

Opinion: ‘Do it yourself’ gives best biodiversity net gain returns

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As a way of replacing Basic Payment Scheme monies, selling “natural capital” in the form of biodiversity net gain (BNG) could be the most effective.

While still an emerging market, along with carbon and nutrient neutrality credits, BNG has the potential to create significant money if handled correctly.

There are currently a number of “off-market” packages being offered to landowners.

See also: [Biodiversity net gain – what farmers should consider](#)

About the author

Hugh Townsend is a chartered surveyor, an arbitrator and a regular industry commentator, based in Devon. Here he sets out why he thinks farmers should take responsibility for trading their own natural capital.



One option is to lease out your land and allow a third party to take the BNG units. But how does this compare with creating and selling your own BNG units?

Under the lease option, the tenant (or “operator”) leases your land for 30-plus years on an annual rental and they complete the works needed to create the BNG units (or you could do the works for them and receive an extra payment).

Alternatively, you can do your own BNG land assessment report to identify suitable habitat improvements, sell the units directly to a developer for an upfront payment, and do the works.

Do your own improvements

This latter approach will potentially result in significantly more money in your pocket.

This is a result of you owning the BNG units and keeping the sale proceeds. You will be responsible for the costs of the sale process and the costs of the habitat improvement.

However, most farmers would find this well within their capabilities and you are most likely to do this anyway for the higher payment (up to five times the rental payment) from the operator if letting your land out.

While emerging market prices are uncertain, the sale proceeds can be significant. It may appear something of a gamble compared with settling for a guaranteed annual rental income.

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However, case studies show that leasing the land to an operator could leave you with as little as 14% of the gross BNG sale proceeds, or even less after account is taken of interest and capital growth lost on the delayed annual payments over the 30 years.

There are some at less than 5%.

An independent agent, acting for you alone and selling on the open market, should yield more than 90% of the gross sale proceeds, paid upfront.

Annual payment guarantee

Another consideration with the leasing model is how secure the guarantees of annual payments are. That will depend on the structure of the arrangement and what is classed as “fulfilling the conditions”.

It is difficult to say without seeing the details of each guarantee what would pass as fulfilment, or whether, in the event of liquidation, any future creditors might also have claims.

One needs to avoid being “left carrying the baby” for 30 years without any payments.

Farmers/landowners in emerging markets of this type have been stung before – for example, with the milk quota in the mid-1980s, and again in 2005 with the allocation of single farm payment entitlements.

We may not really know how reliable such guarantees are until they are tested in the courts.

During my 40 years of brokerage and handling eight government-created emerging markets, similar to BNG, there will always be some teething problems.

Transparency is key, and this will happen when sale prices are reported nationally, as happened when we published the first milk quota prices in 1990, and when it is clear how operators are involved in these intangible asset markets.

The potential is there, however, for landowners and developers to create an efficient, open market, with [significant benefits for both parties](#).

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