

Via email to individual Kent & Medway MPs

Kent Nature Partnership
and Kent Rural Partnership
c/o Kent County Council
Invicta House
County Hall
Maidstone
Kent
ME14 1XX

18 January 2023

Dear (Kent & Medway MP)

Joint letter from the Kent Nature Partnership and the Kent Rural Partnership

Both the Kent Nature Partnership and the Kent Rural Partnership, feel that the opportunities to achieve nature recovery through diversifying land owners' incomes streams are an exciting development. However, we are concerned that the current speed of policy development is creating uncertainty amongst landowners and putting this potential at risk.

In this joint letter, we set out the issues in the hope that you can help us move these important areas forward and we would of course be happy to meet with you and discuss.

The income streams we refer to include Environmental Land Management Schemes, together with new private sector funding through Biodiversity Net Gain, carbon offsetting, water quality enhancement and flood alleviation.

Generally, we have the impression that many landowners and farmers are interested in supporting these schemes, but research undertaken for the Defra Test & Trial on Natural Capital & Blended Finance, being carried out by Kent Wildlife Trust, is showing that many of those interviewed are cautious, given the uncertainty over policy, and they are also concerned that landscape schemes appear overly complex.

In the light of this, we have set out a few areas, where with your help we might overcome some of these issues and speed up policy, legislation and implementation and resulting market development in these areas, to the benefit of both nature recovery and the people of Kent and Medway.

Biodiversity Net Gain (BNG)

This is an area in which, due to it becoming mandatory during 2023, we are finding that landowners have a particular interest. However, the concern is whether a BNG payment requiring a 30-year commitment should be treated as capital or income for tax purposes and, if capital, how should management costs over the 30 years be treated? It is also unclear what funding will be available after 30 years to enable landowners to continue to manage what are likely to have become very important habitats. This must be addressed in the forthcoming national policy framework. Without clarity, farmers are less likely to tie land up for 30 years for BNG, forgoing more established income streams in the process and possibly losing rights to other income streams over a longer term. Most land managers take a multi-generational view of their stewardship and would be making decisions which could have a disproportionate negative impact on future generations.

Publication of secondary legislation for the Environment Act

We understand that national policy framework or secondary legislation for the Environment Act will be available by the spring, containing further guidance on BNG. It is vital you ensure there is no further slippage on this deadline. Only then can some of the concerns outlined above be addressed. Kent County Council and Kent Nature Partnership will then be able to shape local BNG policy further, providing some of the clarity that landowners need. The national policy framework will also be vital for taking forward the Kent and Medway Local Nature Recovery Strategy and initiatives such as Environmental Land Management Scheme (ELMS). The latter will be a key driver for farmers, particularly in combination with the other forms of revenue from environmental services mentioned in this letter. Please can you use your platform to help ensure that all these areas stay on track.

Carbon sequestration

We have evidence to suggest that the market demand particularly from larger business is strong but that availability to provide this through local native habitats is being limited due to policy uncertainty and big variations in carbon unit prices. UK voluntary carbon offsetting needs to explicitly address both supply and demand side integrity, taking full account of the co-benefits of restoring native habitat, and ensuring that carbon units are only sold to companies that are also reducing their emissions. There are carbon standards being used in agriculture and other industries developed and available now to provide this assurance, including the Kent Wildlife Trust developed "Wilder Carbon Standard for nature and climate". These standards need to be reviewed by Government and backing given to a national standard. This will be able to help overcome some landowner's perceptions that they will be disadvantaged by early participation in this emerging market. However, delivered well, this type of climate finance has potential to help tackle the joint climate and ecological crisis, while at the same time opening up new business opportunities.

Tax

An important disincentive for all these schemes is lack of clarity in relation to tax. For example, land managed for agriculture is exempt from inheritance tax through agricultural property relief, but the inheritance tax consequences for land managed for nature are less clear, especially when there is a long-term commitment to manage it for nature. This uncertainty could be removed by re-defining "agriculture" to include land managed for environmental purposes. It would be helpful for us if you could take these issues up with Government colleagues, so that clarification can be provided, because it would mitigate a significant risk affecting land managers.

Conclusion

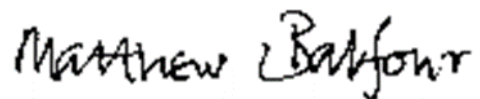
Many of the questions in this letter, should have been resolved some time ago and this means that farmers and landowners feel unable to commit to projects funded through Nature Based Solutions, such as BNG and Carbon Credits, even if the will is there. It is vital that action is taken now to resolve these issues and ensure nature recovery efforts are not delayed any longer.

The government has a crucial role to play in fostering private sector demand in high-integrity ecosystem service markets, using regulation and robust certification to give investors' confidence in a variety of nature-based solutions.

Both the Kent Nature Partnership and the Kent Rural Partnership want to ensure that the current uncertainties in these areas are removed, and complexity reduced, in order that we can fully support you and help to implement these vital areas of policy on the ground.

This opportunity to take forward nature recovery, while at the same time diversifying income streams for land managers needs urgent attention if it is to be turned into the success story which future generations will thank us for.

Yours faithfully, Matthew Balfour

A handwritten signature in black ink that reads "Matthew Balfour". The signature is written in a cursive, slightly slanted style.

Chair of the Kent Nature Partnership and the Kent Rural Partnership