

Exploring voluntary carbon markets in Scottish agriculture: A consultant view

Key findings & summary

Objectives of the workshop:

- Hear perspectives from consultants working in the carbon market space
- Consider the role of consultants in facilitating functional carbon markets
- Enable us to support and serve clients on carbon management
- Identify knowledge/support/training needs for advisory stakeholders

There was a large amount of interest in the workshop, which drew 49 participants from a range of backgrounds across agricultural and land consultancy firms, research and public sector organisations.

Key findings

Opportunities for consultants and farmers in agricultural carbon markets

- *For clients*
 - *Financial returns/new income stream – potential could be quite large, though variable according to source; certainty around woodland potential clear, peatland slightly less, and soils quite uncertain*
 - *Adding value to land, esp. unproductive land*
 - *Net zero products, and ability to (green) market these (i.e. indirect financial return)*
 - *Meet CSR requirements for products/supply chains*
 - *Better supply chain integration*
 - *Diversifying income/enterprises*
- *For consultants*
 - *Developing new knowledge to meet evolving demand, and providing the right kind of advice to clients*
 - *Providing new & specialist services to clients*
 - *Work comparing project developers and methodologies on behalf of governments and regulators*
 - *Role as honest, fact-checking brokers – part of building trustworthy credits and markets*

- *Broader opportunities*
 - *Innovation in standardised, accessible and affordable carbon auditing*
 - *UK level accrediting body/independent brokers – independent verification ideally needed by someone, a current gap?*
 - *How can agriculture offer nature-based removal alternatives to tech?*

Risks to farmers, consultants and the wider sector of carbon markets

- *Sources of risk*
 - *Unregulated markets – who knows what you are signing up to, rogue actors discrediting particular schemes, mixed evidence and anecdotes, risk of double counting and farmers losing out long term because of this*
 - *Lack of trusted market structure – auditing, monitoring, methodology etc.*
 - *Issues around measurement and methodology – how measurable are sources of carbon credits? Are they being measured the same way, and can they be? What are the margins of error in measuring? How costly is measuring reliably? Will current methodologies available be compliant with unknown and more rigorous standards in future? Risk of comparing unlike systems and methods of accreditation*
 - *Misconceptions about the potential of carbon sequestration/offsetting and income versus reality*
 - *Long term carbon contracts – who knows where the price will go, potentially selling cheaply, locked into a contract that disadvantages farmers etc.*
 - *Questions about attribution and legal right to carbon credits, e.g. landowner vs. land manager, tenancy rights and contracts component, lack of current standard legal framework – is this even possible, and should it be recommended etc?*
 - *Proof of permanence – penalties for change of management or loss – how feasible is this, what will the economic penalties be and who to, what is the role of insurance here in mitigating this, do the risks increase as climate adaptation becomes more important etc. Issues of liability – what happens if practices change?*
 - *Overlap between premium carbon credits and biodiversity credits – double counting risk. How to coordinate the natural capital markets? Especially where some areas of methodologies and reporting are far more advanced.*
 - *What is the interaction between public and private funding? Farmers unsure which to go for, and whether one will disqualify from another, or actions will not fully be recognised etc.*
 - *Lack of clarity about what actually is ‘carbon farming’*
 - *Selling off of carbon assets and potential for agriculture could leave the sector in a position where it cannot reach net zero itself – should the sector be looking to offset its own emissions before being able to sell carbon credits? Or is there scope to sell high value carbon credits with wider social and environmental capital included in the price (e.g. biodiversity), and buy in offsets from more cost-effective external carbon credit sources?*
 - *Risk of the lottery of land, land type and environment available to land managers will naturally benefit some more than others, and some much more limited by this to implement carbon sequestration/offsetting, and will be at a financial disadvantage*

- *Implications of land use management and change on the wider landscape & community – unintended consequences of land use change, e.g. locking up land into woodland etc. required for permanence – decisions being made on a land parcel basis, rather than considering local/regional/national picture & strategy*
- *Risk of records being lost, especially if very digitised, and security of records*
- *Impact of risk*
 - *Variability of quality and value of products – how to compare between, how to put a price on the carbon credit in the marketplace, and who decides on the criteria for this, lack of rigour and accountability in many current offerings*
 - *With the future unknown, land managers are unwilling to enter into it – don't want to get in too early and sell cheap, but don't want to get in too late and miss the best price opportunities or commercial advantage*
 - *Cost of implementing to best standards possible – high transaction costs, minimum expense needed – risk that it polarises land managers further, between those with large resources and investment potential versus smaller operational farms – this is already happening*

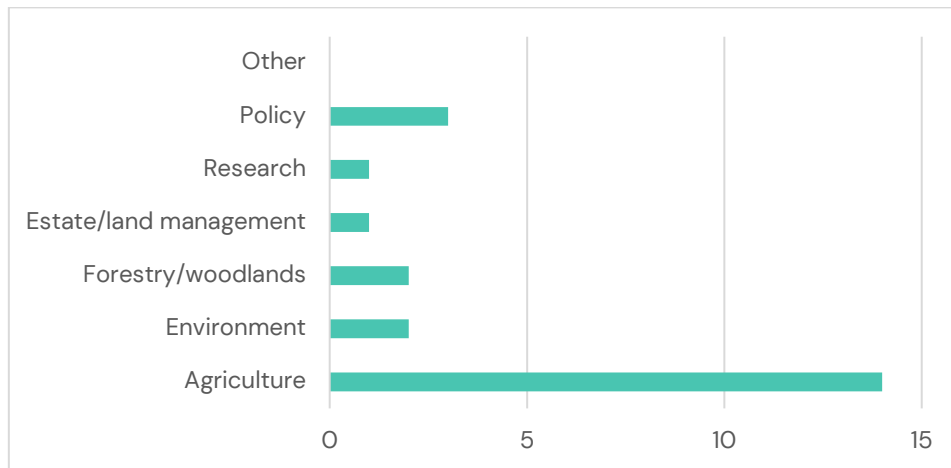
Barriers to establishment of and engagement with carbon markets

- *Lack of regulation overall*
- *Lack of standardised contracts for all stakeholders in projects*
- *Lack of brokerage to manage investment at scale to improve costs – currently high transaction cost, risky reward, low return for farmer*
- *Lack of (farmers') knowledge about the carbon market*
- *Funding and cashflow (for farmers) – investment needed to generate credits*
- *Farmer mindset e.g. on marginal land, about farming a non-tangible asset etc.*
- *Skills gap across the whole rural and agricultural sector – training & expertise needed*
- *Lack of trust in carbon markets – how do people know who to trust, where to fact-check, what's a reliable source of knowledge?*
- *Need to link carbon credits with all other wider natural capital credits, and complexity of doing so*
- *Uncertainty as to whether market regulation should be industry or government led*
- *Margins of error and uncertainty around science of soil carbon sequestration, and variability in measuring and reporting this – also the fact that research is evolving in this area and what might this mean for the future value of carbon credits verified based on current methods*
- *Tenancies and shorter-term contracts for farmers, plus issues around who has the right to claim carbon benefits from action, currently disincentivising actions by some managing the land*
- *Lack of policy clarity preventing people from assessing the balance of potential income streams from public versus private sources in the longer term, and exploring opportunities to adapt business to take advantage of these – a risk to long-term sustainability of farming businesses and livelihoods*
- *What are the role of price guarantees and other similar market structures to remove barriers to entry and increase uptake at early market stage?*

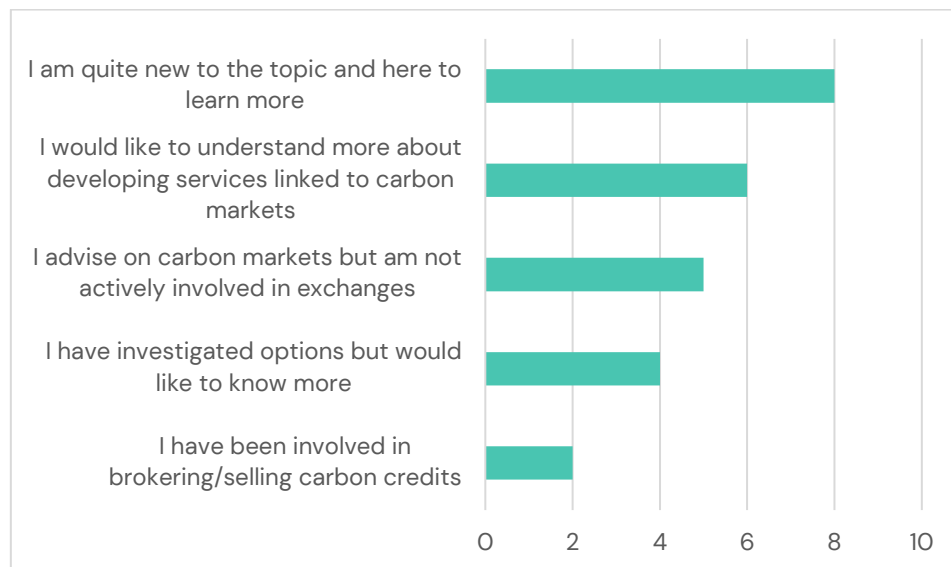
Poll results

In between the breakout sessions, participants responded to several poll questions to learn more about who was in the room. The anonymous results of each poll were shared with the attendees during the workshop, allowing them to see a snapshot of this sample of the consultant community. The poll questions and results are as follows:

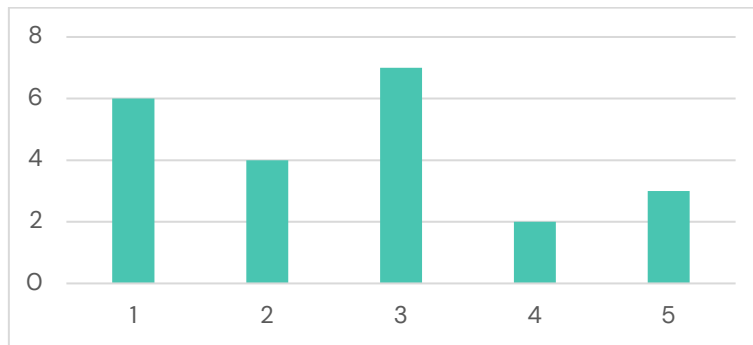
- a. What is your main area of work? (n=23)



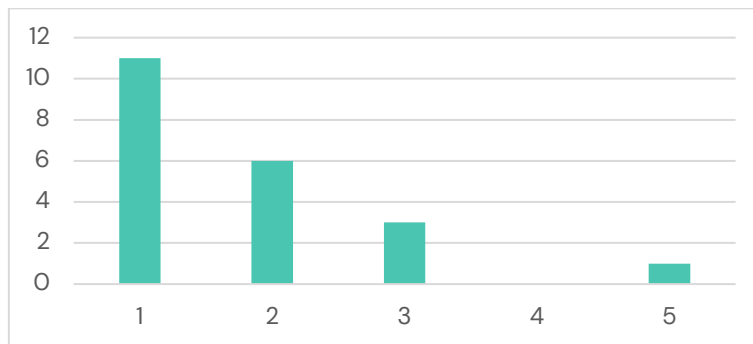
- b. What is your current level of engagement in carbon markets? (n=25)



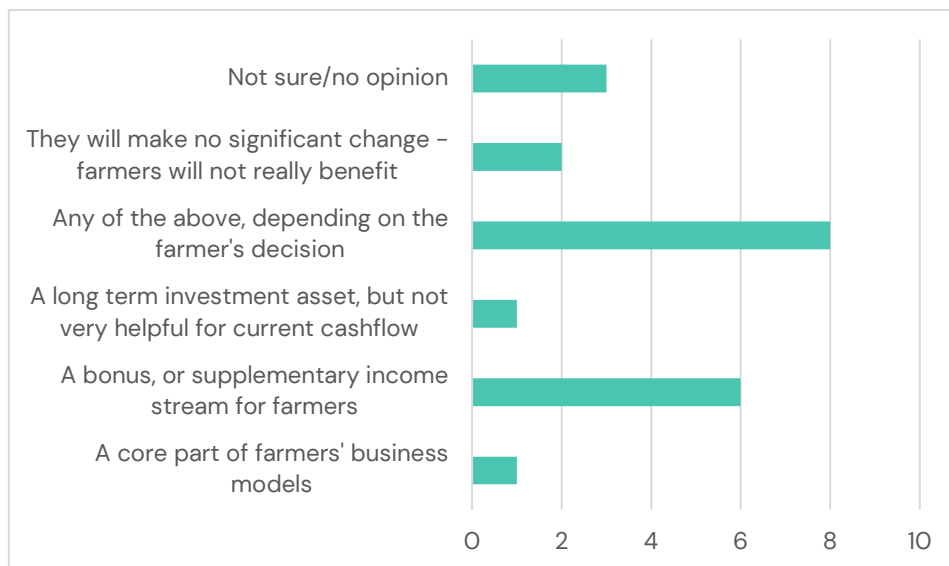
c. How would you rate the level of interest in carbon markets by your clients? (n=22)



d. Where would you score your level of trust in current carbon markets for agriculture? (n=21)



e. How big a role in agriculture do you feel carbon markets may become in the next 20 years? (n=21)



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