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The Eden Model

Proposals for an ‘interface’ between
private payments schemes and
Environmental Land Management

3keel



National
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The Eden Model: proposals for an ‘interface’ between private payments schemes and Environmental Land Management

by James Elliott

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These proposals were discussed at a workshop with partners in the Eden Model private payments demonstration project and officials from Defra and the Defra family held virtually on 27 November 2020. The proposals build on a series of workshops exploring options for linking public and private funding sources held throughout 2020.

Introduction

The Eden Model demonstration project aims to develop a working system for private sector investment in sustainable land management, particularly for interventions that bring together consortia of buyers and sellers.ⁱ The model provides an example of what can be done at catchment scale and replicated elsewhere and, since part of the project became an ELM test, it has also been exploring how public and private funding can be combined to maximise impact.

We have previously shared two briefings with the Department for Environment, Food and Rural Affairs (Defra), outlining our initial thinking on the advantages of integrating public and private payments for sustainable land management,ⁱⁱ and outlining insights and lessons from two private payments schemes which are underway, one in the Hampshire Avon catchment, and one being established in the Eden river catchment in Cumbria through the Eden Model demonstration project.ⁱⁱⁱ

Our focus is on ensuring projects are designed to attract and retain private sector beneficiaries of environmental services alongside public funding. We have not yet considered the role of financial products or the financial sector although they may become increasingly important as the scale and ambition of private schemes grow.

We have held a series of workshops with participants in our private sustainable land management trades in the Eden catchment and civil servants working on Environmental Land Management, to develop thinking on how public funding can be better aligned with private funding through the new ELM scheme.

Based on these workshops, and the ongoing demonstration of private trades for nature based solutions in the Eden catchment and elsewhere, we have developed proposals for how the three components of Environmental Land Management could align with private funding to different extents.

Background: The Eden Model for private payments

The mechanism being developed for private payments in the Eden Model project involves groups of beneficiaries jointly investing in landscape assets or nature-based solutions in which they have a shared interest. The key features of the model include:

Demand aggregation

Bringing together demand side interests to develop joint demand specifications outlining their joint needs from the landscape. Nestlé and United Utilities are the demand interests in our first trade in the Petteril catchment, and we are exploring a second trade building on this with a wider set of interested parties

Supply aggregation

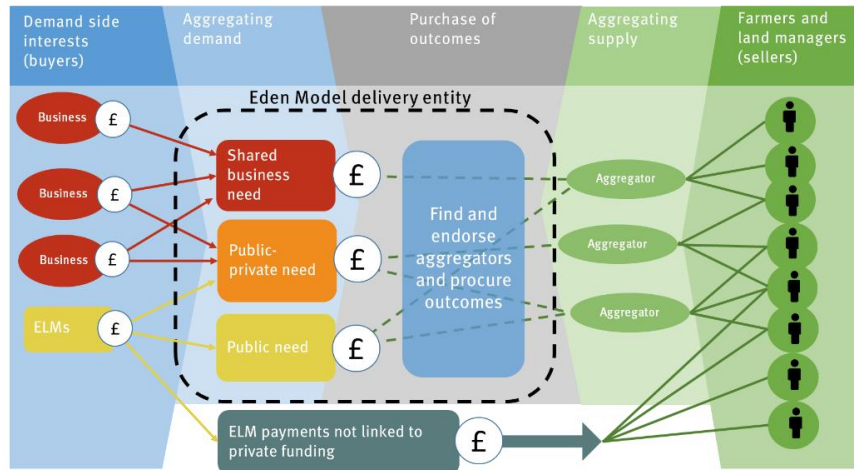
Farmers and land managers come together through one or more 'supply aggregators' to design service offerings which can deliver the needs outlined in the demand specification. Various different types of supply aggregator will be suitable in different circumstances, and they may include producer cooperatives, Countryside Stewardship Facilitation Fund farmer groups, NGOs, and businesses or social enterprises specifically established for the purpose.

Delivery organisation

The demand and supply sides negotiate an agreement on a set of land management interventions to enhance the landscape for mutual benefit. The transaction is mediated through a non-profit delivery organisation, run by a board with representation from both the beneficiary and supply side, as well as other local stakeholders. The delivery organisation will ensure that private funding directed towards environmental improvement is accountable and coherent with wider local and national environmental priorities, for example providing a link to Local Nature Recovery Strategies, Local Nature Partnerships, Local Authorities, national regulators and arm's length bodies etc. The delivery organisation is specific to a particular landscape, and will seek suitable supply aggregators to meet demand, and look for opportunities to expand and build new trades in the landscape over time. In most cases, the delivery organisation will play a role in demand aggregation, and could also hold pooled funds or make arrangements for pooled funds, and hold contracts for delivery with the demand side and for supply with farmers and land managers.

The model enables a network of overlapping value chains to be built up until there is a complex whole landscape delivery of outcomes. This allows for dynamism as it develops.

The Eden Model



Options for aligning and blending public and private funding

Workshop participants have agreed that aggregating both supply and demand, and transacting between aggregators, rather than between individual parties is beneficial. The benefits of this model identified were:

- Greater opportunity for efficiency, with multiple outcomes funded in a joined up way
- Ability to undertake more complex and environmentally beneficial schemes
- Greater scale, which is especially important for some outcomes like reducing flood risk

However, a distinction can be made between aligning the interests of the demand side players in a trade, and actually blending the funding they are contributing. By this we mean that they may target and procure in a coordinated manner, without ever combining funds into a discrete 'pot'. Public and private funding can also be brought together in different sequences, with private topping up public, public topping up private, or both being deployed simultaneously. These distinctions are outlined in this section, and are applied to the three ELM components in the next section.

Alignment of demand side interests

Demand side interests can be aligned to various extents. There has been general agreement in our workshops that greater alignment is beneficial where possible:

- 1. Avoiding conflicts or duplication:** in some cases, ELM (or other public funding) and private businesses may have overlapping or mismatched interests. Our engagement has identified a risk of poorly targeted public funding crowding out private funding. Processes to involve private players in decisions about what ELM will pay for and where, as well as other policy levers that may be relevant, and to review this over time, may help to avoid this.
- 2. Complementary but separate demand specifications:** a step up from avoiding conflicts or duplication, this would involve greater engagement between ELM and private schemes, to specify and prioritise measures which deliver multiple outcomes of interest to multiple demand side players, and that complement each other in the landscape. For example, there are many different interventions that could deliver public goods

such as improved habitats for wildlife and carbon sequestration in a particular area. But if it is known that there is also a private need for reduced flood risk and improved water quality in that area, then interventions can be prioritised that also deliver against these outcomes, or that work well alongside separate interventions that deliver these outcomes. The schemes remain separate, but the interventions chosen by both public and private schemes are better targeted towards the needs of the local economy, act to 'de-risk' private funding by providing a 'buffer' of additional delivery of private outcomes, and increase the overall delivery of public goods outcomes.

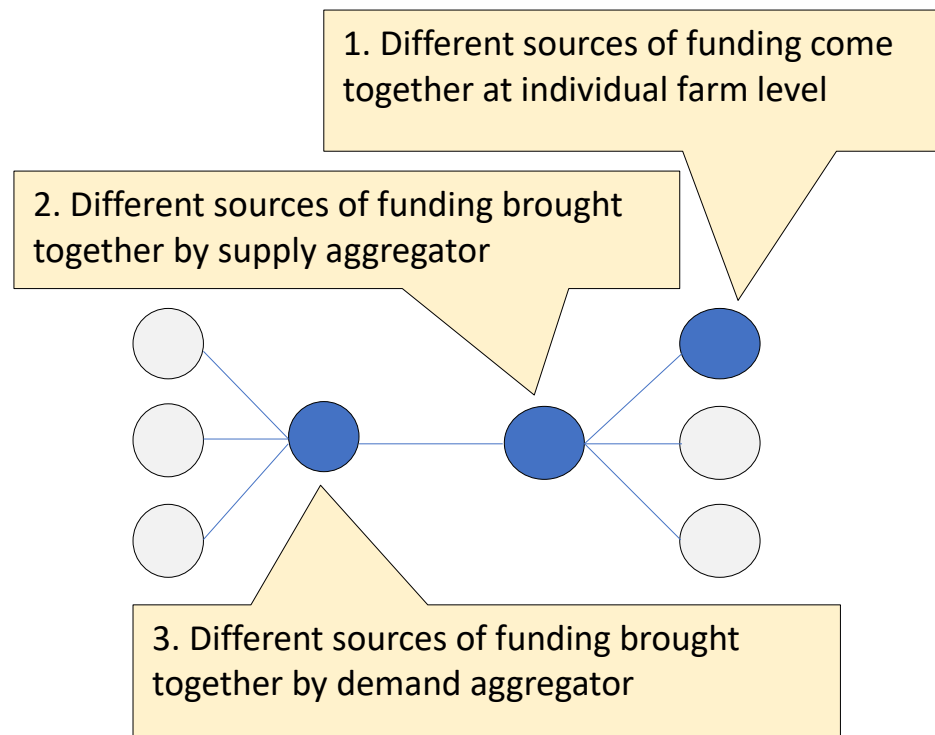
- 3. Shared demand specification:** in this case, both public and private demand side players come together to produce a single demand specification encompassing all the outcomes they collectively need from the landscape. Suites of measures are designed that deliver against the needs of all demand interests, and are co-funded by those demand interests. This can include multiple demand players paying for the same outcome, for example in the case of natural flood management (NFM) which has many beneficiaries, or paying for different outcomes from the same intervention, for example a business buying carbon sequestration benefits from an NFM intervention.

Join up of public and private funding sources

As well as integrating interests to different extents, the flows of public and private funding can also be linked up at different stages in the Eden Model. The graphic below shows these different options. Again, the highest level of integration possible is felt to be desirable:

- 1. Individual farm level:** bringing public and private funding sources together at the individual farm level, with farmers themselves applying to be part of both a private scheme and Environmental Land Management where this is possible.
- 2. Supply aggregator level:** public and private funding sources are brought together at the level of the supply aggregator, so flows of money from private sector interests and Environmental Land Management schemes are still managed separately, but supply aggregators design interventions on behalf of groups of farmers that enable them to access both funding pots.
- 3. Demand aggregator level:** private and Environmental Land Management funds are directed in a joined-up way at the demand aggregation stage, using the delivery organisation and the local environmental governance structures that reflect both public and private interests.

For private demand side players in the Eden Model, the ambition is to bring funds together at the demand aggregator level. However, it is possible to have private and public funding aggregated at this level, but also join up with public ELM funding also seen at the supply aggregator level, for example.



There was agreement in our workshops that bringing public and private funds together at the individual farm level, was the least advantageous. It was felt that it precluded many of the strategic opportunities to plan integrated, landscape wide, and multifunctional interventions, or to have the sophistication to attract significant private sector funding. It was also felt that farmers working on their own would be less likely to proactively integrate funds, and would more likely be in a position where they either waited until the ELMs situation was settled, and then treated private markets as a potential afterthought, or decided not to engage with ELMs, and to pursue privately funded outcomes first and foremost.

Having funding brought together by supply aggregators was seen as a pragmatic option, building on capacity which already exists. For example, within the Petteril, the Eden Rivers Trust and Catchment Sensitive Farming programme already carry out major aspects of this role. However, it was also felt that this arrangement could lead to a lack of clarity over who had paid for what, and therefore who could 'claim' the benefit of certain outcomes. There were also doubts that it

would lead to the same efficiencies and multifunctional interventions that bringing funding together on the demand side could achieve.

Bringing multiple funding sources together at the demand aggregator level overcomes many of the downsides of less integrated approaches, but is the more ambitious proposition, requiring legitimate and organised local capacity to broker and set up public-private trades. This exists in prototype form in the Eden Model, but would require additional development and formalisation for Government to take part.

Finally, it was recognised that the three scenarios are not completely mutually exclusive. Certain elements of integration could be happening at all three levels, for different aspects of ELMs, in the same landscape.

Sequencing of public and private funding

Public and private funding can be integrated in different sequences:

- 1. Private baseline scheme, public top up:** in this case public money would be used to enhance an existing private scheme. Public funding may be used to enhance measures implemented as part of a private sector scheme, for example to manage and improve biodiversity in a woodland planted for climate and flood benefit. Public funding could also be used for ongoing maintenance of landscape features initially paid for with private funding.
- 2. Public baseline scheme, private top-up:** in this case businesses may pay for additional or enhanced landscape management where publicly funded schemes are not meeting their needs. For example, farmers collaborating to implement a Local Nature Recovery scheme in ELM may then have the opportunity to deliver additional interventions for the private sector with reduced transaction costs because they are already collaborating and implementing measures.
- 3. Simultaneous public and private funding:** in this case public and private funding is both used from the start of a project. Businesses and government realise from the outset that their needs can be met by the same landscape interventions, so they develop projects either in parallel (aligned/ complementary procurement) or jointly (co-procurement). This could include match funding to encourage private sector funding, especially where this delivers public goods.

Scenarios for integration

The options above can be combined in different ways to integrate public and private funding to greater or lesser extents. These are summarised in the table below. The table shows three 'core' scenarios

in green, with other possible ‘flavours’ of these core scenarios shown in yellow.

		Level where public and private funding comes together		
		Individual farm level	Supply aggregator level	Demand aggregator level
Level of alignment of interests	Avoiding conflicts	Co-produced baseline	Un-coordinated procurement	
	Complementary but separate specifications	Dispersed complementary procurement	Aligned/ complementary procurement	
	Shared demand specification		Un-pooled co-procurement	Pooled co-procurement

Co-produced baseline

The core option in this scenario involves private demand side interests being taken into account when setting what ELM will pay for: ‘co-produced baseline’. Ultimately scheme design and payments remain separate, but some potential conflicts between public and private schemes can be avoided. This scenario makes most sense for situations where either public or private schemes exist and are setting a baseline scheme which the other source of funding works around.

A second permutation of this scenario is ‘uncoordinated procurement’, the main difference being that here public funding is fed through a supply aggregator rather than to individual farms, but the schemes are still designed and administered separately.

Aligned/ complementary procurement

The core option involves private demand interests and government coming together to design suites of measures for ‘aligned or complementary procurement’ which address multiple needs. The schemes and funding are still administered separately, but funds are brought together through the supply aggregators to enable more complex and joined up interventions.

A variation of this scenario, ‘dispersed complementary procurement’ could also see some funding distributed at the individual farm level for certain generic measures.

Pooled co-procurement

The core option, ‘pooled co-procurement’ sees public and private funding brought together in a single pot to fund measures that deliver both public and private goods across the landscape. Unlike in

aligned/complementary procurement, public and private demand interests are funding the same measures on the same land to deliver the multiple outcomes they need. Demand specifications developed by the delivery organisation detail the quantity of each outcome required by each party and mechanisms are put in place to apportion funding contributions between the demand side parties appropriately on this basis. The delivery organisation also ensures appropriate monitoring and verification is in place to meet the needs of both demand and supply sides.

The second permutation of this option, 'un-pooled co-procurement', sees public and private demand side interests funding different outcomes from the same interventions, but the actual transactions are separate so that funding is not actually pooled at the demand aggregator level, but comes together at the supply aggregator level.

Proposals for linking up with ELM

As outlined in our previous briefings, some elements of the proposals for the Environmental Land Management scheme make it more difficult to achieve join up with private schemes. In particular, the proposed action based payments and income foregone plus costs payment rates in the Sustainable Farming Incentive and Local Nature Recovery components are difficult to align with private schemes as they mean it is not possible to ‘stack’ payments for multiple outcomes that are of differential interest to the public and private sides. As Environmental Land Management develops, the hope is that Local Nature Recovery will move towards more outcomes based payments, and payment rates based on results and natural capital values, which will align better with private schemes and facilitate greater join up.

However, our workshops have revealed early options for greater alignment and blending of funding under the current proposals for Environmental Land Management. Below we outline the level of integration between ELM and private schemes that could be achievable in each component of ELM. This is summarised in the table below, indicating the main integration scenarios that could be used in each of the three components of ELM. The red outline indicates the main scenarios relevant for the Sustainable Farming Incentive component, blue for Local Nature Recovery component, and purple for the Landscape Recovery component.

		Level where public and private funding comes together		
		Individual farm level	Supply aggregator level	Demand aggregator level
Level of alignment of interests	Avoiding conflicts	Co-produced baseline	Un-coordinated procurement	
	Complementary but separate specifications	Dispersed complementary procurement	Aligned/complementary procurement	
	Shared demand specification		Un-pooled co-procurement	Pooled co-procurement

Key

- Sustainable Farming Incentive
- Local Nature Recovery
- Landscape Recovery

Sustainable Farming Incentive

This component of Environmental Land Management has potential for limited alignment with private funding by involving demand side stakeholders in design of standards (the ‘co-produced baseline’). Building in regular review of standards with private demand side stakeholders will be important to avoid risks of crowding out, and chilling effects on private funding from uncertainty about what is being funded by government. Some spatial targeting in communications with farmers could be beneficial to ensure uptake of particular standards is having maximum benefit in key areas, and this is another area where join up with private demand interests would be beneficial, for example as currently happens with Catchment Sensitive Farming.

It is likely that this component will be treated as a baseline by private interests, that they will build on with their payments, or fill in gaps in delivery of outcomes in particular locations. However, the risk of crowding out remains.

ELM component purpose/aims	ELM component features	Proposal for joined up funding	Example/ precedent
Designed to incentivise environmentally sustainable farming and forestry to deliver environmental benefits, focussing on actions that are deliverable on most farms.	Paying for actions, based on an income foregone and costs incurred. Standards based approach.	Co-produced baseline scheme to avoid conflicts or crowding out, made possible through involving wide range of stakeholders including private businesses with interests in outcomes from the land in the design and targeting of standards. Build in review and development of standards over time.	Collaboration with water companies and other stakeholders in Catchment Sensitive Farming.

Local Nature Recovery

While blending funding in the Local Nature Recovery component presents challenges, it is this component which aligns most closely with the sorts of interventions and outcomes in our private trades in the

Petteril. There are several scales at which alignment and joining up of funding could be achieved in this component:

‘Aligned/ complementary procurement’ through supply aggregators

There should be incentives and funding for facilitator individuals and organisations (supply aggregators in our model) to bring farmers together to design sets of aligned or complementary interventions that deliver for both public and private interests. Aggregators could join up funding in several ways, and there should be flexibility for all to be allowed and encouraged:

- Local Nature Recovery funding pays for initial implementation of measures, with private funding paying for enhancement or ongoing maintenance, e.g. LNR pays for reversion to permanent grassland, and private funding pays to support introduction of holistic grazing methods.
- Private funding pays for initial implementations of measures, with LNR funding paying for enhancement or ongoing maintenance, e.g. private funding pays to plant on farm riparian woodland, with LNR paying for ongoing management of the woodland for the benefit of biodiversity.
- Local Nature Recovery pays for an intervention, and private funding pays for a complementary measure, or vice versa, e.g. one pays for riparian woodland and the other pays for woody debris dams.

‘Un-pooled co-procurement’ with a trigger fund

Finally, a specific fund within Local Nature Recovery should be set up which can be accessed by schemes which include an element of private funding. This could follow either an ‘aligned/complementary procurement’ or an ‘un-pooled co-procurement’ model, with payments made separately via the supply aggregator, and paying either for separate but complementary measures, or for the same suite of measures. The special fund could be triggered and accessed by supply aggregators when private funding can also be negotiated to contribute.

There is some precedent for this sort of approach, with the EU Fruit and Vegetable Regime match funding private investment by Producer Organisations in the horticulture sector. In addition, there is precedent for some agri-environment funding only being available in certain circumstances. For example, groups of farmers brought together by the Countryside Stewardship Facilitation Fund are able to access government funding that would not be available to them as individual farmers, because as a group they are able to deliver outcomes that would not be possible on an individual farm level, for example natural flood management schemes.

It is important that public money is also available to pay for public goods where there is limited private interest in sustainable land management, so it is not suggested that all funding in Local Nature Recovery be put into the trigger fund. However, offering match funding is a tried and tested way of encouraging private funding, so a dedicated trigger fund would be beneficial.

‘Dispersed complementary procurement’ using spatial prioritisation

Alignment between public and private interests in particular areas should be achieved through close involvement of local demand interests in spatial prioritisation for the Local Nature Recovery options. Where they exist, this should include the delivery organisations set up around private trades. This would create a set of publicly funded and privately funded options that complement each other, which individual farmers can choose from.

ELM component purpose/aims	ELM component features	Proposal for joined up funding	Example/ precedent
Designed to support land managers in the delivery of locally targeted environmental outcomes, with spatial targeting and local planning, and collaboration between farmers and land managers.	Paying for actions, with results and collaboration based bonuses over time. Payment rates based on income foregone and costs incurred with variants and potentially some reverse auctions. Options-based approach	‘Aligned/ complementary procurement’, with funds channelled through supply aggregators. ‘Un-pooled co-procurement’ with a dedicated trigger fund to match fund private sector funding. ‘Dispersed complementary procurement’ involving participants in private schemes in spatial prioritisation to ensures interventions are complementary.	EU Fruit and Vegetable Regime match funding private investment by Producer Organisations in the horticulture sector

Landscape Recovery

This is the component that Defra envisages will have a substantial private funding component: ‘pooled’ and ‘un-pooled co-procurement’. This component should be able to construct trades that are designed specifically to procure both public and private benefits, with commensurate contributions from each. This could be on the basis of funding additional outcomes of interest to the public but not private interests, e.g. biodiversity, or on the basis of enabling more environmentally beneficial activities than would otherwise be possible. For example, where there is private interest in funding water catchment management and carbon mitigation measures, but the private benefit is not high enough to fully fund a landscape wide programme of peatland restoration, clough woodland planting, in-bye meadow restoration, and stream renaturalisation, Defra could provide ‘top up’ funding to enable the scheme on the basis that it will also provide a biodiversity benefit. Similarly, if a private scheme is interested in planting trees for carbon sequestration, Defra could provide additional funding to enable a more nature friendly woodland. Both ‘pooled co-procurement’ and ‘un-pooled co-procurement’ models can be used to achieve this.

The other lower models of integration of public and private funding also remain relevant in this ELM component, for example private funding may be added into a Landscape Recovery project initiated with ELM funding, to pay for additional private benefits, and vice versa, using an ‘aligned/ complementary procurement’ model as outlined under the Local Nature Recovery section above. However, where possible it is more beneficial to have simultaneous public and private funding from the start of a project.

ELM component purpose/aims	ELM component features	Proposal for joined up funding	Example/ precedent
This component would be focused on delivering landscape scale land-use change projects, where such projects drive added value over and above what can be delivered through the Sustainable Farming Incentive and Local Nature	Case by case basis for payments, with negotiated agreements and reverse auctions.	Both pooled and un-pooled co-procurement should be used. This component should be able to feed public funding straight into the trades set up by private interests and vice versa. This could be on the basis of funding additional outcomes of interest to the public but not private interests, e.g. biodiversity, or on the basis of enabling	

Recovery components.		more environmentally beneficial activities than would otherwise be possible.	
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ⁱ The Eden Model builds on previous work by the partners involved, including the Landscape Enterprise Networks (LENs) approach developed by 3Keel, the Natural Infrastructure Scheme (NIS) concept created by National Trust and Green Alliance. See: 3keel, 'Landscape innovation', www.3keel.com/landscape-innovation/; Green Alliance, 'Natural Infrastructure Schemes', www.green-alliance.org.uk/natural_markets

ⁱⁱ J Elliott, March 2020, *The Eden Model: combining public and private funding for sustainable land management*, Green Alliance, National Trust and 3Keel

ⁱⁱⁱ J Elliott, September 2020, *The Eden Model: Lessons from two private sustainable land management schemes*, Green Alliance, National Trust and 3Keel