



This is one of a suite of case studies of NEIRF funded projects, to highlight efforts to protect and enhance the natural environment, while generating revenue from ecosystem services.



RSPB Lakenheath Fen, Thetford | Credit: Sam Turley

RSPB AGGREGATION VEHICLE

HIGH LEVEL SUMMARY OF PROJECT

GOVERNANCE

The RSPB, initially through RSPB Nature Regen Ltd, will operate as an aggregation vehicle for the sale of ecosystem services from habitat creation

AGGREGATION VEHICLE

Selling carbon and BNG units, and land management services from different sites

SELLERS

RSPB Nature
Regen Ltd

BUYERS

Corporations looking to offset their emissions or meet BNG requirements, such as housing developers

Habitats and geographical location



Peatland, grassland, scrub, heathland



Intertidal areas, wetland



Pilot sites include the below, some of which will be taken forward for sales: Otmoor in Oxfordshire, Lakenheath in the Fens, Suffolk, Island Farm in the Humber, East Yorkshire, Warton Mires in Lancashire, Lydden in Kent, Ashill in Devon



RSPB AGGREGATION VEHICLE

PROJECT OVERVIEW

The RSPB has established an investment aggregation vehicle in the form of RSPB Nature Regen Ltd, which will sell ecosystem services to fund habitat creation.

The NEIRF grant funded the financial modelling to establish the vehicle, research on the value of potential land acquisition or land management changes for biodiversity net gain (BNG) unit sales, and work to test assumptions in pilot sites.

RSPB Nature Regen Ltd will act as an aggregator of the ecosystem services that will be produced across its sites. The vehicle will be used initially for carbon unit sales from peatland restoration, BNG sales from grassland, intertidal habitat and scrub creation and off-estate land management services (predominantly wetland and heathland creation).

RSPB selected six pilot sites on land they own:

- Otmoor in Oxfordshire
- Lakenheath in the Fens
- Island Farm in the Humber
- Warton Mires in Lancashire
- Lydden on the North Kent Plain
- Ashill in Devon

All pilot sites were identified as being suitable for the BNG market, and will restore and create 150-200ha of high-quality wildlife-rich habitat in support of the Nature Recovery Network. The areas containing the six sites are likely to see rapid building development over the coming years, facilitating BNG sales opportunities in line with local BNG requirements. Projects have also been designed where possible to deliver water management benefits.

RSPB Regen has already entered into negotiations with buyers for the direct sale of ecosystem services from several locations including both pilot and non-pilot sites. As such, the RSPB's current business model and the financing of habitat creation are not dependent on private investment and are instead based on receiving proceeds from direct sales and, for upland peat restoration, government grants.

However the vehicle may look to attract private investment in the future and is more likely to require this for non-RSPB owned sites, and where the investment required for habitat creation is significant. Separate investment vehicles in addition to RSPB Regen may also be established in future, should RSPB opt to take on more finance.

A pipeline of additional sites is under development and is likely to be ready in 12-24 months, contributing towards the project's overall goal of holding at least 12,000 ha under management within a decade.

Habitat interventions will be delivered jointly by RSPB project teams and RSPB's central Conservation Investment team, based on existing RSPB strategic priorities. The project also expects to expand both focus and scale in the future to explore opportunities in the non-BNG nature market and in nutrient neutrality.



RSPB Lakenheath Fen, Thetford | Credit: Sam Turley

RSPB AGGREGATION VEHICLE

GOVERNMENT ENVIRONMENTAL GOALS

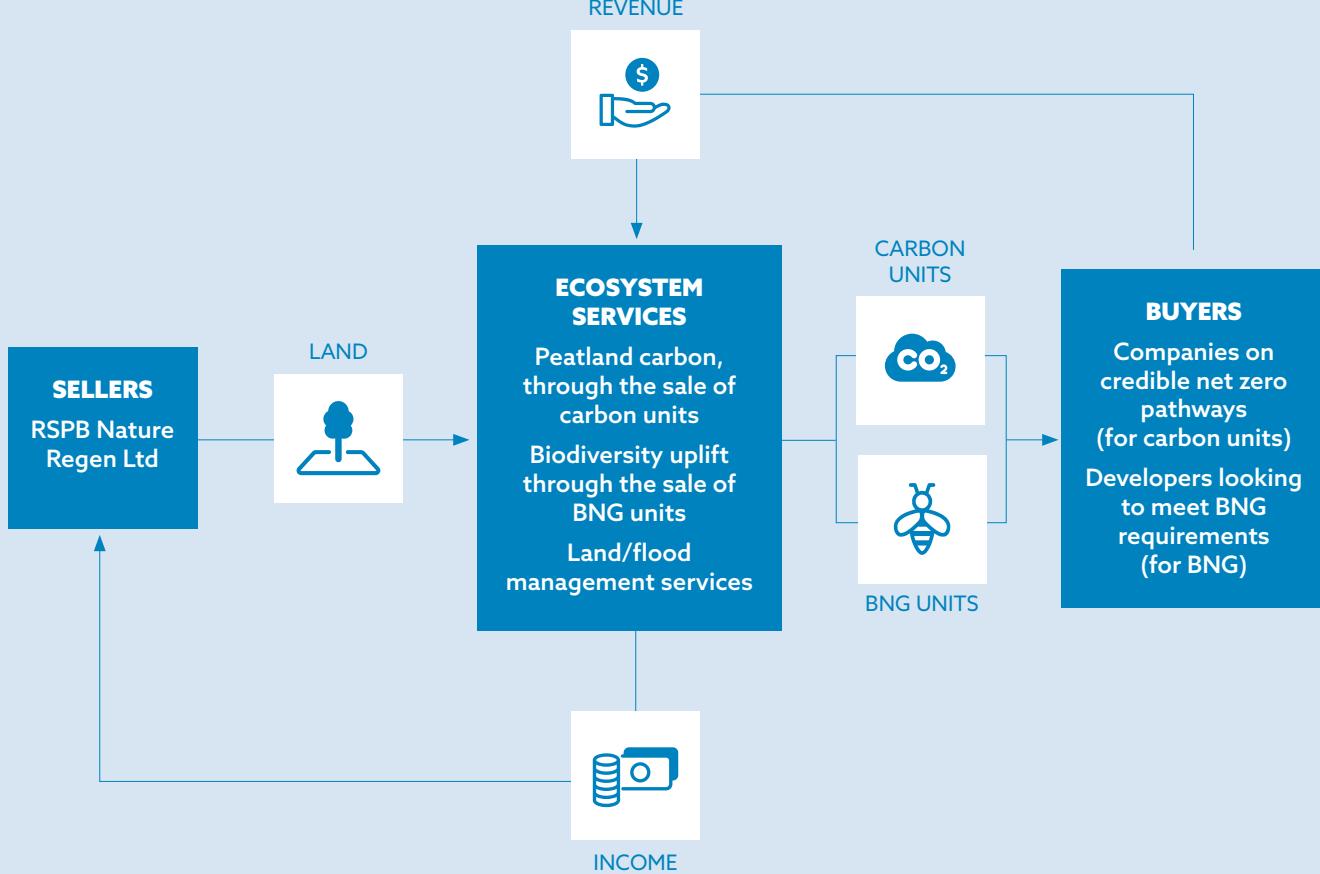
 Clean and plentiful water	The RSPB are in discussions with two water companies around meeting their BNG requirements, including potential expansion of RSPB reservoir/catchment protection projects.
 Thriving plants and wildlife	Pilot sites will restore and create high-quality wildlife-rich habitat. As the project grows, larger habitats will benefit, offering the potential for a more joined-up approach to ecosystem interventions across habitats.
 Reducing the risks of harm from environmental hazards	A number of RSPB reserves provide flood management services. Private finance, should this be sought by the aggregation vehicle in future, can be used to provide protection for more homes and businesses and may increase the projects' eligibility for grant-in-aid government funding designated for flood and coastal erosion risk management (FCERM).
 Enhancing beauty, heritage and engagement with the natural environment	The aggregation vehicle offers the opportunity to create large, peri-urban nature reserves designed to engage large numbers of people with nature. Future building developments expected to happen close to pilot sites are also likely to bring more people to the site areas.
 Mitigating and adapting to climate change	Restoration of agricultural land to semi-natural habitats will help to reduce greenhouse gasses (GHG) in the air. Peatland restoration projects will also be specifically designed with this goal in mind.



RSPB Lakenheath Fen, Thetford | Credit: Andy Hay

RSPB AGGREGATION VEHICLE

REVENUE MODEL



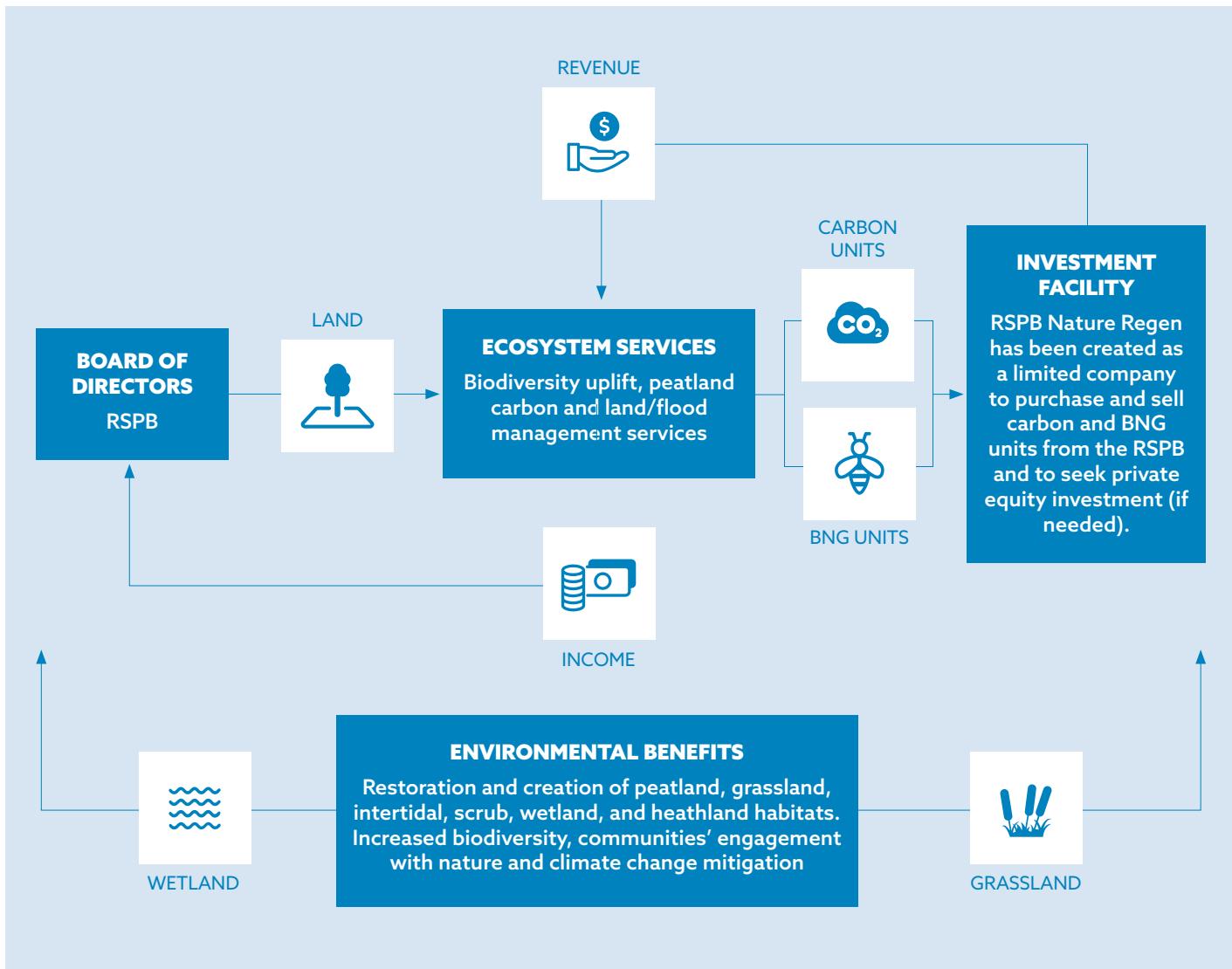
RSPB Nature Regen will receive revenue from BNG and peatland carbon sales and transfer it to the RSPB, where it will be used to cover operating costs. Profits will be gift aided to the RSPB. The aggregation model is conservative and based on serving a small proportion of (<5%) of the expected carbon and BNG markets. Currently the RSPB is fielding demand to meet the carbon target for the next 3-5 years and BNG targets for 1-2 years and already holds land capable of serving these demands – but may purchase additional land.

Many existing RSPB sites are closer to maturity, offering faster yields than new land acquisitions. The buyers for RSPB's carbon units are typically large infrastructure companies or developers who want to purchase carbon or BNG units within a partnership framework with the RSPB that includes wider work to reduce their environmental impacts.

The aggregation model in which a variety of ecosystem services are sold means the project is resilient to regulatory and market changes.

RSPB AGGREGATION VEHICLE

OPERATING MODEL



RSPB Nature Regen directors will include RSPB Council and Board members, and independent external directors with experience in key markets and business management. All other staff, land and assets will initially be RSPB-owned, and directors will make decisions about whether to hire their own staff and purchase assets in the future. The aggregation vehicle will establish internal governance processes to enable engagement with equity finance vehicles, though the business model is not equity-dependent.

Development of RSPB Nature Regen will be managed within the RSPB Income Portfolio, as part of the Conservation Investment Programme. A Conservation Investment Programme Board will manage overall liabilities and support delivery. BNG and carbon projects will be managed through project-specific Boards managed within RSPB

England, and decisions on the sale of carbon or BNG units will require approval by a central RSPB Acquisitions and Disposals Group.

RSPB's creation of RSPB Nature Regen insulates the charity from commercial risks. To mitigate reputational risks, the vehicle will only sell carbon units to organisations on a credible net zero pathway, and only supply BNG units to buyers that have been screened. Strategic marketing will support the sale of each ecosystem service, through a mix of partnership frameworks with larger buyers, holding a passive presence on registers and reactive discussions with smaller buyers. Off-site land management services will primarily be marketed through showcasing successful projects to key partners.

INNOVATION

The key innovation of the project is using an aggregation vehicle as a mechanism for the sale of ecosystem services and potentially to attract investment. Use of the vehicle will enable the RSPB to actively increase private sector engagement in the natural environment without compromising their charitable status or exposing themselves to financial risk. It will allow private companies to meet their BNG and net zero targets without the need to finance entire projects, and will enable the RSPB to benefit from the economy of scale in sales that the vehicle will facilitate. In the long-term the model is set up to run at minimal cost in perpetuity alongside the RSPB.

SCALABILITY AND REPLICABILITY

The project aims to expand into nutrient neutrality and other non-BNG markets. All the pilot sites have the potential to be scaled up, some to landscape projects. The delivery pipeline is currently being expanded through an area-by-area review of the RSPB estate.

The RSPB is also further considering its land acquisition process in light of project learning around environmental markets. Since direct sales can be a viable route for financing projects, providing that negotiations and financing needs are not urgent, the RSPB may in future look to line up more non-RSPB land for nature.



LEARNING POINTS

- **Learn as much as possible** with the aim to become an 'expert client' when working with financial advisors and environmental market consultants. Gather and build knowledge about natural capital markets and investments as this will help in making informed decisions.
- **Consider and model a range of finance options** for natural capital projects, including direct sales

- **Review internal processes, for example land acquisition**, and their fit with both environmental markets and finance demands. Be willing to adapt.
- **Ensure the governance model is fit for purpose** and that it will enable project objectives. Focus on essential governance and essential processes as a starting point.

WOULD YOU LIKE TO KNOW MORE?

If you would like to learn more about the RSPB Aggregation Vehicle, please get in touch with the RSPB Conservation Investment Team at conservation.invest@rspb.org.uk. For questions regarding NEIRF, please contact NEIRF@environment-agency.gov.uk.