

Farm Woodlands

Information Sheet



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Woodland Creation and Carbon Sales

With the strengthening global concern around climate change and the impact our emissions are having across the globe, companies and countries alike are searching for a solution to try to cool our climate and capture the vast quantities of CO₂ that have been created since the industrial revolution. Trees have the potential to play a major part in the global effort to solve the climate crisis we currently face.

Carbon Capture

Scientists now believe that reducing our greenhouse gas emissions will no longer be enough to prevent global climate warming beyond targeted levels, and that active carbon capture (sequestration) will be required to reduce the impact of carbon dioxide which has already been released into the atmosphere.

In order to lock up this atmospheric carbon, many governments are looking to trees and woodlands as a potential solution. Trees are very effective natural carbon sinks, capturing large amounts of carbon via photosynthesis throughout their lifespans – it is estimated that in Scotland alone, forests remove around 9.5 million tonnes of CO₂ from the atmosphere each year. As such, there is a real drive underway to create new woodlands and increase global forest cover in order to deliver carbon reductions on a large scale.



Woodland Creation & Scottish Government Support

The Scottish Government is very clear in their support of woodland creation, and to support the ambitious planting targets set out in Scotland's Forestry Strategy 2019-2029 there are a number of generous grant packages available for landowners to incentivise woodland creation through the Forestry Grant Scheme (FGS).

Find details of the FGS at www.ruralpayments.org/topics/all-schemes/forestry-grant-scheme/

Carbon Trading

The Carbon trading market has been growing steadily in recent years, but in the past 18 months this market has grown significantly. The basic principle of carbon trading is that landowners are paid to help plant woodland creation projects by companies and individuals looking to offset their emissions – creating an additional financial incentive to landowners to grow trees, and an affordable way for companies & individuals to offset carbon emissions without having to buy and plant land themselves.

At present, Carbon Sales in the UK are administered through the Woodland Carbon Code:

www.woodlandcarboncode.org.uk

Woodland Creation & Carbon Sales continued

Eligibility

There are conditions required to be met before Carbon Sales can be considered in the UK (as laid out in the Woodland Carbon Code);

- Projects must be registered with a period of between 2 years before to 2 years after planting begins, and must be validated within 3 years of registration. If Carbon Funding is applied for after planting has commenced, the project developer must evidence that carbon finance/offsetting was considered during the planning process– e.g. within cashflows or planning documents. The project must also have a clearly defined term, not exceeding 100 years. Validation must be undertaken by an accredited provider (details of providers can be found on the Woodland Carbon Code website).
- Only new woodland creations on viable soils (not peat deeper than 50cm) are eligible. Applicants must prove sites have not have been under tree cover for at least 25 years prior to the woodland creation.
- Legal ownership (or tenure for the project duration) must be demonstrated. This must be confirmed at each verification point after validation (typically every 5 years).
- Compliance with Law, and Conformance with UK Forestry Standard – the project must be managed to conform with UK best practice and all relevant laws/guidance relating to sustainable forest management.



Additionality

Additionality is a term used by the Woodland Carbon Code to mean that the new planting would not have occurred without carbon funding input, and is subject to the below tests:

1. **Legal.** Woodland Creations that are required by law (e.g. court orders, planning decisions, legally binding agreements) are not eligible. Compensatory planting to replace felled areas are also excluded. Restocking obligations are similarly excluded.
2. **Contribution of Carbon Finance.** Projects need to demonstrate that income from carbon sales equates to at least 15% of project costs for planting and establishment up to and including year 10 of the project. This analysis can include site preparation costs, planting and establishment/weeding costs for first 10 years, but must exclude the costs associated with infrastructure improvements such as car parks, land acquisition costs, loss of income from other streams (eg agricultural income).
3. **Investment.** Projects must demonstrate that without carbon finance, the project would either be less profitable than another land use (such as grazing), or would not be economically viable at all. This test looks at all costs and revenues for the full duration of the project, in contrast to test 2 which looks at the first 10 years of the project.
4. **Barrier.** IF test 3 cannot be passed, there may be a case to prove that other barriers exist which would prevent a woodland creation project from occurring (financial, social or environmental barriers). If it can be clearly evidenced that Carbon Funding allows a woodland creation to occur and overcome barriers, this test can be used in place of test 3.



The price of Carbon Units fluctuates greatly due to the wide number of variables involved in woodland creation. However, Carbon Funding is now a valuable source of income for landowners, capable of generating significant additional revenue in some cases, and given that this funding can be combined with existing FGS grant support options, many landowners have found that woodland creation has suddenly become a viable method of diversifying their business income streams and building business resilience in a manner which would not have been possible before the addition of Carbon Funding.