

Capturing carbon and trading

Land agent and surveyor expert **Hugh Townsend** explains how farmers can sell the carbon their farm captures



OVER the past few years, Government policy has led to an increase in demand for woodland carbon projects with the Committee for Climate Change of 2019 building upon the Climate Change Act 2008.

Stating a target of net zero carbon emissions by 2050, this makes the UK the pacesetter amongst the major world economies. All companies from April 2019 are encouraged to measure and report their greenhouse gas emissions, whilst large companies have to do so by law.

Many businesses have also already started to look at tree planting and carbon trading to offset emissions. The 2050 targets will probably only be achieved through a series of incentives/penalties to encourage offsetting, thus the market for carbon units has significant growth potential.

Townsend Chartered Surveyors as the UK's market leader in trading BPS entitlements (and previously milk, beef and sheep quota, and other EU subsidies) is always primed to make the most of such new developments and opportunities for their clients. In this case the creation of new woodland or restoration of peatlands, and the subsequent selling of 'captured carbon' in the open market.

Currently European businesses in some sectors, such as energy, are subject to the EU Emissions Trading System (which the UK remains part of until 2021) which penalises them if they do not either cut emissions or buy allowances from others which have done so. One way businesses can avoid a penalty is to offset their carbon emissions with the purchase of "units" of captured carbon, but under current rules these can only

come from abroad. By contrast, the UK-based carbon market, for the moment, is only driven by businesses wanting to self-regulate their off-setting, to prepare for future legislative offsetting requirements, or to be seen as "green" as possible in their marketing.

However, the Government stated in their Clean Growth Strategy their goal to create a more robust internal carbon trading system, with captured carbon playing a central role. We therefore expect to see a rapid increase in demand as the Government is set to apply a legal requirement for businesses to offset in order to meet the UK emissions target by 2050. It may also allow for international trading under the UN's new carbon trading system currently in development under Article 6 of the Paris Agreement.

The UK supply of tradeable Carbon Units will predominantly come from land use activities although there are/will be other ways of capturing carbon. Whilst growing trees is most talked about, we can see the government will encourage also a change in farming practices to increase carbon capture. These changes may be paid for directly via an ELMS (Environmental Land Management Scheme agreement), but the Clean Growth Strategy also states the Government is exploring a variety of land use activities for its new carbon offset trading system, which could possibly include capturing carbon in soils and other good farming practice.

Woodland Carbon Code (WCC)

The WCC is the Government approved voluntary standard for UK woodland creation projects where the landowner wants to verify and trade the carbon dioxide they



► Planting new woodland could help to provide an alternative carbon income from poorer land Warren Gunn

sequester in the new woodland, and is administered by the Forestry Commission.

Carbon is sequestered or 'captured' by woodland, measured in the form of the Woodland Carbon Unit (WCU). This term is used to represent the amount of carbon dioxide removed by a certain amount of trees per year. The Unit represents a tonne of carbon dioxide captured in verified woodland which can then be purchased by companies to offset emissions or to claim carbon neutrality for the business. The WCC report that landowners with new woodlands which meet the standards set out in the WCC have initially sold carbon upfront to companies for between £5 and £15 / tCO₂ and more. A new native woodland can capture 300-400 tonnes of

CO₂ equivalent per ha by 2050. This would on average represent £80 per acre per annum, and is predicted to rise with the expected increase in demand.

A business wanting to offset its future emissions may also purchase a Pending Issue Unit (PIU) which is in effect the future deliverance of a predicted WCU over a period of time. Whilst this cannot be used to offset UK based emissions until a WCU is verified, it does allow a business to plan for offsetting future emissions. The WCC provides the standard for verification of WCUs, and this allows a purchaser assurance that any units purchased are actually providing the carbon capture they are paying for. The WCC requires woodland to be rechecked every 10 years.

Woodland Carbon Guarantee

In addition the Government has introduced the Woodland Carbon Guarantee (WCG) to support and encourage the planting of new woodland. This scheme guarantees that a landowner will be able to sell their WCUs to the Government for a pre-agreed price every 5 or 10 years up to 2055/56. You would still have the option to sell via the open market should prices rise above the pre-agreed price, but would retain the security of a guaranteed minimum price from the Government. Being accredited under the WCC is a requirement to be eligible for the Government's WCG.

In these times of 'public money for public goods' and the upcoming loss of Direct Payments, landowners need to make some tough decisions on whether their current mode of business is still viable without BPS payments. Woodland schemes could help provide this alternative carbon income from poorer land as well, of course, the future income from timber products including seasoned firewood, wood fuel, the thinnings and final crop of timber.

Under Grazed Low Density New Woodland

There is also potential to use an agroforestry system to generate WCUs

without taking land out of agricultural production. In this instance you would combine grazing with low density woodland to gain three sources of income including currently the BPS payment.

Peatland Code

Peatland restored under the Peatland Code works in a similar way. Projects have a set of standards and procedures which allow carbon buyers assurance that their carbon units have a verified status, providing confidence in the market. Whilst still at an early stage (the first Peatland Code validation was awarded in 2018), the market value, supply and demand is expected to surge as the Government legislates for carbon neutrality across the country.

Farm Carbon Trading

We have available for sale carbon units from individual farms who are carrying out intensive management of their soils with special crop rotations, which can capture up to 7 tons per acre pa @ £15/t; £105/acre, £260/hectare. This type of farm management aims to replace the Basic Payment and make the most from ELMS in the future. If you would like to know how to sell the carbon your farm captures please contact us.

What we can do for you

■ We can advise on establishing woodland (including applying for grants from Countryside Stewardship, the Woodland Carbon Fund or the HS2 woodland Fund) that is approved by the WCC, and the validation and verification process;

■ We can advise on farm land carbon capture with a view to selling the carbon units;

■ We have a register for trading woodland and farm land carbon units including Pending Issue Units, if you are considering taking advantage of the new carbon market.

■ **Hugh Townsend, FRICS, FAAV, FCI Arb.** is the land agent/surveyor expert of WMN Farming and he may be contacted on 01392 823935 or htownsend@townsendcharteredsurveyors.co.uk