

Exploring ecosystem markets for the delivery of public goods in the UK: executive summary

It is widely recognised that environmental restoration and conservation challenges go beyond what can be financed publicly and there are significant opportunities for private investment in the delivery of public goods, benefitting both commercial organisations whose business relies on ecosystem services, as well as landowners, land managers and the general public. Thus, public-private financing of natural capital improvement presents an opportunity to increase the availability of funding for payments for ecosystem services that provide environmental and societal benefits.

Public-private partnerships for the financing of ecosystem services is in its infancy in the UK. Several schemes are in the theoretical stages of development, or in the early stages of developing trades. However, the number of public-private partnerships and the ecosystem services market is increasing in scale and scope.

This research explores the voluntary ecosystem services market in the UK. It does this by identifying key actors involved in payment for ecosystem services schemes, trading platforms and supporting modelling tools. This is achieved by developing an understanding of how these actors operate, and by identifying possible synergies, examples of good practice and challenges to implementation.

Topics covered include, understanding how the identified actors account for the social distribution of ecosystem services, how values are attributed to ecosystem services, and the legal obligations linked to ventures' operation.

An online review of the UK's ecosystem services market was conducted, identifying several UK public/private schemes and partnerships, as well as platforms and modelling tools that facilitate the delivery of and act as a driver of the UK's voluntary ecosystem services market. These are collectively referred to as 'ventures' throughout the report. In-depth interviews were conducted with two ecosystem services schemes (the Woodland Carbon Code (WCC) and the Peatland Code (PC)), two stakeholder engagement initiatives (Landscape Enterprise Networks (LENS) and the Natural Infrastructure Scheme (NIS)), the trading platform EnTrade and biophysical modelling tool, Viridian Logic.

We find that organisational structures that ensure transparency and reduce the potential for power asymmetries are important for successful implementation.

Farmer/landowner engagement presented a challenge for all ventures. Treating farmers/landowners as equal transactional partners was recognised to be fundamental in ensuring a long-term commitment to the delivery of mutually beneficial ecosystem services.

Additionality presents a concern, with potential for private investment to stall if it is not possible to demonstrate (through evidence) that interventions would not happen without it. Stakeholder engagement initiatives need to supply more evidence on achieving additionality, perhaps adopting similar additionality tests to that used by the Woodland Carbon Code and Peatland Code schemes.

Explicit integration and consideration of the wider social distribution of ecosystem services was low and there is limited evidence that the ventures are actively considering the wider social distribution of the ecosystems services or defining wider beneficiaries of the public goods that they deliver.

The value of a given ecosystem service across all schemes was negotiated between demand and supply side actors based on market demand and 'willingness to pay'. However, for LENS and NIS which consider a range of public goods, the quantification of benefits is still challenging.

The legal instruments used to deliver each scheme varied within and between ventures, with direct contracts used in most cases. Ventures were mindful that binding legal arrangements (e.g. environmental covenants) could be a barrier to participation but recognised that contracts needed to be both robust and flexible, particularly in the case of long-term landscape interventions where suppliers and/or the interventions may change over time.

Understanding how ventures operate and the synergies and differences between different schemes, trading platforms and stakeholder engagement initiatives will support better integration of public and private finance within ecosystem markets, broadening the range of outcomes and the scale at which these can be delivered.

