nature Recovery and Natural Capital Investment Aggregator
Lead organisation type	Charity (Derbyshire Wildlife Trust)
Governance structure	The project will be delivered by Derbyshire Wildlife Trust in partnership with a range of stakeholders, advisors and will develop the processes by which Derbyshire Wildlife Trust aggregates the sale of ecosystem services to finance the purchase and management of more space for nature. One of the key project partnerships will be the project's financial advisor who will help to develop the mechanisms for converting capital investment from the buyers into revenue for the Trust.
Type of project	Revenue-generating Project (Habitat Bank)
Budget	£100,000
Innovation	The project will develop a new funding model to attract private investment to finance the purchase and management of more space for nature. It will establish new processes for aggregating and selling a range of ecosystem services and develop products that can be marketed and sold to buyers.
Key objectives/ aims	Derbyshire Wildlife Trust, working with the Royal Society of Wildlife Trusts, will establish rewilding as a delivery method nature restoration across Derbyshire, by creating more high-quality nature-rich spaces, the project will support nature

	recovery resulting in a range of ecosystem services to monetise biodiversity, flood risk, water quality, carbon, and access to nature.
Habitats	Urban Farmed land Mountain, moor, heath Freshwater and wetlands Woodland Grasslands
Geographical area	Derbyshire
Revenue model	This project will generate revenue from selling the uplift in biodiversity habitat units, improvements in water quality and carbon that is sequestered in the newly created habitats. The project will also explore opportunities to generate income through the provision of natural flood management measurements and the provision of nature-rich, accessible open spaces. The income generated through the 4 pilot sites will be recycled into the project and used to grow the number of habitat banking sites with the long-term goal of achieving a habitat bank in each of Derbyshire's local authorities.
Investment needed	They are not looking for investment as such, as they will be developing the sale of services to customers and clients, and they are confident that, through land purchase and sale of ecosystem services and BNG units, they can expand the business indefinitely. However, in their conversations with their finance partner, they would look at other options for raising capital to purchase land and recognise that some organisations which are initially clients may wish to invest in the business in the longer-term. The future investment will play a key role in achieving one of The Trust's core objectives of achieving 30% of Derbyshire managed for wildlife by 2030.

NEIRF2077	Restoring Burns in Newcastle Upon Tyne
Lead organisation type	Charity (Urban Green Newcastle)
Governance structure	Information not available.
Type of project	Revenue-generating Project (Standard Project)
Budget	£95,340
Innovation	Urban Green Newcastle is one of the first charities delivering environmental gain in innovative estate areas such as public parks, industrial and residential buildings of historical interest.
Key objectives/ aims	Urban Green Newcastle, working with Northumbrian Water and Newcastle City Council, will restore urban waterways on a tributary of the River Tyne, demonstrating natural processes to reduce flooding, improve water quality, enhance biodiversity by reedbed, wet woodland, meadow creation. The project will assess revenues from improved water quality, flood resilience, biodiversity, carbon, activities that support health/wellbeing, engagement with nature, and education.
Habitats	Urban Farmed land Freshwater and wetlands Woodland
Geographical area	Tyneside
Revenue model	Potential buyers include: • Environment Agency and Northumbrian Water (NWA) will benefit from cleaner water; • Newcastle City Council (NCC), will fulfil its obligations on reducing carbon emissions, enhancing biodiversity and in-creasing tree planting; • Developers buying biodiversity net gains and interested in replicating this model elsewhere; • The health sector and downstream businesses; • Cafes and visitor centres, which will support long-term funding for the site.

Investment needed	The value of required investment is unknown at present. Part of the NEIRF project will support a specialist assessor to value current assets and planned enhancements, using current best practice. The project team are currently working with several developers regarding BNG, and have successfully negotiated one agreement, and this is an area where the project team will be working closely with the City Council and advisors.

NEIRF2080	Proving Farmer led natural capital investment using retail finance
Lead organisation type	Other (North East Cotswold Farmer Cluster CIC)
Governance structure	The North East Cotswold Farmer Cluster (TNECFC) and Oxbury Bank will work closely on a shared project management methodology following Oxbury Bank's existing software approach to programme management that built a brand new bank within 3 years. Governance at Oxbury Bank will be through its formal governance structures of the Product Governance Committee and Climate Committee feeding through to the Executive Committee and the Board of Directors. The Accountable Executive at Oxbury Bank will be the co-founder and Chief Customer Officer. The Accountable Executive at Oxbury Bank will also act as liaison within the Steering Group of the TNECFC to support the delivery of the necessary information across each farmer member of the TNECFC to progress projects, reporting to the farmer-led Board of the TNECFC.
Type of project	Revenue-generating Project (Standard Project)
Budget	£98,521
Innovation	The current market is dominated by corporate finance approaches securing the interest of investors in specific project deployment. This project brings together the TNECFC, representing over 100 farmers and landowners in the region covering over 33000ha, and the Oxbury Bank to develop new models for farmers to invest individually and collaboratively in natural capital projects and retain the full value of resultant ecosystem payments.

Key objectives/ aims	TNECFC, working with Oxbury Bank Plc, Carbon Quester, and Rothemsted Research, aim to bring together over 100 farmers and landowners covering over 33000ha to develop new approaches for farmers to invest in natural capital projects. The project will design a suite of investment financial products to be deployed across 33000ha of lowland England. The project will make financial products available nationwide, covering carbon sequestration, biodiversity, water quality and Natural Flood Management.
Habitats	Farmed land Freshwater and wetlands Woodland Grasslands
Geographical area	Cotswolds
Revenue model	The project is funded through a combination of NEIRF funds as well as in-kind assistance from Oxbury and TNECFC. TNECFC facilitation will be funded through other projects already in progress and will be self-funding via exploring ecosystem market opportunities for its farmer members once these markets have established. Carbon Quester is in the process of raising £250k to refine, develop and roll out the Rothamsted model.
Investment needed	Information unavailable

NEIRF2082	**A financial & delivery vehicle for catchment resilience in the Beult and beyond**
Lead organisation type	Charity (South East Rivers Trust)
Governance structure	The governance structure of the project will be as follows: • Steering Group: responsible for holding the project accountable to its objectives; making decisions about the commercial model and vehicle structure; engaging with wider stakeholder groups about opportunities to extend/replicate. Membership: South East Rivers Trust, Rivers Trust, Beult Farm Cluster rep, Southern Water, Kent County Council, rep from other buyers. • Technical Advisory Group: responsible for reviewing technical outputs and developing options for the commercial model and

	vehicle structure. Membership: South East Rivers Trust, 3Keel, Rivers Trust. • Landowner Advisory Group: responsible for convening landowners, soliciting their requirements, and reporting back to the Technical Advisory and Steering Groups. Membership: South East Rivers Trust, Landowners, Farmers, Southern Water farm advisor.
Type of project	Revenue-generating Project (Standard Project)
Budget	£99,511
Innovation	To the project's knowledge, this will be the first commercially viable model with the aim of improving water resources resilience (alongside other ecosystem services) in a lowland, productive rural landscape in the south east.
Key objectives/ aims	South East Rivers Trust seek to enable the delivery of nature-based solutions to increase infiltration, in addition to improving water quality, biodiversity, and carbon sequestration benefits in the Beult catchment to the Stour and Arun & Western Rother. Working with 3Keel, Rivers Trust, Southern Water, South East Water, and Kent County Council.
Habitats	Farmed land Freshwater and wetlands Woodland Grasslands
Geographical area	Beult Catchment, Kent
Revenue model	The project will deliver revenues from increased soil infiltration, flow retention and attenuation, biodiversity, and carbon sequestration, and links with ELM.
Investment needed	Investment needed will be established in the first stage of the project, costed nature based solutions plan for the Upper Beult and the expected uplift in ecosystem services have been identified.

NEIRF2083	Essex Net Zero Innovation Futures
Lead organisation type	Public Body (Essex County Council)
Governance structure	The project lead partner will be ECC with an Environmental Officer in charge of coordination of overall project activities. The project partners will co-design scalable, transparent models and strategies for the governance, promotion and delivery of different types of public and private investment in natural capital and ecosystem services.
Type of project	Revenue-generating Project (Standard Project)
Budget	£98,495
Innovation vs. tried and tested approach	The co-design and co-investment model will innovatively provide an essential alternative to land sale and acquisition for communities, land holders and investors. The project will be an example of how to blend public and private outcomes and finance.
Key objectives/ aims	Essex County Council aims to increase climate resilience and air quality, working with Finance Earth, Downforce Technologies Ltd, and the Institute for Global Prosperity, to baseline and value multiple ecosystem services at four sites across Essex delivering 350ha of sustainable farming and create/improve 225ha woodland, 105ha meadows, 130ha grassland, 67ha wetland and 100ha of rewilding. The project will monetise revenues from biodiversity enhancement, carbon sequestration, clean water, flood and erosion risk reduction and sustainable farming practices.
Habitats	Farmed land Freshwater and wetlands Woodland Coastal Grasslands
Geographical area	Essex

Revenue model	The project partners will work closely with the 4 landowners to provide projected values of ecosystem services that can be achieved on their land, while at the same time engaging with the potential buyers to ascertain the level of demand and any additional requirements.
Investment needed	The ecosystem services at the 4 sites have an estimated current value of ~£387k p.a. equivalent to £9.68 million net present value over 25 years and the model could be scaled to a further 30,000ha across Essex for revenue generation of £5.9 million p.a., equivalent to £186m net present value over 25 years in natural capital and ecosystem services. The project will initially focus on developing an investment case and securing buyer commitments to facilitate subsequent investor engagement. The team will engage with their existing networks of investors to soft test the proposed business model and ensure that the investment proposals are structured in line with investor needs ahead of capital raising.

NEIRF2084	**Creating a London River Bank & Investment model for Environmental & Social gains**
Lead organisation type	Charity (Thames21)
Governance structure	Thames21 is working with local authorities including the London Boroughs of Waltham Forest, Lewisham and Bromley. The Rivers Trust will be advising the programme on Green Finance mechanisms as well as associated governance mechanisms needed around for potential Special Purpose Vehicles which may be needed to enable delivery.
Type of project	Both (Standard Project/Platform)
Budget	£100,000
Innovation	The proposed finance model seeks to create brand new, unique and innovative mechanisms on river restoration by demonstrating ow brokerage services that connect buyers / sellers and potential investors can generate finance and investment routes between developers, (peri)urban planners and other public and private sector stakeholders.

Key objectives/ aims	Thames 21, working with the Rivers Trust and Greater London Authority plans to create a Riverbank to facilitate a market for river based biodiversity net gain markets and address a gap in offsite river units in sites across the Thames. The project will scope a GIS tool for potential buyers/investors combining BNG, ecosystem service opportunities, collect data and model target river / wetland habitat condition to calculate BNG uplift.
Habitats	Urban Freshwater and wetlands
Geographical area	London
Revenue model	This will be completed by the end of the project.
Investment needed	This will be completed by the end of the project.

NEIRF2085	**Community Investment and Cooperation for Ecological Regeneration in Lancashire**
Lead organisation type	Charity (Ribble Rivers Trust)
Governance structure	A Project Board made up of buyers and sellers will be established to oversee the project. The project will be managed as follows: • Project Board: An overarching Project Board, including the Project Executive, Buyer and Seller representatives will oversee strategic direction and hold the project accountable to its objectives. • Project Manager and sponsorship: The Ribble Rivers Trust will act as project manager, supporting and co-ordinating delivery of the project. • Project Board for each farm group: This Board will be responsible for supporting aims of each farm group.
Type of project	Revenue-generating Project (Standard Project)
Budget	£100,000

Innovation	Seeking community investment at this scale in ecological regeneration is new. Community investment in local renewable energy systems is well established but equivalent approaches to ecological regeneration have not been attempted before at this scale. Developing a collaborative legal model to bring together community, private and public interests together in this way; and to receive investment and to underpin multi-stakeholder agreements to deliver ecosystem services and receive revenue from beneficiaries is highly innovative.
Key objectives/ aims	Ribble Rivers Trust will address a range of environmental problems in 3 areas of the Ribble Catchment, working in collaboration with buyers and sellers to take actions for habitat creation, woodland planting, peat restoration, and flood risk mitigation. A range of ecosystem services will generate revenues such as carbon sequestration, water quality and quantity, BNG, air quality, recreation, and health/wellbeing, enabling £1-2 million of immediate investment in the 3 sub-catchments.
Habitats	Urban Farmed land Mountain, moor, heath Freshwater and wetlands Woodland Grasslands
Geographical area	Lancashire
Revenue model	The project will generate revenue from the environmental benefits through selling: • Carbon sequestration: There is strong demand for carbon offsets from businesses (through the woodland carbon code), local authorities and others who are seeking to offset residual emissions who have legal obligations under carbon trading schemes or have made voluntary commitments to achieve net zero. • Water quality improvements: For those with flexible permitting (or seeking flexible permitting) such as water companies. • BNG: The EA 2021 will drive demand for BNG units from developers via intermediaries using established standards for measuring BNG units. • Water quantity improvements (NFM): There is increasing interest in this from United Utilities, EA and insurance bodies. They are already providing this benefit to UU, and initiatives are developing to create more effective demand.

	• Air Quality Improvement: There is increasing demand for a reduction in air pollution such as PM2.5 and ammonia reductions to improve physical health. • Recreating, health and wellbeing: Through Environmental Sustainability Goals, companies seeking to increase their environmental sustainability through this model will aim to meet goals: 3 (Good health and wellbeing), 13 (Climate action), 14 (Life below water), 15 (Life on Land).
Investment needed	The project seeks to attract £1-2 million of immediate investment into the project.

NEIRF2086	**WRAP - Wetland Restoration: Assuring Permanence**
Lead organisation type	Charity (Westcountry Rivers Trust)
Governance structure	The WRAP project will be led by a Westcountry Rivers Trust project manager, in charge of overall project management and delivery. The project manager will work alongside a project accountant within Westcountry Rivers Trust to ensure good governance, record keeping and financial acuity. The project manager will invite supporting partners to monitor and review progress and integration throughout the year. The project manager will report to existing partnership groups in the area to ensure maximum integration of the work with existing plans and partnerships.
Type of project	Revenue-generating Project (Standard project)
Budget	£54,000
Innovation	This project aims to establish a mechanism, such as a conservation covenant, that facilitates strategic NbS and wetland restoration in permeance and allows for the set up and strategic phosphate mitigation on land that is owned by independent landowners and farmers. The innovative aspects of this project are exploring with farmers, solicitors and the investors the different forms of land protection that are acceptable to farmers and the Council. This project compliments work underway by the

	Wye and Usk Foundation and the Norfolk Rivers Trust on the use of Integrated Constructed Wetlands to treat waste water.
Key objectives/ aims	Westcountry Rivers Trust seeks to address urgent need for phosphate units and aims to explore the legal tools for securing permanence, such as covenants, easements, rights and 106 agreements, with landowners on the River Camel to restore and conserve areas of wetland and riparian habitat. It also seeks to open up strategic phosphate units that meet the needs of Natural England, Planners, Developers and Farmers to deliver direct and indirect phosphate reduction, habitat connectivity, sediment retention, base flow, flood attenuation and carbon sequestration. The project will assess five currently farmed linear sites in the River Camel catchment for strategic wetland restoration, delivering at least one demonstrator and evaluate wider ecosystem services achieved.
Habitats	Freshwater and wetlands
Geographical area	Cornwall
Revenue model	The project will focus on monetising phosphate units and securing longer term investment for wetland restoration to facilitate creation of a greater number of phosphate units. WRAP shall generate revenue from the direct Phosphate reduction from land use change. Phosphate units are easily assessed by assigning a starting condition and a target condition for a known area of land. The online Phosphate calculator returns a KgP/year figure which, as long as Natural England are happy with the way it is secured to assure both permanence and management, will permit development. The WRAP project would use the same methodology to assess the direct benefits, albeit with a different form of assuring permanence, but unlike simple land fallowing, strategic wetland creation can be deployed in places where there are considerable indirect phosphate reductions alongside biodiversity credits. This should avoid the risk of un-strategic land purchasing.
Investment needed	Information not available.

NEIRF2087	Green Finance for Islington Pocket Park Framework
Lead organisation type	Public Body (Islington Council)
Governance structure	The project will be supported by existing Islington greening and project structure, and will have input from all relevant internal departments, including landscape, greening and leisure, net zero, and support from existing governance boards. The established Greenspace Board will provide direct project oversight and link into the department's governing process through the Directorate Delivery Board and the Net Zero Carbon Board overseen by the Corporate Director for Environment.
Type of project	Both (Standard Project & Financial Product)
Budget	£100,000
Innovation	This will be an innovative project, as no comparable finance option for urban greening in the market is known by the project team.
Key objectives/ aims	Islington Council will address barriers to urban greenspace development with the conversion of stub roads to small green space pocket parks, working with the Greater London Authority, Landscape Institute, and Transport for London. The project will demonstrate significant financial potential in aggregated local authority-led nature projects and the concept of Urban Greening finance tokens, to secure investment.
Habitats	Urban Woodland
Geographical area	London
Revenue model	The project will be attractive to multiple investors, yet the journey will start local, most likely with the Business Improvement Districts and scaling up from there. Once the benefits of the project have been verified and established, and the greening finance model is in place, they will start the process for scaling up investment and delivery, with potential to sell-on and invest back in to deliver more projects.

Investment needed	Assuming that between 10-30% of the stub roads in Islington are convertible, they are looking at an investment between £20-50 million. However, the potential of this project also rests in the ability to scale up on mass elsewhere in the UK. They have gained much interest in this project from potential investors including Banks, ESG providers, Corporate Social Responsibility and local Business Investment Districts, who are particularly keen to be the first runners. As part of this project, Islington Council and consultants WSP UK will develop an investment case to be marketed to investors. The financial model will inform the type and breadth that will be suitable for engagement.

NEIRF2088	Rethinking Farmed Peatlands
Lead organisation type	Private Company (The Lapwing Estate Limited)
Governance structure	This project will be led by Lapwing Estate and Brown family. It will use a co-creation approach working with partners across finance, commercial, government and third sectors. Together, the partners will establish a clear vision, with aligned work packages interacting to move in the direction proposed; interaction between work packages will provide learning and enable adaptation allowing the project to hone in on a holistic new investment model for farmed peatland management.
Type of project	Investment Project (Standard Project)
Budget	£94,893
Innovation	The investment model proposed is the first known attempt to combine consumer funding, via premium environmental food brands, with payments for ecosystem services and environmental schemes. It is innovative as it combines delivery of ecosystem services alongside the maintenance of high-value crop production.
Key objectives/ aims	The Lapwing Estate aim to convert 800ha of intensively farmed lowland peat into wet woodland in Nottinghamshire with partners the UK Centre for Ecology and Hydrology. Revenues will be generated from net zero carbon food, BNG, carbon from peatland biochar production, and commercial ecosystem services, such as water quality and management, flood risk resilience, and ELM.

Habitats	Farmed land Freshwater and wetlands Woodland
Geographical area	Nottinghamshire
Revenue model	The project seeks to generate revenue from ecosystem services; ensure a sustainable revenue mix in the long term, so the proposed land use changes are supported by the farms lenders. The model is based on generating 4 interlinked funding streams: 1. Sale of premium, Net Zero (or negative) carbon food, via a carbon negative brand in the supermarkets. 2. Delivery of biodiversity units and carbon units from biochar and peat. 3. Delivery of commercial ecosystem services e.g. water management to Internal Drainage Boards (IDBs), EA, Lead Flood Risk authorities, water companies. 4. Receipts from ELMS and other public funding programmes.
Investment needed	The project seeks investment from two key sources: • Financial investors: will fund the change and receive receipts from the sale of biodiversity and carbon units. • Commercial customers: these investors would look to internalise the benefits to offset their own footprint and also comply with regulatory requirements (anticipated future).

NEIRF2089	**Tidal Thames Natural Habitat Bank & Market**
Lead organisation type	Other (Port of London Authority)
Governance structure	The project will be overseen by a Project Board comprising senior representatives from the Port of London Authority, the Envance project director team and other stakeholders (e.g., local authority representatives). The Project Director will oversee the project and ensure that sufficient resources are allocated, and will liaise with the Port of London Authority. Below the Project Director will be a member of staff qualified in Morph survey who will manage the ecological morph surveys, development of best management practices, and Geographic Information System (GIS) analysis.

Type of project	Revenue-generating Project (Habitat Bank)
Budget	£85,000
Innovation	The development of costed biodiversity creation and management plans will help guide the market price for riverine units. The Port of London Authority is in a unique position to deliver such a scheme in the tidal Thames area.
Key objectives/ aims	The Port of London Authority, working with advisor the Centre for Environment, Fisheries and Aquaculture Science, will enhance the habitats of the River Thames corridor and create an intertidal and riverine habitat bank in 4 pilot areas, delivering BNG via local offsets. The project will establish biodiversity baselines, develop a biodiversity enhancement plan, and result in costed river and intertidal units.
Habitats	Urban Freshwater and wetlands Coastal Grasslands
Geographical area	London
Revenue model	Revenue will be generated by the selling of habitat, river and inter-tidal units to developers submitted planning applications along the riparian areas of the tidal Thames Catchment, within 10m of the river, or from units within the Port of London Authority's adjacent landowners. The primary market for these benefits is the private development sector. Access to the market will be facilitated through collaborative working with local planning authorities. Revenue to deliver the interventions will be secured through the use of existing planning mechanisms, including Section 106 obligations or future mechanisms as may be developed as the BNG unit requirement is rolled out nationally.
Investment needed	The Port of London Authority has had initial inquiries from promoters of Nationally Significant Infrastructure Projects in the vicinity of the tidal Thames wanting, in advance of the introduction of regulations, to consider BNG units in their application and requesting locations for this to be facilitated by the Port of London Authority. By their nature these are large schemes needing significant areas. There is also interest from some contractors and consultants wishing to understand what the Thames can offer for unknown or future clients.

NEIRF2090	A pioneering blended finance Blue Impact Fund - a blueprint for Conservation Finance
Lead organisation type	Private company (Environment Finance Ltd (trading as Finance Earth Ltd))
Governance structure	The project is managed by Finance Earth and use FE's standard Project Management approach, involving weekly meetings with senior management to track project progress and delivery timeframes. Finance Earth will also benefit from WWF advisory support on latest ocean conservation insights and appropriate impact measurement.
Type of project	Investible Project (Standard Project)
Budget	£82,500
Innovation	Although blended vehicles have been deployed with success in Development and Social Impact Investing, there are few if any examples in UK Conservation Finance. The BIF and ORT will deliver a unique 'funding ecosystem' dedicated to supporting marine environments.
Key objectives/ aims	Environment Finance seek to develop a blended investment vehicle to provide finance for blue ecosystem services projects and growth capital for sustainable seafood alongside key partner WWF. Habitat restoration projects will be located across the UK and aquaculture businesses in need of investment will focus on areas where seafood production is most prevalent, helping to reverse marine and coastal habitat degradation and support sustainable aquaculture practices. Revenue will be generated primarily from 'blue carbon', aiming to stack with Biodiversity Net Gain and water quality improvements, in addition to exploration of eco-tourism and flood defence benefits as secondary revenue streams. The Blue Impact Fund aims to raise £75m, working in conjunction with an in-house grant-making initiative for catalytic blue ecosystem service projects.
Habitats	Freshwater and wetlands Coastal Marine

Geographical area	Various
Revenue model	The Fund seeks to generate returns through selling commodities (e.g. seafood) but also from the sale of Ecosystem services. The Fund will explore how enterprise can monetise benefits derived from their activities (such as water quality for mariculture, carbon for seaweed farming) and will support blue projects to generate revenues from the sale of voluntary 'blue' carbon units created from habitat protection or restoration. The Fund will consider other ecosystem payments where appropriate, including Biodiversity Net Gain or water quality benefits and explore other restored marine habitat revenue streams as a secondary priority, including flood defence benefits or eco-tourism. A key intention for the Fund would be to secure first loss capital as part of a blended finance approach to attract mainstream investors by reducing downside risk.
Investment needed	The objective is to raise a £70m fund, with at least £5m in first loss capital either as a stand-alone or part of a bigger fund. The BIF team has identified over 200 investors from various sectors (corporates, financial institutions, family offices, HNWI, charitable trusts & foundations, university endowments), and engaged with almost 150.

NEIRF2091	Living with Water SuDS
Lead organisation type	Public body (Yorkshire Water)
Governance structure	The project will be managed alongside the wider portfolio of Living with Water projects. The project plan will be governed by the Living with Water team and managed by the programme and commercial manager for Living with Water. The procurement of services will follow Yorkshire Water procurement rules which follow industry best practice. All Living with Water projects are reviewed by the Technical Team which is made up of officers from all partner organisations, there are clear escalation routes to the Living with Water Board which is made up of directors from all partner organisations.
Type of project	Revenue-generating Project (Standard Project)

Budget	£73,125
Innovation	The project aims at creating a model to allow councils to utilise private investment to increase the partnership funding of flood risk projects and develop flood resilience schemes. The initiative also offers the opportunity to test and refine this approach over time and to create further innovations as ecosystem services attract more value.
Key objectives/ aims	Yorkshire Water, in partnership with the Environment Agency and Hull and East Riding councils, is leading this project to create sustainable drainage systems (SuDS) that can reduce high flood risk in Hull and Haltemprice. Whilst they have some grant funding, they expect the programme of sustainable/blue green infrastructure to prevent flooding to potential have a private investment worth of up to £46 million through the sale of SuDS ecosystem assets or biodiversity net gain generated to developers. They hope co-development of these assets will help make them community assets that can connect people to nature despite the urban environment.
Habitats	Urban
Geographical area	Yorkshire
Revenue model	The ambition of this project is to create a mechanism which allows revenue generation from BNG. The biodiversity benefits associated with SuDS assets provide the opportunity to allow developers to invest in the environment local to their development. The project will create a system that values the biodiversity benefits of SuDS in line with Natural England's approach and develop a mechanism for developers to achieve BNG for their sites by investing in local SuDS assets. This investment will be received by the local authorities to support the funding the construction and future maintenance costs of the assets.
Investment needed	Future investment is TBC, but will support the delivery of SuDS throughout Hull and the surrounding area.

NEIRF2099	8 Hills – Stacking Access and Ecosystem Services on the Urban Fringe
Lead organisation type	Charity (The National Trust for Places of Historic Interest or Natural Beauty)
Governance structure	The project will continue to be managed and led by National Trust, with a project manager in post. Governance of the project will sit within this framework, which includes tried and tested project management tools for business case, implementation plan, change control, reporting and risk management. The project manager reports to a monthly project board, which provides high level direction to the 8 Hills work. The project benefits from a sponsor at a senior level in the organisation, who holds some of the key stakeholder relationships. Further internal expertise can be called upon from the National Trust regional and national consultancy.
Type of project	Revenue-generating Project (Standard Project Aggregator)
Budget	£100,000
Innovation	Payment models for flood mitigation and water quality will be novel, through bundled ecosystem service payments with health/wellbeing grant funding. This is an innovative approach to reward landowners by providing access using mobile phone data to assess numbers and demographics of users.
Key objectives/ aims	The National Trust, working Sports England, West Midlands Combined Authority, and Birmingham Council, will deliver an investment case for a pilot in 8 Hills, a new regional park under pressure from housing demand. The project will remove barriers in landowner participation, through stacking, assessing multiple ecosystem services payments and allow smaller parcels to be financially viable. The project will model income from carbon and BNG units, access and flood mitigation, and aims to target £250k investment, resulting in a model that will be scaled-up to deliver new funding streams for small landowners.
Habitats	Urban Grasslands Farmed land Woodland

Geographical area	West Midlands
Revenue model	The 8 Hills project will identify what combination of landowners, size of plots and number of plots will create a viable investment proposition. Habitat creation and restoration will generate revenue through certifying biodiversity net gain units and selling to developers looking to offset the impact of their local developments. Carbon sequestered and emissions avoided will generate revenue through sale of certified carbon units to businesses looking to offset carbon impact. Flood mitigation benefits and water quality improvements will generate revenue through payment by results, payments for ecosystem services or similar contractual arrangements. Options for access revenue to be explored include: • Development of a ‘cardio credits’ scheme to fund new access infrastructure and the payment by results model for increased farmland access, encouraging target groups (e.g. desk-based workers) to be more active outdoors. • Use of a bond repaid by local organisations who will benefit from increased visitor spend, to expedite creation of flagship access routes within 8 Hills. Access is anticipated to be an essential element of 8 Hills, making the overall payments available to landowners more attractive, and unlocking their willingness to seek the other environmental benefits.
Investment needed	The initial pilot targets £250k investment but addresses c. 10% of the total opportunity. Identification of investors will be done as part of the financial model development. Interventions recommended by the 8 Hills evidence base and detailed assessment of pilot sites will be stacked to increase incentive to landowners whilst being compatible with agriculture. Stacking the ecosystem services in relatively small areas of many farms will help to remove a key barrier to landowner participation, dramatically increasing the number of landowners prepared to test this new source of income.

NEIRF2100	Authority Based Insetting (ABI): Legal and Transactional Design
Lead organisation type	Private Company (Anthesis UK Limited)
Governance structure	Anthesis are working with LAs including Lancashire County Council to expand upon work already being delivered by local partners; this includes developing outputs. The Anthesis governance team comprises an Associate Director, and Consultants. LAs will participate in an ABI Working Group to share knowledge, discuss issues and come to consensus on approaches.
Type of project	Market Enabler (Code/Standard Aggregator)
Budget	£49,500
Innovation	ABI is a new mechanism developed by Anthesi seeking to explore local opportunities to develop projects supporting local communities though a collaborative approach blending private sector opportunities and investment and innovative governance.
Key objectives/ aims	Lancashire County Council aim to build on the 'Authority Based Insetting (ABI): Concept Framework' November 2021 to both avoid and remove carbon emissions thus protecting and enhancing the varied biodiversity and natural environment of Lancashire. This will be achieved by creating an Authority Based Insetting (ABI) platform for trading and reducing Carbon across Lancashire. The project aims to Speed up Carbon reduction measures by increasing visibility in and improving the value of Carbon reduction projects.
Habitats	Urban Farmed land Mountain, moor, heath Freshwater and wetlands Woodland Grasslands
Geographical area	Lancashire

Revenue model	The ABI platform helps to better identify projects by allowing project develops to add project ideas directly to an online registry, that a local authority can view. The registry also helps to better bring different sources of funding to projects by advertising the funding gap, allowing projects to be aggregated in value. The platform seeks to work along the lines of other funding platforms, such as Ethex, whereby each project is uploaded onto the platform and then investors can bid for the Carbon insets available.
Investment needed	No additional investment requirement mentioned.

NEIRF2102	Farming for Carbon & Nature (FCN)
Lead organisation type	Charity (Students Organising for Sustainability UK)
Governance structure	FCN is managed and delivered by two members of SOS-UK staff. Evaluation oversight will be provided by the Head of Research and Impact. Oversight and strategic direction will be provided by Director of Engagement. FCN's advisory group is made up of a senior soil scientist, an ecologist, two farmers, two students, two universities and several other stakeholder organisations. They will have six working groups by the end of the pilot comprised of stakeholders and academic experts for each key strand of the project. They currently have financial model, farms, soil carbon, biodiversity and student engagement working groups. They planned to establish a nutrient density working group later in 2022. Each of the working groups is represented on the advisory group to ensure collaboration and cohesion between project strands.
Type of project (investible project/ market enabler)	Investible Project (Standard Project)
Budget	£86,427
Innovation	Visionary tertiary education project using university payments to pay farmers on university or college owned land to sequester soil carbon, increase biodiversity and produce more nutrient-dense

	food. FCN will provide opportunities for students to access & engage with nature through soil sampling/testing, biodiversity monitoring and nutrient-density testing on farms.
Key objectives/ aims	Students Organising for Sustainability UK, working with AGS Carbon Advisory, Accelar Ltd, and legal advisors Blandy and Blandy, propose to use university payments to pay farmers on university or college owned land to sequester soil carbon, increase biodiversity and produce more nutrient-dense food. Revenues will be generated from improved soil health, increased wildlife, and soil carbon on 1000s of hectares of farmland, initially working on four sites -Bishop Burton College (Hull), University of Bristol, Newcastle University and University of Oxford, with up to 15 pilots engaged by the end of the project.
Habitats	Farmed Land
Geographical area	Various
Revenue model	Universities will be able to buy carbon that has been stored in soil and evidenced as such using scientifically robust carbon sampling and testing protocols. They are expecting at least £40 per tonne of carbon sequestered and believe there is a minimum of 40 years' potential for soil carbon recovery. Carbon payments may be via voluntary carbon credits or part of a carbon offsetting or insetting model. Universities will also be able to pay for biodiversity increases evidenced through scientifically robust monitoring by trained students. They may bundle payments, for example by charging an additional £10 for biodiversity increases gained per tonne of carbon sequestered. Alternatively, payments for ecosystem services could be stacked. Post pilot, they will either charge a percentage levy on the ecosystem services payments or charge an FCN membership fee to cover to cost of SOS-UK staff to manage the project going forward. After the pilot they expect to attract £890l per year with an investment model that works for tenant farms on university/college owned land, farms managed by universities/colleges themselves, and universities that do not own their own farmland.
Investment needed	They do not envisage requiring external investment as they anticipate having private investment from their buyers – the universities – who will be sufficiently incentivised to make up-front payments to the farms.

NEIRF2103	South Gloucestershire 'Wild Belt' Small Sites Aggregation Project
Lead organisation type	Public Body (South Gloucestershire Council)
Governance structure	The project will be managed by SGC, aligned with council project management requirements and best practice. There will be a Project Manager and a Project Board to provide governance, track progress against milestones and identify risks and issues, constraints, and opportunities. The project will be delivered by SGC working closely with partners and specialist consultancy support from Eunomia and Avon Wildlife Trust. Eunomia supported SGC in the scoping stage and are well placed to help SGC build technical and investment capacity. Avon Wildlife Trust will provide specialist advice to inform development of a new local 'Wild Belt' designation.
Type of project (investible project/ market enabler)	Standard Project
Budget	£100,000
Innovation	The project adapts Natural Capital Assessment (NCA) approaches and metrics to create a new model for valuing and aggregating benefits for small sites. The NCA model will be used to designate local ‘Wild Belt' and will be applied to the small-site NCA model with Town and Parish Councils and engage communities. The project will also use NCA of council assets as a way of embedding NCA into local decision. Capital funding of £200k Community Infrastructure Levy (CIL) will ‘seed’ a habitat bank that can provide credits.
Key objectives/ aims	The project will extend pilot Natural Capital Assessments (NCA) of council assets to launch a portfolio of investment ready opportunities within locally designated 'Wild Belt' and development of targeted 'small site' methods and deliver over 300 hectares of new or restored habitat, providing environmental outcomes for carbon storage, biodiversity, natural flood management, cleaner water and air, better health, and amenity value. Revenues will be generated from woodland carbon credits, Biodiversity net gain and CSR markets.

Habitats	Urban Farmed land Freshwater and wetlands Woodland Coastal Grasslands
Geographical area	South Gloucestershire
Revenue model	SGC will generate revenue from environmental benefits by: • Quantified ‘units’, verified by a third-party: applicable to carbon (through the woodland code) and biodiversity (via the biodiversity metric); • Quantified ‘units’, non-verified by a third-party: require buyers to purchase outcomes based on an intermediate 'small-scale’ project methodology; • General NC valuations: generate revenue through general support in a more conventional corporate social responsibility (CSR) ‘donation’ model.
Investment needed	Through use of CIL capital funding to seed and ‘bank’ site improvement credits for sale, revenue generated will be reinvested where appropriate in further bankable improvements or purchase of land to operationalise and sustain the model.

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