

Sustainability Committee

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Further Evidence from the Welsh Association of National Parks

A possible business model for deploying agri-environment schemes: attracting inward investment to ecosystem management in response to TEEB

In order to accelerate the emergence of ecosystem evaluation, the following approach to investment could be explored, using agri-environment schemes as a model:

A combination of larger landscape-based projects and smaller 'start up' projects.

Rather than the Government purchasing ecosystem services (PES) from the farmer or other landowner, the smaller projects would be invited to bid for a smaller start-up 'loan' (or other suitable arrangement) through the agri-environment scheme to incubate new land management-based enterprises in soil, water, renewable energy, woodland and biodiversity management, as a means of improving the farm's marque value of its food and livestock enterprises.

Local conservation organisations would offer support through an expanded and 'collegiate' Farming Connect to advise these start-up businesses, drawing in other advisors too.

The marque value of these new businesses would be expanded through sustainable tourism and local businesses, which in turn would benefit from the outputs and outcomes of the new farm ventures.

The advising bodies and other stakeholders would also help to draw in external investment and corporate sponsorship from sectors that from now on will be looking to invest in carbon and water management and renewable energy, as a means of fulfilling their climate change obligations. Land-based resource management projects offer a long term and secure investment because these land resources are always there, providing permanent and essential ecosystem services whilst they are well managed. This sort of investment would be viewed as a 'sure thing' by investors because the supply would be renewable rather than finite; and the seed capital would have been provided by the agri-environment scheme.

It is not inconceivable that the private sector might wish to collaborate in order to create additional agri-environment schemes in fulfillment of their public obligations and commercial advantage.

The Welsh Assembly Government would be guaranteed a 'return on its loan' because the start up businesses would be incentivised by the need to maximise and grow the marque value of their products, i.e., they would want to put in the work to make it successful, calling in the advice and assistance offered when it's needed in order to help guarantee a positive outcome.

Corporate support would also guarantee this because providing public benefits will become mandatory either through legislation or public demand; allowing the supported farm businesses to fail would not be an option. This would also ensure careful selection of the start up ventures to receive support.

The success of the start up venture would provide the Government/agri-environment funder with a market basis for monitoring the success of this element of the scheme; therefore detailed biological monitoring "might" "not" "always" be required because the higher the market value, the higher the return based upon the quality of the ecosystem providing the service.

The funder could even require a guaranteed capital return on the start up capital above a certain threshold, to be re-invested in another start up, or they could require the customer to do this for them, thereby keeping the agri-environment money circulating and growing rather than dwindling in supply as the equity declines as it would in the PES model.

This approach would create diversified and localised markets in different parts of Wales, which a single agri-environment scheme cannot really do without being heavily prescriptive. This diversity would have more resilience and adaptability than a one-size-fits-all approach; resilience is vital in the new economic and environmental climate.

A diversified and localised market would be more likely to grow, based upon the expansion and multiplication of strong and successful models and the increased localised confidence and positive feedback encouraging more people to become involved.

It would also invite new interest in land management and farming, to help build the confidence and entrepreneurship that will be essential beyond the 2013 CAP reforms, as well as raise the profile of this modern approach to integrated land management.

Larger landscape-based projects could be developed as cluster projects to provide a framework involving other initiatives to maximise the benefits of natural resource management, for example localised food production, wood biomass, hydro-electricity generation, linking with smaller site-based projects (such as county Wildlife Sites management), education and interpretation projects, and so on.

The smaller start up projects would find further support and gain contextualisation from the landscape scale projects.

Initiatives such as The Green Valleys Organisation (see www.thegreenvalleys.org) could be invited to assist with the development of community-based carbon neutralisation projects, where for example investment in small scale, community-based hydro-electricity

generation produces a profit from feed-in tariffs, which is then invested in further energy projects, as well as local food production and upland and wetland habitat restoration.

Creating this sort of independent social enterprise could be a very cost-effective model for investing agri-environment cash too, producing real socio-economic returns that have public value because they can be measured in terms of publicly beneficial outcomes, as well as cash.

This cost-effective and repeatable approach would help to ensure that a real, resilient and growing market is established for ecosystem services and public benefits. It offers real scope for agri-environment schemes to buy much more than a simple one-off transaction paid to individual farmers and landowners; it guarantees a real entrepreneurial market rather than a range of single PES 'events' based upon what Glastir can afford. It keeps the money circulating.

Finally, many of the ecosystem services in discussion are dependent upon marginal farm enterprises in upland and coastal Britain, within the LFA. Therefore any discussion of ecosystem services must consider the likelihood or not of future economic viability of these farm businesses, either as pure food-based enterprises or as high nature value enterprises that use the value of ecosystem services to help offset the less profitable parts of the farm business. Also, the possibility that there may be fewer LFA farms in future and less LFA land in production as a consequence of demographic changes in the industry cannot be ignored. How might this affect ecosystem service management and the distribution of semi-natural habitat?