



# Cornwall Area of Outstanding Natural Beauty

*12 Sections - One Designation*

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## Natural Environment Investment Readiness Fund Project End Reporting for Investible Projects<sup>1</sup>

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<sup>1</sup> The emerging business model outlined in this report is not considered to be an 'investible project' at the moment, since we are reporting on an initial development phase.

## NEIRF Project Report

### Project Details

Project reference:

Cornwall Area of Outstanding Natural Beauty (AONB) NEIRF

Project title:

Cornwall AONB – Protected Landscapes Investment Bank

Date of report:

03/10/2022

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## Overview of the environmental challenge and opportunity

The Cornwall AONB NEIRF project area covers the geographic area of Section 08 of the Cornwall AONB, 'South Coast Western.' the second-largest section of the Cornwall AONB, comprising 192 square kilometres (19,300 hectares). This section of the Cornwall AONB is extensive covering the coastal strip, which runs from St Michael's Mount to Halzepron Cliff, the Lizard Peninsula, and the Helford Estuary. Section 08 was a valuable place to test how structures for blended finance may work and how groups of farmers can generate products for investment by working collaboratively.

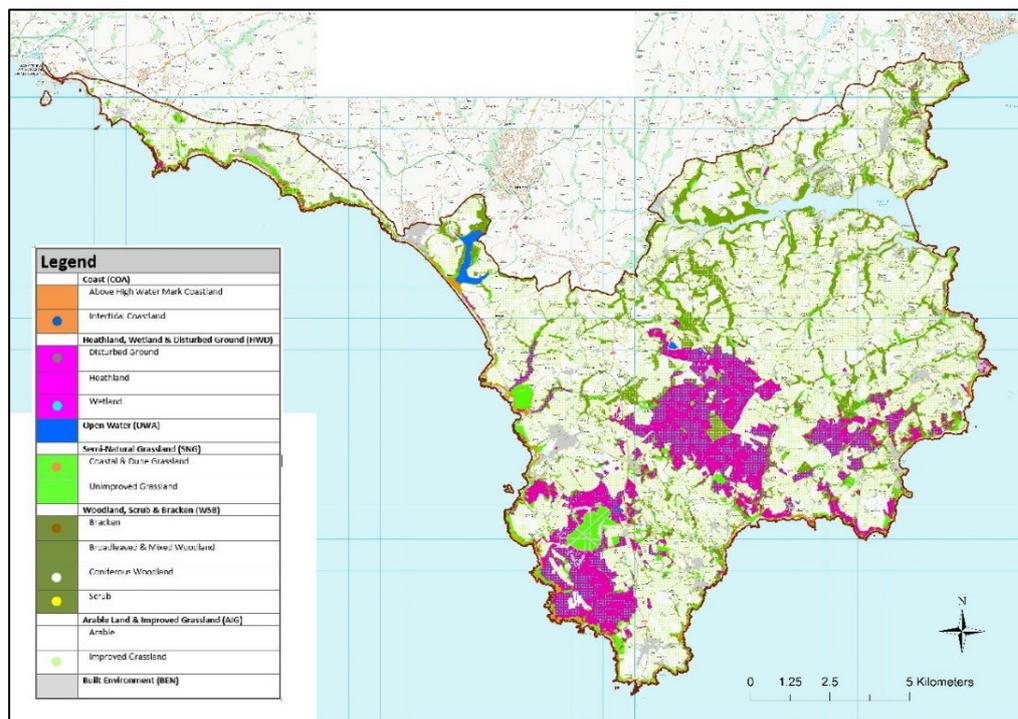


Fig 1. Map of the project area with Natural Capital types

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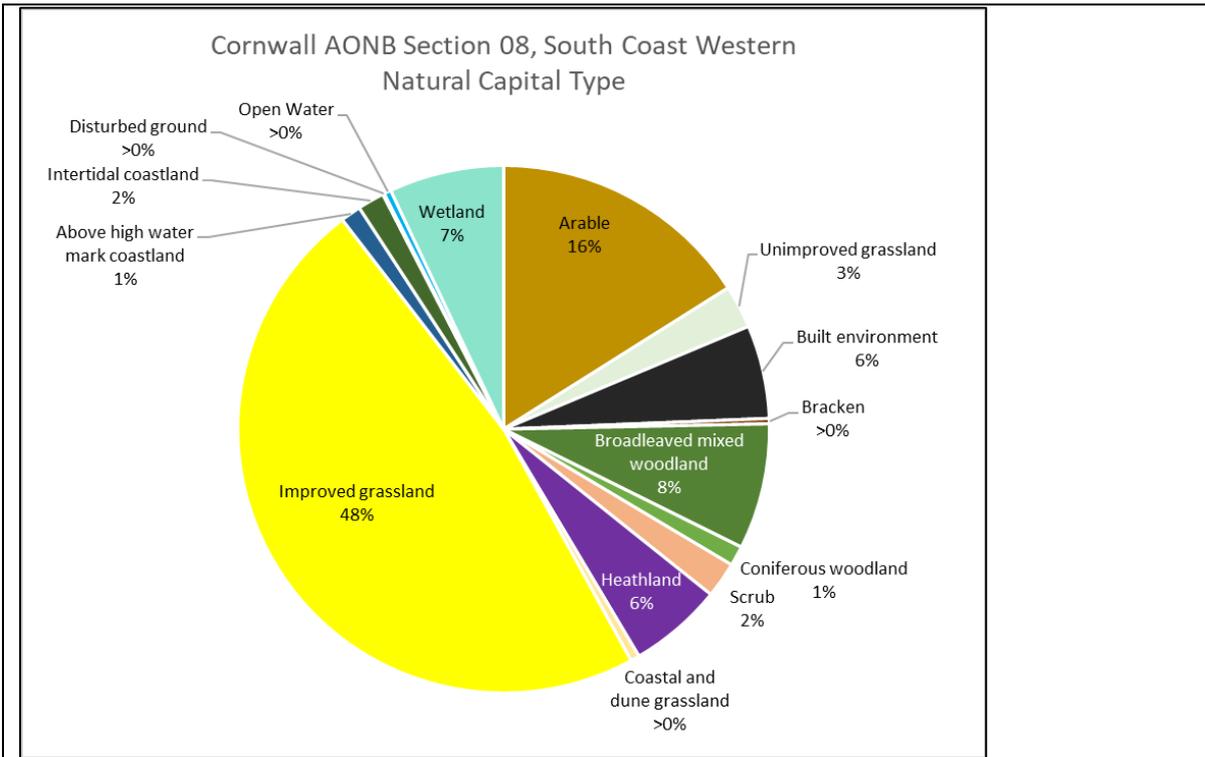


Fig 2. The proportion of natural capital types in the project area

Much work was carried out within the project area with the same group of farmers as part of a recent Defra Test/ Trial, which developed a strong farmer group, co-designing a Landscape Recovery Framework for the area. More detail on the pressures and condition of the landscape can be found in the 'Pressures and Condition' part of the framework<sup>2</sup>.

The explored investment could contribute positively to nature conservation and climate resilience in the project area. Farmers within the Cornwall AONB that would benefit from investments are small scale, between 50 and 150Ha. The project also attempted to engage with larger estates and agri-businesses but found this difficult. Estates feel they can generate enough scalable products for investment to 'go it alone'. Conventional farmers e.g., larger-scale dairy and horticulture, do not generally have a strong history of engagement with agri-environmental schemes and are less likely to change their operation to attract nature conservation and ecosystem services investment.

We explored the relevant and emerging mechanisms to enable Payments for Ecosystems Services (PES) (*see Appendix 1 PES Transactions Shortlisting*) and found the following opportunities with mileage for investment.

- Woodland Carbon
- Soil Carbon
- Biodiversity Net Gain Units
- Nature Recovery (blended finance)
- Catchment agreements
- Sustainable Farming Incentive (blended finance)

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We examine how our farmer group could generate investment from these opportunities. The potential deliverables are woodland and wood pasture/ agroforestry/ orchard creation; diversification of pastures and other positive measures within rotational grazing; pond and pond and wetland creation; and heathland creation.

The work on PES transactions alluded to the potential industry sectors which may be beneficiaries and, therefore, may invest, and found that sectors varied per investment mechanism. Carbon emitters were more likely to engage in efforts to sequester carbon, and food buyers/ processors may be interested in keeping soils healthy. Developers would be the primary target for biodiversity offsets via an intermediary such as a habitat bank, while water companies were the clear potential investor in catchments, focusing on water quality, flows, and flooding. Governments are the clear financier of Nature Recovery and Ecosystem Services via the ELMs schemes. Impact investors have the potential for several activities.

## 1) How will your proposal contribute to addressing the environmental goals?

### a) Overall statement

Our proposal will result in a step change for nature, climate resilience and water across the project area. We want to lever-in private sector funds into the area to add value to third and public sector resources and, by blending these sources of finance, deliver a successful example of ecosystem services restoration in a much-loved landscape. In doing this we can demonstrate how farmers can be supported by these approaches and being to expand the approach to other areas of the protected landscape.

The whole of the project area is an Area of Outstanding Natural Beauty, reflecting its landscape quality. The Lizard Peninsula is known worldwide for its complex and important geological features, stunning coastal scenery, and rare Cornish Heath with unique Mediterranean temporary pools. At its heart is the wild, upland plateau of Goonhilly Downs fringed by an intimate patchwork of medieval fields, bounded by Cornish hedges of stone, reflecting the varied geology. The Helford Estuary, in sharp contrast to the wild and rugged coast and heath, is tranquil and intimate, cloaked in ancient woodland. The landscape contains an extremely high concentration of historical sites and features, both designated and non-designated.

The Cornwall AONB section includes a series of national and local nature conservation and heritage designations. The Cornwall AONB Section 08 contains twenty Sites of Special Scientific Interest covering 3294 ha of land, augmented by locally designated County Wildlife Sites and Geology Sites. Cornwall AONB Section 08 also contains three Special Areas of Conservation, Lizard Point, The Lizard, and The Fal and Helford. The Lizard National Nature Reserve was extended in 2016 - from 1960ha to 2426ha to include land under the stewardship of the National Trust and Cornwall Wildlife Trust, making it one of the largest nature reserves in the South West. The enlarged reserve now stretches from Mullion Cove in the west, across Goonhilly Downs in the centre of the peninsula, to Lowland Point, near Coverack in the east. The Helford Estuary is also a Marine Conservation Zone.

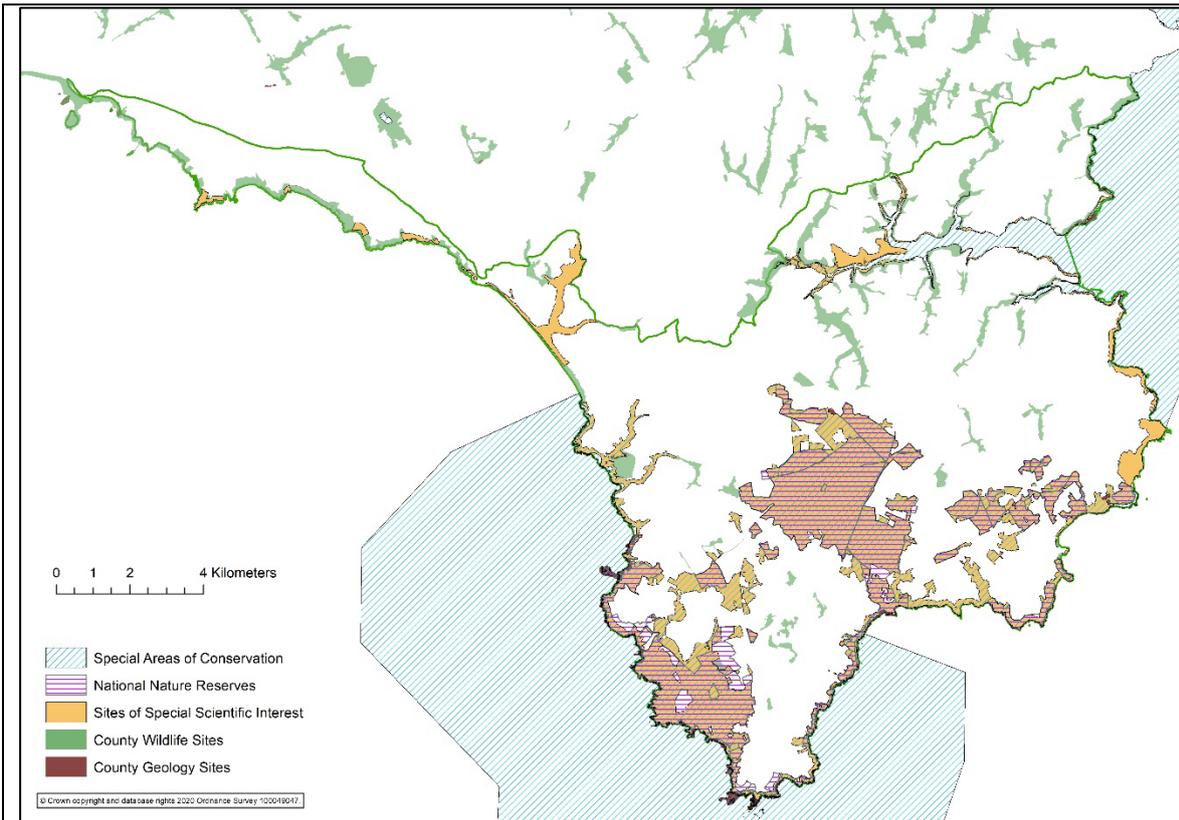


Fig 3 Nature-based designations in the project area

### Key Environmental Pressures

#### Farmland

- Cornish hedge removal and poor management
- Conversion of pasture to arable, larger-scale horticulture and novel crops
- Conversion of farmland to amenity land
- Reduction in species diversity

#### Woodland

- Ancient sessile oak woodlands around the Helford have fallen out of management
- On-farm woodlands have been felled
- There has been significant loss, through disease, of hedgerow elm trees
- Woodlands are at risk from Ash Die Back.
- Stream valley woodlands are impacted by invasive species such as Japanese Knotweed, Laurel, and Skunk Cabbage.

#### Heathland and wetland

- Conifer plantations on Goonhilly Downs have impacted heathland condition
- Lack of grazing management of marginal land and neglect of important habitats such as heathland,
- Lack of financial incentives to maintain stock on heath, resulting in under-grazing.
- Drier summers pose a significant risk to wet heath and wetland habitats on the Lizard and the continued survival of the distinctive Mediterranean temporary pools
- Twenty percent of dwarf shrub heath (lowland heath) SSSIs contain units that are classified as 'unfavourable recovering', with 80% classed as in 'favourable' condition.

#### Estuary, rivers, and coast

- Over-use of the river for boating recreation impacts water quality and biodiversity
- Agricultural run-off has impacted water quality

- Coastal grasslands have suffered from both intensive management and extensification.

#### Current management

- Farmers entering the current Countryside Stewardship Scheme
- Natural England manages the Lizard National Nature Reserve
- The National Trust has a pony grazing scheme on its coastal heathland
- The Loe Pool Forum (LPF) work to improve water quality in Loe Pool
- South West Water has improved water quality in the Cober catchment
- The Helford VMCA raises awareness of importance of the River Helford
- The Cornwall AONB Monumental Improvements Project is to restore the condition of Scheduled Monuments
- The Linking the Lizard Partnership seeks to co-ordinate the relevant partnership agencies
- Cornwall Wildlife Trust Windmill Farm Local Nature Reserve. The Trust also manages North Predannack Downs, and parts of Predannack Airfield

Despite these initiatives, habitat quality, in general, appears to be declining, although data is not comprehensive. All the initiatives are managed by public, third, or voluntary sector bodies, and many have reported issues with resourcing. In addition, work has primarily been targeted on the designated land and nature reserves.

#### *Quotes from farmers involved in the NEIRF project-*

*“We're trying to achieve a sort of three-way split, which will, help insects, wildlife, birds, butterflies etc, and hopefully the spin-off will be biodiversity and carbon opportunities”*

*“Everything that I can do hopefully will be something which will help the environment “*

More research regarding the knock-on effects of farmers doing things differently to attract payments for ecosystem services is required. PES mechanisms (The Carbon Codes and Biodiversity Compensation) require land to be removed from production. The food the land once produced may have to be sourced from elsewhere (potentially abroad) and possibly from a more intensive and damaging operation with potentially lower welfare standards and impacts on food security. Emerging PES mechanisms such as soil carbon and agroforestry may pose the same risks since improving soil carbon and planting trees within grazing and arable systems may improve productivity. It was beyond the scope of our project to examine these broader risks.

#### b) Environmental activities to be funded by your proposal

Please include:

- What are the environmental interventions that are to be undertaken as part of the business/investment model? (For example, habitat creation, and natural flood management features).
- How are decisions made as to where interventions are carried out?

The proposal involves interventions based on nine specific objectives set during the Defra Test/Trail project

Table 1. Co-created land management objectives for landscape recovery in the project area

Objective	Targets (Section 08)
Cornish hedges	Create 1km per year of new Cornish hedges resulting in 10km of new Cornish hedge
Repair and restore Cornish hedges within the landscape, and enhance their management, buffering the hedge network with high-quality semi-natural habitat.	<p>Increase uncultivated margins around the hedge network and in field corners by 3% or 353ha</p> <p>Repair gaps in the physical structure of Cornish hedges where they have fallen into disrepair, equivalent to 5% of the total length, or approximately 90km</p>
Freshwater and wetlands	20% increase in the total area of ponds or at least 1.6ha of new ponds
Increase the number and size of on-farm ponds and wetlands and decrease fragmentation of freshwater habitats in the landscape, creating input buffer zones.	<p>Creating 300 ponds to achieve the area target at a minimum of 50m<sup>2</sup>,</p> <p>Undertaking creation in a planned way at a landscape scale to increase connectivity</p> <p>Low or no input zones around ponds to a buffer of 50m</p>
Farmland	80% of rotational land (comprised of 50% of improved grassland and equal to 7039ha of improved grassland
Diversify land in rotation away from monocultures to species-rich swards and diversify species-poor permanent pasture, increasing the area and diversity of nesting habitat and forage for birds, insects, and mammals across a full season and improving carbon capture.	30% of arable land) in species-rich options and 888ha of arable land, Total area of landscape (arable + improved grassland) 7927ha
Woodland	5% of new stream valley woodlands over ten years
Increase the extent of broadleaved and wet	Reintroduce coppice management to newly created and existing willow woodland

woodland in stream valleys and bring into positive management.	Eradicate invasive species from our stream valley woodlands such as rhododendron, skunk cabbage, and laurel
<b>Agroforestry</b>	Restore 100% of traditional orchards into a positive condition
Increase land managed for orchards, agroforestry, and wood pasture, restoring degraded orchards.	Increase the extent of new orchards by 30% either by the creation or extension  Develop 1% of existing arable and improved grassland into agroforestry or wood pasture, equating to 118ha
<b>Heathland</b>	Enhance the heathland to 100% favourable condition
Improve the condition and coherence of the heathland and wetland habitat mosaic.	Create 20 new hectares of heathland
<b>Organic</b>	Certify 3% of the total area of agricultural land as organic
Convert and manage the land organically.	Manage a further 10% of land in an organic way i.e., high nature value farming
<b>Heritage</b>	100% of Scheduled Monuments in positive condition
Manage and maintain both designated and non-designated heritage features in positive condition.	100% of non-designated on-farm heritage assets and features identified and in positive management
<b>Education</b>	Create ten education farm trails with enhanced access and interpretation
Provide inclusive education for schools, colleges, universities, and other groups and improving engagement with the natural environment.	Locally manage a facilitation fund to enable co-operative joint working and outreach and to help with barriers to access e.g., school transport costs  Undertake 500 educational sessions per year from a range of groups, including visitors to the Lizard

The above objectives were used to form the basis of a questionnaire with the farmer group to identify what they thought would be the main opportunities for private sector investment and the amount of land (Ha) they considered would be possible on their holding. The questionnaire results are included in [Appendix 2 'Farm Opportunities Scoping Survey'](#). The total land area within the farmer group is 1188Ha with the average farm size being 169.7Ha.

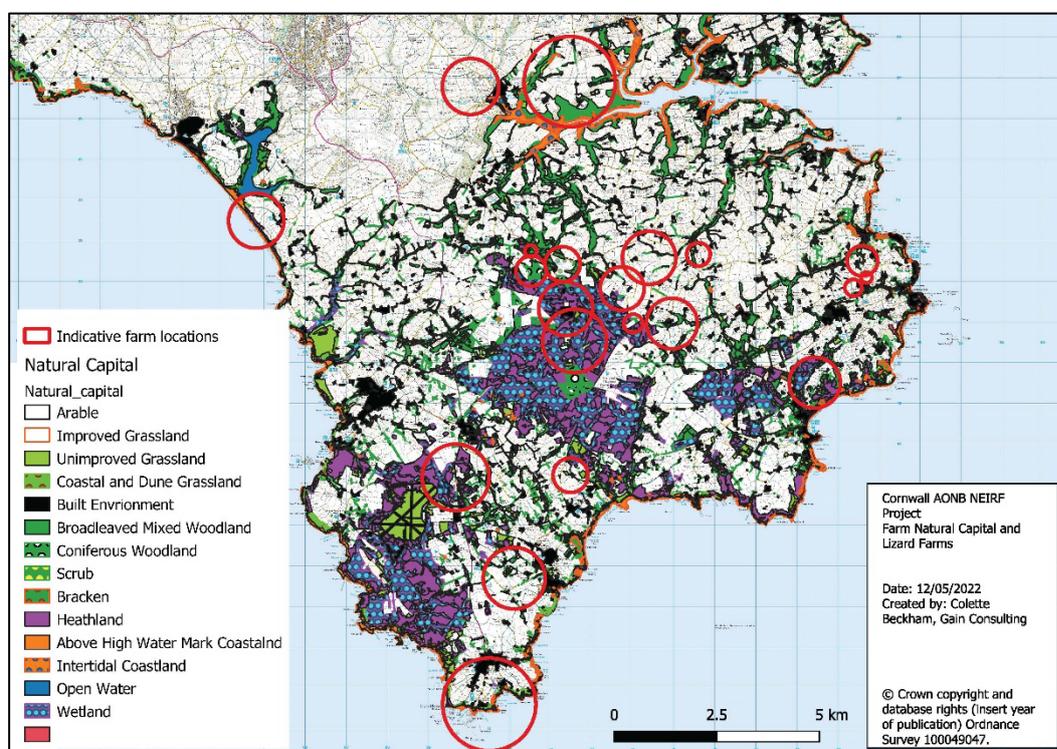


Fig 4. Natural capital within the project area and indicative location and size of the land within the farmer group

The results were clear that our farmers saw the most significant opportunity in the diversification of pastureland (herbal leys or increasing the species richness of permanent pasture) with 420ha of potential (49%) with a further 230 ha of additional measures within rotational grazing e.g. mob grazing (27%). The farmers thought the third largest opportunity was to improve or reconnect heathland (155Ha or 15%), and the fourth was to increase land managed for agroforestry/ wood pasture or orchard (50ha, 6%). Increasing the extent of woodland was not seen as a significant opportunity.

Following the farm opportunities research, the project worked with the farmers to develop the 'supply side' of the investment offer. Farm Profiles were created that examined how the above objectives could be feasibly achieved on the farm. An example Farm Profile is included in [Appendix 3](#), and all eight Farm Profiles have been submitted as part of project outputs.

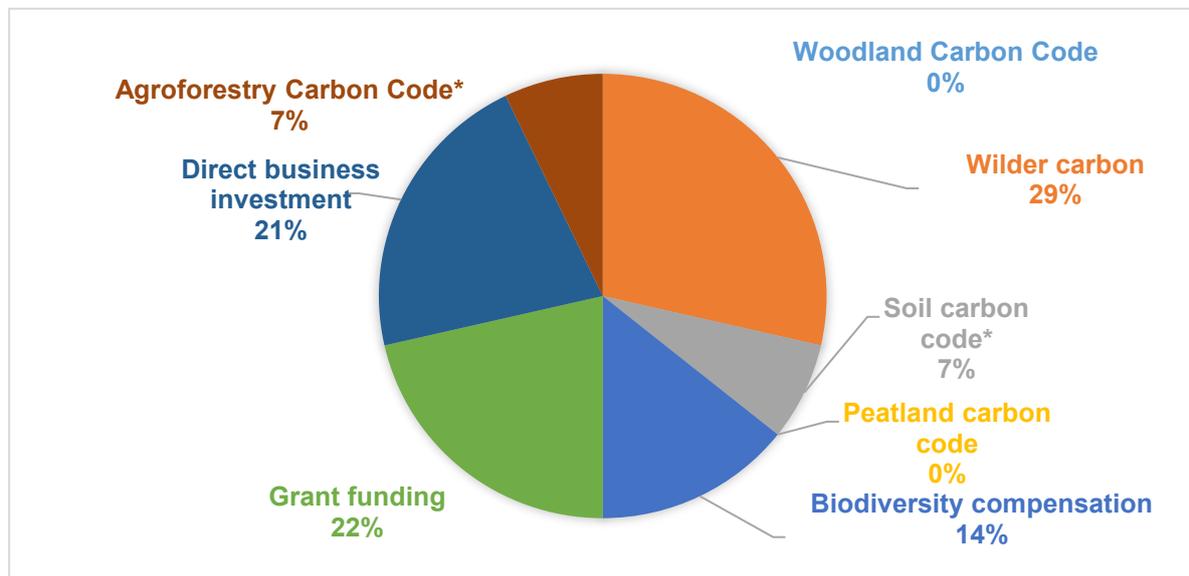
A desk survey mapped land cover and profiled the natural capital types across eight farms. Opportunities mapping carried out in 2019 for the Cornwall AONB by the University of Exeter was used to determine spatial priorities for woodland and wetland creation. The Farm Profiles set out a narrative for delivering the nine objectives shown in Table 1, on each farm.

Following on from the farmer opportunities survey and identification of the key PES transaction types, our project focused on the development of spatial plans for the three main interventions on the farm which could benefit from private sector investment.

- 1) Woodland creation (for Woodland Carbon Code)
- 2) Wood Pasture creation (yet unidentified mechanism)
- 3) Woodland, heathland, or species-rich grassland creation (Biodiversity Compensation Site)

As part of the production of the Farm Profiles, consultants spatially mapped the key opportunity areas for 1-3 above for each farm. A full day site visit was then carried out with each farmer, involving a farm walk and a meeting to refine the spatial areas for PES delivery.

Appendix 10 'Feasibility of private investment in Cornwall Area of Outstanding Natural Beauty – Supply,' details that the farmer group overall was not extremely interested in carbon-only projects; instead, preferring schemes with multiple benefits for biodiversity and carbon and their farming practices.



Quotes from farmers involved in the NEIRF project-

*"I don't like the idea that carbon's being singled out. So, I quite like the bundling, because at least there are all the other benefits to it"*

Fig 5. Farmer group preferences - investment mechanism

c) Key metrics

Table 2. Log frame for environmental outcomes

Log frame	PROJECT SUMMARY	INDICATORS	MEANS OF VERIFICATION	RISKS / ASSUMPTIONS
Primary Outcomes	Carbon sequestration	Carbon stock levels, wood biomass, and	Soil carbon testing.	The current assumption is that the farmer will undertake testing

		soil carbon content	Measuring tree growth, trunk diameter, canopy size	and measurements. Risks include lack of accuracy, inconsistent and incomparable results, and potentially even fabricated results
	Increased biodiversity	Numbers of key species present (identification of indicator species e.g., farmland and woodland birds)	Data from local records centre, and primary survey	Data is patchy and often skewed by recorder effort. Data may be old and unreliable. Data based on species records and information on habitat quality is not necessarily available. Experts may be required to undertake primary surveys with (£) resources required
	Improvement in water quality	Levels of nutrients (nitrates and phosphates)	Water testing	Spot testing can miss pollution events and results can vary by time of year. Possibly requires an expert with (3) resource implications.  Water quality can be impacted by several farmers within a catchment, making it difficult to accurately evidence project benefit
	Improvement in water flows	Peak flow data in watercourses	Peak flow measurements before and after intervention	Can be impacted by storm events. Requires expert intervention. Flow is impacted by the operations of many farmers in a catchment

Primary 7 Outputs	Increase in woodland planting	Numbers of trees planted (canopy, understorey and ground layer)	Tree count, tree survival	Low risk and relatively easy for a farmer to implement, although fabrication of results is a small risk. Adequate checks will be required
	Increase in wood pasture planting	Number of trees in productive ecosystems	Tree count, tree survival	As above
	Increase heathland	Hectares of heathland created	Heathland extent survey and condition assessment	Extent is easy, but the condition information may require expert input. Farmers could monitor against condition objectives with checks in place
	Increase in species-richness of grasslands		Grassland condition assessment	As above but for grasslands

## 2) The business model

### a) Organisation and governance

(See also 3 (e) Asset Management for further detail on structuring)  
 The project is not far enough advanced to have selected the legal structure under which the proposal will operate. However, it has researched legal entities and governance models relating to the different options for structuring the types of deals being explored. The deal structures and associated legal entities/ modes of governance are set out in [Appendix 4 'Identify promising deal structures for Section 8 with hypothetical counterparts and legal entities.'](#)

*Table 3. Potential broad deal structures with associated legal entity/ governance*

Deal structure	Legal entity/ governance
Self-organised farmer group	Lizard Farmer Group with an informal level of governance
Special Purpose Vehicle	Community Interest Companies, Co-operatives, or Limited Companies.  A separate legal entity can be set up, either for individual farmers, or for an

	aggregation of farmers as one SPV with an agreed goal or outcome
Holding Company/Multiple SPVs	The holding company is the parent entity to isolate the risk and will need to have a controlling interest in at least one of the SPVs or subsidiary companies. This is like a fund structure (see below), but it is more flexible in terms of the investment strategy and the expected returns. However, this structure is complex in terms of the administration and governance that is required.
Fund structure	This is an institutional investment fund that is usually set up as an investment vehicle. Typically, the fund will have a General Partner who raises capital from investors (Limited Partners). They are vehicles that are set up for the acquisition and selling of assets in the medium to short term, and these expectations do not often align with farmer timeframes. Again, there will be fairly significant administrative and governance requirements to set up a fund structure.

Again, the project is not far enough advanced in its structuring to give firm answers on the delivery organisations, although these have been scoped within [Appendix 4](#). [Appendix 11 High level review of Section 8-wide investment options](#) does build on the initial scoping and provides more detail on the investment structuring for an SPV and a carbon fund structure. [Appendix 11](#) provides more detail on the governance arrangements, the role of Cornwall AONB and other organisations who could be involved in these structures.

[Farmers views on organisation and governance](#)

Our farmer group has informed the whole process and has been key to understanding appropriate structures and governance. We held five workshop events with our farmers throughout the project.

- 10 February 2022 – Introduction and supply side development options
- 21 April 2022 – PES opportunities and more detail on Biodiversity Compensation
- 26 May 2022 – Farm profiles and the investment offer
- 22 August 2022 – Deal structures, barriers, and incentivisation
- Sept 2022 – Final event with closing presentations

A workshop was held on 22 August 2022 to discuss with our farmer group the emerging deal structures. During this workshop, we explored the support required to enter deals and the types of organisations the farmers may wish to work with in the programme manager or facilitator role.

During the workshop on 22 August, we asked the farmers to rank ideas for what actions Cornwall AONB could take to position themselves organisationally. Farmers suggested forming partnerships specific to private investment projects with supply chain or advisory organisations like Rodda’s or FWAGSW. Additionally, specific farming representation

within the governance structure would be beneficial. See [Appendix 10, Feasibility of private investment in Cornwall Area of Outstanding Natural Beauty – Supply.](#)

Some of the identified counterparts that could play the role of the programme manager or other positions in the deal structure are outlined in [Appendix 4, Table 1](#). Organisations included farm advice/ representative body FWAG SW and the NFU, The Cornwall AONB Unit or Cornwall AONB Trust, and sector-focused organisations along the supply chain such as Rodda's (large creamery), CQLP (livestock marketing group), ABP (food group, potatoes), Kepak (meat supplier) and Arla (Dairy co-operative). Our group suggested that the involvement of trusted sector-based organisations, agents and/ or advisors would result in a higher level of farmer participation.

It is vital for the organisation to be local to Section 08, to have a level of trust with farmers, and to have had some level of engagement with farmers before. They will also ideally need to have experience in designing a suite of environmental interventions and negotiating agreements with buyers. The farmers also desired to work with stable organisations that do not suffer high staff turnover and restructuring (to enable a smoother and efficient farmer-advisor relationship).

*Quotes from farmers involved in the NEIRF project-*

*"I think if there's an independent manager, a body in between, and that you've got ethics behind them, like the AONB. I'd trust that sort of thing"*

[Buy-side views on organisation and governance](#)

Our market testing broadly examined the willingness to work with farmers and/or third parties. All respondents to the market testing were happy to deal with a trusted intermediary, while only two were happy also to deal directly with farmers. The main reason for wanting to deal directly was a wish to have the farmer benefit 100% with no intermediary fees, though most could see the benefit in a coordination role.

Investors were more inclined to invest with the involvement of the Cornwall AONB Partnership, over and above Cornwall Council or an independent entity such as the Environment Bank, despite the organisations being relatively unknown, due to the respected nature of the protected landscape and the local perspective. However, the Cornwall AONB Trust was the preferred facilitator, with its charitable status giving it the edge.

b) External dependencies

The emerging business model relies on several external dependences

The Cornwall AONB Partnership and/ or the Cornwall AONB Trust is a crucial part of the emerging model, taking the role of facilitator/ enabler. The Cornwall AONB charitable Trust is still in its infancy and is dependent on staff support from the Cornwall AONB Unit, which is currently funded by Defra, with match funding from Cornwall Council.

The business model requires engagement by farmers. To an extent, farmers in the project group depend on farm subsidies to maintain a successful business. (See 4(e))

The farmer group has benefitted via the Defra Test Trial and the NEIRF project from the facilitation and advice of Cornwall AONB Partners and consultants. For the business model to succeed, similar levels of advice and support would be required.

The viability of the investment model depends on pricing and policy. The model assumes that pricing for carbon and biodiversity will be maintained or will increase. Pricing depends on regulation and policy, for example, the legal target to achieve net zero by 2050 and the current requirement for new development to achieve at least 10% biodiversity net gain. To some extent, the market value may also depend on the rigour by which these regulatory instruments are enforced and incentivised.

c) Risk management

See Section 4(e) and 4(f)

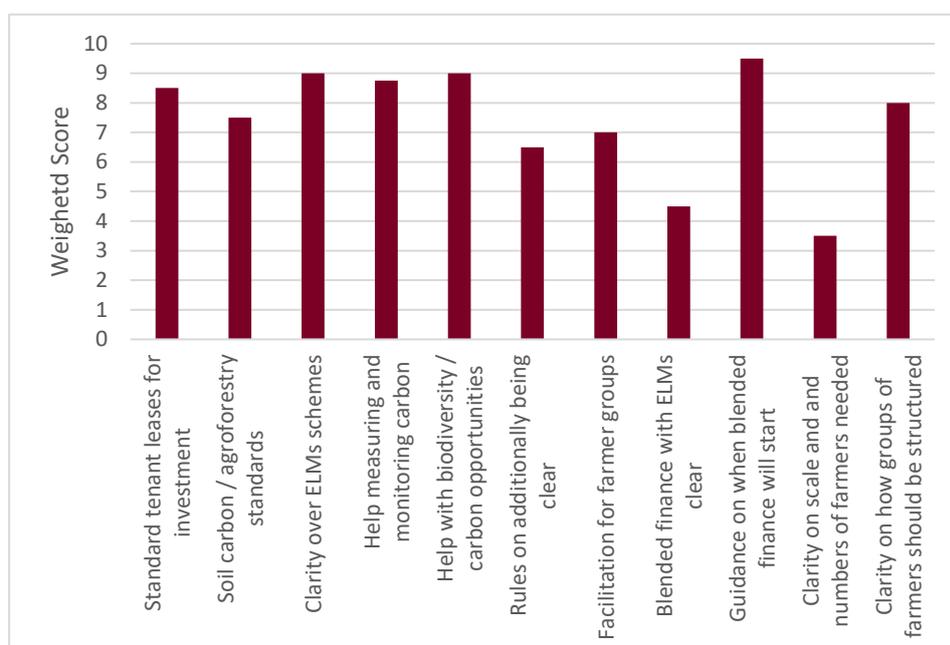


Fig 6. Farmer ranking, incentive options for entering private finance deal for carbon/ecosystem services/biodiversity in the near future?

d) Products and services being sold

The USP of the investment is in the local opportunity to engage with Cornish farmers and landowners in a breath-taking, world-beating (and highly marketable) protected landscape. A fifth of the Lizard is of scientific interest, and almost a third is national priority habitat, with many unique species. The model explores new mechanisms that could benefit nature and local communities significantly. Buyers and potential investors could be confident that

this project's investments will deliver high-quality, measurable impacts on climate and nature.

There are opportunities for buyers to be involved in a visible example of a UK nature-based project with multiple benefits. Nine farmers have set priority land management objectives that, if achieved, could generate £120 million to £535 million of public goods value.

The Cornwall AONB NEIRF project has focused on products for which there is a readily available market into which our farmers could sell.

The markets are

- Carbon Credits (focusing on woodland carbon credits)
- Biodiversity Net Gain Units

We also explored the potential for the delivery of wood pasture ahead of the possible introduction of an investment mechanism for agroforestry. Options for Biodiversity Net Gain sites were in woodland, heathland, or species-rich grassland creation.

The saleable product is in the form of a credit or unit. They are long-term commitments (normally 30-year conservation covenants for Biodiversity Net Gain and between 30 and 100 years for Woodland Carbon Code. (Usually between 35 and 65 years). Farmers must maintain the product over the contract's lifetime and bear the costs for doing so.

*Appendices 6 and 7 'Review of the Investment Offer of Section 8' and 'Invest in Cornwall's Nationally Protected Landscape'* highlight the product for sale from the initial Lizard farmer group and the potential to scale the investment to Section 08 of the Cornwall AONB and the whole of the Cornwall AONB.

It describes the investment proposition as a "local opportunity to engage with Cornish farmers and landowners exploring new mechanisms that could generate significant benefits for nature and local communities" and describes the benefits as:

- Opportunities for high-impact nature recovery and landscape recovery.
- A distinct landscape in terms of wildlife, tourism, heritage, and engagement.
- An innovative forward-thinking group of farmers.
- Demonstrating leadership in achieving environmental goals:
- Building resilient businesses, reducing risk, and engaging with suppliers:
- Compliance with regulatory and planning requirements:
- Trading/investment purposes:

The project, as well as achieving significant environmental and social benefits, could have other benefits that will appeal to specific buyers and investors.

The project provides investors and corporates with a practical way to meet their environmental goals (i.e., Net Zero or 'Nature Positive'). Verified high-integrity activities backed by renowned standards such as the WCC provide an opportunity for buyers and investors to be early movers in these markets. Food, drink, and water companies can use this project to strengthen supplier relationships and reduce supply chain risk. Housing developers, mining companies and tourism entities stand to gain public recognition and marketing benefits aligned to their broadened 'mission' or regulatory compliance requirements.

The investment offer describes opportunities for annual financial returns through generating and selling units/credits. It expects margins to increase as the markets for biodiversity and carbon are developed in the UK and internationally.

Market segmentation was carried out, and the following key business types and potential buyers were identified.

*Table 4. Market sectors, reasons to invest, and potential investor/buyer organisations*

<b>Sector</b>	<b>Need</b>	<b>Example Organisation</b>
Water Companies	Regulatory and Reputational	South West Water
Tourism businesses	CSR/ESG, Net Zero, Developer requiring BNG	Polurrian Hotel, Mullion
		Lizard Park Holiday Resort
		Classic cottages
		Visit Cornwall
Agri-business	CSR/ ESG, Net Zero	Riviera Produce
Insurance providers	Risk mitigation, net zero, CSR/ ESG	Towergate Insurance
		FloodFlash.co
		Cornwall Council Flood Risk
Food and drink	CSR/ ESG Net Zero, possibly BNG developer	Healeys Cider
		Roddas creamery
		St Austell Brewery
		Sharps brewery
Private and public sector healthcare providers	Social benefits, preventative approaches	Helston Medical centre
		Volunteer Cornwall
Local Authority	Net Zero, BNG facilitation, BNG developer	Cornwall Council
		Cornwall Council habitat bank
		Corserv
Grant funders and third sector and philanthropists	Grant funding in line with charitable objectives	Esmee Fairbairn
		Garfield Weston Foundation
		Revere/ National Parks
Energy company	Net Zero, BNG developer, ESG/ CSR, reputational	Goonhilly Wind Farm – REG Power
		Cornwall Waste to Energy

Mining and Quarrying companies		Imerys
		Cornish lithium
		Delabole slate
		Castle an Dinas
Housing companies/ large developers	BNG developer, Net Zero, ESG/ CSR	Morrish Homes
Transport sales	Net Zero ESG/CSR	Helston garages group Ltd

The project ran a survey monkey questionnaire with potential investors and undertook some more detailed market testing interviews. While the project team invested a lot of time in contacting our target market, we discovered a surprising lack of appetite among potential buyers to engage with the project. After much effort, we received eight market testing responses from a range of sectors.

Most companies had formal environmental targets, around carbon and the requirement to reach Net Zero by 2030. One also had a Biodiversity Protocol, which aimed to achieve no net loss on land in its ownership. Most potential investors were moderately interested in investing in Payments for Ecosystem Services. Some expressed concerns about a lack of knowledge and awareness of the possibilities. It was clear that more work was required to warm up investors and increase awareness, skills, and knowledge - providing a clear, understandable business model that gave straightforward access to markets.

Generating a good reputation and public profile was the primary reason for engaging with PES, followed by regulatory compliance and Net Zero commitments. Interestingly fewer of our investors were concerned about securing the actual benefits themselves. The market testing interviewees also had a diverse range of other reasons for entering schemes, including a desire to work with Cornish farmers, particularly suppliers or former suppliers. Having confidence in a scheme and its benefits was a driver, coupled with scepticism over carbon offsetting, prioritising carbon reductions in their businesses ahead of needing to offset. One was unsure about investing directly in credit-based schemes but was clear that investing in natural processes to offset risk around flooding, for example, was worthwhile. Many of our companies wanted to go above and beyond the regulatory requirement for CSR reasons - prepared to do more, even when completely compliant.

Investors needed convincing of the robustness and actual benefits of projects, backed with good evidence, data, and monitoring from a body that companies trust and respect, providing confidence and certainty of outcome. Case studies of success appealed since there was a reluctance around being first to market. Companies were also keen to learn from business peers who had undertaken projects. Investors want to see a clearly defined output with precise cost, pricing, and a tangible return on investment. Benefits did not need to be tangible necessarily but explained in a way that felt tangible. Data coupled with the emotional appeal was important, along with the generation of local impact. The local aspect was critical in terms of engagement for employees, ability to share best practices with customers and generate positive PR, supporting customers on their own net-zero journey

Businesses wanted a greater understanding of the process, how it will make a difference, and good explanation of the benefits, whether direct to the business or indirect. Keeping it simple and making investing easy was stressed multiple times, for example, making investments a one-off cost and aligning impacts closely with investments.

Working in geographies that made sense was appealing, for example, creating a catchment-based approach to hydrological environment management with a list/database of willing participants and identifying opportunities to work in partnership with others in the same location to blend funding.

Uncertainty was an issue from a regulatory point of view and around timing. Like our farmers, potential investors were concerned about signing up too early when the investment may generate better value in a few years' time. There was concern about the volatility of markets and pricing, inflation, and energy. High food prices could present a barrier e.g., milk prices, since the current levels of profit for milk production may put suppliers off delivery of ecosystem services. Clarity on additionality rules was also raised.

Ethics came up again with our investors. Projects needed to be reputable, with high levels of transparency, and with people available to talk to. One potential investor spoke of projects which were not keen to share stories or locations and did not want PR or visits. Investors need to be able to trust where their money is going, and that benefits will be realised. One company was cited as a poor example of greenwashing, which had a negative reputation in the agricultural sector.

Some saw time, administration, complexity, and high levels of jargon as barriers. There was a lack of understanding regarding where the return on investment would be generated and concerns from some that the farmers would need to take a lower fee to generate an ROI.

Our potential investors saw a slightly greater opportunity and attractiveness in the purchase of Woodland Carbon Code Pending Issuance Units, although there was also interest in Biodiversity Net Gain Units. Two businesses expressed an interest in neither, with one more focused on working with other organisations to reduce risk and the other preferring to act on their own land.

Of our eight respondents, only two had previous experience in investing/ buying ecosystem services credits. One respondent had worked with local company Plant One Cornwall<sup>3</sup> to offset carbon and had found the experience a positive one, while another respondent had gone down the same route and was close to agreeing on a new scheme with Plant One Cornwall. One cited its Upstream Thinking programme, which has invested in natural flood management and water quality measures for several years. One has not been required to purchase credits so far. They have been able to offset any impacts on their own land holding, which is extensive, although they may require external providers in the future.

#### e) Cash flows or revenues and commercial sustainability

The Cornwall AONB NEIRF project is not at a sufficient stage of progression to complete a full set of financial projections, which will be worked up in further detail in the next development phase. However, the current project did examine pricing at a high level and broadly, the levels of return on investment.

*Appendix 4' Advice on Running a Price Discovery Process'*, outlines the initial price indications for ecosystem services in the UK context.

<sup>3</sup> <https://plantonecornwall.com/>

Table 5. Estimated UK market price per PES transaction type

PES Transaction Type	Estimated market price
Woodland Carbon Code	£7-£20 per tonne, CO <sub>2</sub> e for Pending Assurance Units (PIUs) and up to £40 per tonne CO <sub>2</sub> e for Woodland Carbon Units (WCUs)
Soil carbon	£20-£30 per tonne CO <sub>2</sub> e
BNG	£20K per Unit
Catchment agreement/ Catchment markets	Based on an example in Cambridge where farmers were paid £109/ Ha on average by the water company to grow cover crops

Based on initial estimates, we have summarised below the potential value of the credits/units and the funding requirements at different geographical scales for the project's current and anticipated target activities. This specific project focuses on the Lizard Farmer Group, but there could be opportunities to scale up the investment offer across Section 08 and the Cornwall AONB with time:

See also 3(b) for the cost of investment and ROI%

- Lizard farmer group: The intervention area for the PES opportunities amongst the Lizard farmer group is now estimated at 213 hectares. The largest opportunities for investment lie with Biodiversity Net Gain (up to seventy hectares) and Woodland Carbon (up to 72 hectares) This could generate a gross margin<sup>4</sup> for buyers in the region of £20,000-£60,000 a year.
- Section 08 in total: The overall intervention area for the PES opportunities in Section 08, based on extrapolations of the Lizard Farmer Group and the area available for agricultural land, are estimated at 4,308 hectares. The largest opportunities for investment could be Biodiversity Net Gain (approx. 1,084 hectares) and Woodland Carbon (approx. 1,048 hectares). This could generate a very rough estimated gross margin for buyers of £500,000 a year.
- Cornwall AONB in total: The overall intervention area for the PES opportunities Cornwall AONB, using the same extrapolations as above, are estimated at 21,604 hectares. The largest opportunities for investment could be Biodiversity Net Gain (approx. 5,435 hectares) and Woodland Carbon (approx. 5,255 hectares). This could generate a very rough estimated gross margin for buyers of £2.4 million a year.

f) long term sustainability

<sup>4</sup> In this document 'gross margin' is total asking price less the potential income generated from the sale of BNG and WCC sales. As a range of significant cost items are not included in this calculation it is important to note that actual returns achieved will be significantly less than this for investors. A more detailed financial model is required to be completed in a further development phase.

### External megatrends

Climate change and biodiversity loss are the two significant megatrends in the context of this project. These twin crises are likely to be a key driver of policy and regulation in the long term. Climate change-related weather events are causing significant amounts of damage annually. The costs to businesses are a driver of investment in carbon reduction and resilience projects to mitigate future risks and costs. Business and investment companies are also increasingly planning for the risks that climate change poses to stable economies by interrupting (for example) health, education, and electronic payments.

The megatrend of biodiversity loss is perhaps less understood than climate change in terms of its impact. Nature, habitats, and species are not just an ecosystem service in themselves but underpin all other ecosystem services, and therefore nature's value could be orders of magnitude higher than currently realised. Loss of nature will have catastrophic impacts on food, water, fuel, materials, medicines, economies, and the social well-being of communities globally. No business and its supply chain are independent of nature, so investment in biodiversity is only set to increase.

The other two main megatrends which impact this business model in Cornwall are population growth and development pressure, and changes in the political landscape.

### Growth strategy

The investment strategy states that while a detailed growth strategy will come a little further down the line in the development process, the expectation is that the business model will begin to be implemented in the project area with the existing group of farmers. The intention is to scale this up to the whole Section of the Cornwall AONB, Section 08, South Coast Western, and then to expand gradually, establishing investment groups in each of the twelve sections of the Cornwall AONB.

### Sources of finance

We expect the primary source of finance for the business model to be income generated from the sale of Woodland Carbon Code credits and Biodiversity Net Gain units. However, other sources of finance may be required, particularly in further development stages and early stages of operation. [Appendix 8, 'Review of other financing approaches for sustainable land use projects'](#) describes other methods of financing, including

- Grants – payments to incentivise a performance or goal which are not paid back
- Loans – Credit for a specific purpose, paid back with interest over a timeframe
- Equity – Cash injection provided in return for a share of the company and profits
- Supply Chain Finance – Low levels of credit and business inputs from actors in the value chain
- Guarantees – A promise to cover losses that a lender might experience
- Blended finance – Use of public funds to mobilise private finance

The pros and cons of each funding stream are set out in detail in [Appendix 8](#). The Cornwall AONB Partnership and/ or the Cornwall AONB Trust would be most likely to achieve finance via grants and blended finance due to its current mode of operation as a publicly funded entity, its governance as a quasi-independent body established to promote the interest of Cornwall's protected landscape, and, in the case of the AONB Trust, its charitable objectives.

In addition, there is likely to be potential in partnering with a supply chain business. One of the unique selling points of the investment model is the local perspective in maintaining one of Cornwall's key assets, its nationally protected landscape. Our market testing told us that investing locally and for the benefit of Cornwall, in a way that enabled good marketing

opportunities, was an attractive proposition to larger Cornwall-based businesses, including those along the agricultural supply chain.

*Appendix 11 'High level review of Section 8-wide investment options,'* also some sources of financing in more detail. *Appendix 11* details how it might be possible to access biodiversity and carbon markets through trading platforms, habitat banks and/or carbon offsetting facilities. There could also be opportunities to engage and receive financial and technical support from nature-focused funds. Beyond financing the PES schemes, additional financing can also be raised to set up and facilitate a farmer group/cluster in Section 8. There are also some funding sources to explore such as corporate funding schemes or sponsorships, crowdfunding, and levies. These sources of financing can help to provide the upfront financing needed, as well as the ongoing maintenance costs.

### 3) The investment model

The types of potential finance supplementary to the sale of carbon credits and biodiversity units are outlined in (2f) above.

Short-term, it is expected that further development work is required. It is anticipated that grant funding will be needed to move the AONB to a position where it can begin to initiate the model. Public funds will be required to provide staff capacity and external support in the development and initial phases. Roles include Project Management, Finance, Administration, Farm coordination, and advice. Our research identifies a few organisations like the Esmée Fairbairn Foundation as potential grant funders.

Due to the reluctance of the farmer group to engage in private finance in the short term, it was recommended that Cornwall AONB start to pilot small projects that can help build trust and legitimacy in the farming sector to engage future suppliers (*Appendix 10*). These projects could provide case studies and the key to engaging in the supply – farm walks and practical exemplars.

*“Farmers want to see how it all works on the ground so more farm walks about carbon, trees or biodiversity net gain would be a good idea”*

Our research (outlined in more detail in *Appendix 8*) sees loans more for financing conventional agriculture than sustainable land use projects. The study identifies less conventional examples of financing, such as impact investment funds e.g. The Real Farming Trusts, 'Loans for Enlightened Agriculture Programme', and sustainable farming finance examples from Triodos Bank. The Wyre River Natural Flood Management Project (which received funding a mix of funding from Triodos Bank and the Woodland Trust) is like the model proposed with the Lizard farmers (in terms of size and scale) and is also one of the first projects of its kind to qualify for Social Investment Tax Relief (SITR). Debt financing from impact investment funds may have potential as the project increases in scale, and there is the potential to utilise SITR to attract investors at a smaller scale.

Equity financing is less likely to be relevant to our project for reasons of scale, although there are several examples of financing mechanisms seeking to promote regenerative agriculture e.g., Hadrian Bond and New Foundation Farms. These funds could present an opportunity in the medium to long term if the Cornwall AONB begins to operate with a level of farmer involvement that would be attractive for Equity investors. The involvement of equity investors also may enable the delivery of the regenerative agriculture interventions preferred by our farmers.

Our research explored Crowdfunding as a potential source of early finance through platforms such as Cornwall-based Plant One Cornwall, or platforms like Abundance Investments, which specialises in investments for Green Infrastructure. These could be potential funding sources for our business model, although there is a risk that this funding source may exclude farmers from schemes such as WCC due to financial additionality and so would not be an option.

Blended finance of the new agri-environment schemes is not yet developed sufficiently for this to be considered. However, it may become essential to the business model in the medium to long term as clarity on additionality is developed, and the new schemes are rolled out.

Supply chain finance could be of potential interest for the AONB, as outlined in our response to (f) above. Further market testing is required to explore this possibility.

*Appendix 11 'High level review of Section 8-wide investment options,'* sets out the options available, should the project be able to scale to the whole of section 08 or the whole of the Cornwall AONB as follows,

*Table 6. Investment options at Section 08 scale and above*

Option	Description
Trading platform	Cornwall Council is already exploring this concept via their online platform Daras, a one-stop shop for agricultural funding opportunities in Cornwall, where farmers can map projects or opportunities and once mapped, can be contacted by funders. A similar approach may be helpful to stack environmental benefits and blended finance on the same piece of land
Habitat banking	The Daras model above could operate as a habitat bank. Under the model, developers make payments to the habitat bank to purchase their required Units to achieve Biodiversity Net Gain
Carbon offsetting	At this scale, there is the opportunity to create a localised and highly ethical carbon offset offer that is 'from Cornwall, for Cornwall.' Potential partners in this could include Forest Carbon and Forests for Cornwall.
Nature focused funds	Additional financing to WCC/ BNG invests in the project overall and receives returns based on the margins the project could receive. Some examples are mentioned above and are set out in detail in Annex 1 of <i>Appendix 11</i> .
Funding to facilitate landscape partnership/ cluster group	Funds such as Natural England's Facilitation Fund or other sources of grants e.g., via Heritage Lottery, could be used to develop and maintain farmer cluster groups at scale.
Other	Operating at scale, the Cornwall AONB could examine a Corporate Funding Scheme with a large corporate, such as Newquay Airport, looking to offset its operational impacts. The AONB could seek sponsorship for the programme from Corporates or high-net-worth individuals. Seed funding can also be provided by individuals, or Crowdfunder. Partnership opportunities exist with other facilitation organisations in Cornwall, such as 'Plant One Cornwall'. Tourism may have potential via levies or visitor payback.

a) The relative size of these instruments and basic information on their terms

[Appendix 6](#) details the levels of investment required over a period aligned with those of a conservation covenant (30 years). It summarises the potential value of the credits/units and the funding requirements at different geographical scales for the Protect Landscape Investment Bank (PLIB) project's current and anticipated target activities ('the project'). This specific project is focused on the Lizard Farmer Group, but there could be opportunities to scale up the investment offer across Section 08 and the Cornwall AONB with time.

#### Required levels of investment

Scale: Lizard farmer group:

A conservative estimate is that the farmer group are seeking an average of £550 per ha annually to meet all land enhancement objectives in the Lizard. Overall, this average would equate to £117,500 per year to fund these land enhancements over the 213 hectares of PES opportunities identified in the Farm Profiles. Using this asking price, over 30 years, this would require a collective total of £3.5 million in investment from potential buyers. This could generate an estimated gross margin on average of £40,000 a year for buyers.

Estimated ROI per year = 34%<sup>5</sup>

Scale: Section 08 Cornwall AONB, 'South Coast Western'

There are 19,227 hectares within Cornwall AONB Section 08, of which 14,170 hectares could be agricultural land. The overall intervention area for the PES opportunities in Section 08, based on the Lizard Farmer Group extrapolations and the area available for agricultural land, are estimated at 4,308 hectares. These are very high-level estimates using average values based on a small sample size of farmers, with above-average interest in environmental interventions. There might, however, be a lower proportion of agricultural land on the Lizard due to the large extent of seminatural habitats. This would also require buy-in from a larger group of farmers and landowners in the Lizard, with whom Cornwall AONB might not have already engaged. At the £550 per hectare asking price, the total annual required investment would be £2.4M or £71.1M over 30 years.<sup>6</sup> This could generate an estimated gross margin of £500,000 a year for buyers.

Estimated ROI per year = 21%

Scale: The whole of the Cornwall AONB

There could be opportunities to scale this out into the rest of Cornwall AONB, the other eleven sections, and potentially Tamar Valley AONB. The Cornwall AONB covers 96,403 hectares (ha) - 27% of the total area of Cornwall. The overall intervention area for the PES opportunities Cornwall AONB, using the same extrapolations as above, are estimated at 21,604 hectares. The total annual required investment would be £11.9M, and over a 30-year period, £356.5M (See 2(e) for information on the return this is expected to generate for investors). This could generate an estimated margin of £2.4M a year for buyers.

Estimated ROI per year = 20%

[Appendix 6](#) also identifies potential buyers at a range of scales.

<sup>5</sup> Based on the estimated margin per year divided by the minimum required investment per year. These figures are just looking at income and do not incorporate costs so the ROI will not be this high. A more detailed financial model is required and would be part of a development phase of activities.

For Section 08 we developed a priority list of potential buyers and investors operating within Cornwall or the Lizard peninsula, such as South West Water, Riviera Produce, and Cornish Lithium Ltd.

These target funders are businesses operating across the utilities, agribusiness, housing developers and energy sectors in Cornwall/Section 08 who could be potential buyers of PES-derived products. However, more broadly across the South West, UK, and even internationally, there could be opportunities to engage more buyers and investors. For example, potential buyers within the South West e.g., Wain Homes and Western Power Distribution, and potential buyers within the UK. These fall into four main categories

- o Private investors/project developers e.g., Par Equity LLP (woodland creation)
- o Corporate funders: e.g., Nestlé or Newquay Airport
- o Larger scale NBS investors/investment funds in the UK e.g., Real Wild Estates Company
- o Crowdfunding, foundations, and high net worth individuals e.g., Esmée Fairbairn Foundation

Potential international buyers include EIB Natural Capital Finance Facility, Lombard Odier, Climate Asset Management, Mirova and CommonLand.

*Table 7. Investment approaches over the short, medium and long term*

Stage	Short term – individual projects and testing	Medium term – consolidation and further support	Long term – scaling out
Investment type/ approach	Grants and loans from impact investors and specialist funds	Crowdfunding, blended finance (ELMs and private buyers of PES), supply chain finance	Equity, landscape financing
Support for farmers (i.e., from the AONB Unit or Trust)	Technical Assistance (TA) or studies on specific areas (e.g., market research on agroforestry)	Development of proof of concept and attracting in private buyers	Facilitating access to commercial equity and landscape financing
	Support registering, validating, and verifying schemes (WCC, BNG)	Aggregating farmers into a group scheme and setting up legal structures and revenue-sharing arrangements	Support to coordinate and setup governance for a landscape-type approach
	Seed funding for environmental enhancement (e.g., tree/hedgerow planting)	Payments for maintaining the enhancements	

These investment approaches are what can be explored in the next phase of development by Cornwall AONB, and no agreements with potential finance providers has been secured at this stage.

Our farmer group was most interested in grant payments, direct business investments and ethical, high-quality PES mechanisms such as Wilder Carbon<sup>7</sup> (*Appendix 10*) Key incentives to engage farmers in private finance were support in identifying PES opportunities on farm and support to reach their own Net-Zero requirements. Providing resources to do this would support engagement on the supply side.

*Appendix 11 High level review of Section 8-wide investment options* also details some investment options and structures that could be explored by Cornwall AONB to fund landscape approaches across Section 8. It is important that these investment options are structured so that they provide substantial upfront and long-term income for farmers. When combining different financing sources particularly between carbon funding and agri-environment schemes, Cornwall AONB will need to ensure that specific additionality tests are met. In the short to medium term, a mix of grant and concessional finance could provide some of this financing. Over time, and as relationships are built between buyers and corporates an SPV could be used to channel investment into Section 8. If this is successful, Cornwall AONB could consider setting up a Carbon/Biodiversity Fund structure to attract more institutional investment.

b) Risk mitigation instruments used and how these were incorporated into the investment structure

*Financial risk for investors*

The summary of risk mitigation strategies developed by the Coalition for Private Investment in Conservation (co-authored by Terranomics staff) is relevant to this concept and is shown in Fig 5. below. This highlights the challenges in finding appropriate mitigation measures for natural capital investments.

Key risks relevant to this project include:

- Carbon losses through fire, pests, and extreme weather – reducing credit volumes and, therefore, income levels
- Risk of not being able to exit at the optimal point, having to sell off assets early to meet fund timeframes
- Market price volatility – could affect the resale values of credits, particularly if traded on secondary markets
- Uncertain risk-return profile of natural capital projects

A risk-sharing agreement to cover these would be crucial between any investor and landowner. This would be an area requiring work in any further 'development' stage of this concept.

*Use of guarantees for loan repayments or for other forms of financial returns for investors*

Some impact investment funds, such as Althelia, have been successful in attracting guarantee facilities from USAID and some national government development finance institutions, but these are typically designed to reduce emerging market and FOREX risks.

<sup>7</sup> <https://www.wildercarbon.com/>

We have not seen UK examples involving public finance instruments in this area yet, aside from the UK government’s Woodland Carbon Guarantee, which provides a price floor for a limited volume and type of carbon credits but does not underwrite credit losses that a lender might suffer.

[The type of collateral is used by borrowers to secure loan finance](#)

We are working on the assumption that loans are unlikely in the short term. Over the medium term, it could be possible for some landowners to secure loans against timber assets, agroforestry crops, and so on. Some progressive lenders (or ‘venture debt’ providers) familiar with PES markets may be willing to take advance purchase commitments for BNG/WCC credits as security, but this remains to be tested.

[The use of insurance mechanisms](#)

Some companies are willing to insure against certain risks for larger-scale plantation forestry projects (e.g., ForestRe). However, these are not expected to offer cover to projects at the small scale, as envisaged in this concept.

		Risk mitigation strategy					
		1	2	3	4	5	6
Category	Conservation focus	Operational assistance	Collateral	Stable cash flows	Private insurance	Futures/forward trades	Guarantees
Food and fiber	Sustainable forestry/timber	~	✓	✓	✓	✓	~
	Sustainable agriculture	✓	✓	✓	✓	✓	~
	Restoration of large landscapes	~	~	~			✓
	Wild-caught fisheries	~	~	~		✓	✓
	Sustainable aquaculture	✓	~	~	✓	✓	✓
Habitat	Ecotourism	✓	~	✓			~
	Direct land ownership		✓				~
	Land easements		✓	~			✓
	Mitigation banking		✓	✓			~
	Other land-based funding mechanisms	~		~			~
Water	Watershed protection	~		~			✓
	Water rights trading			✓			✓
	Water credits trading			~			✓

Fig 7. Summary of risk mitigation strategies

c) Asset management

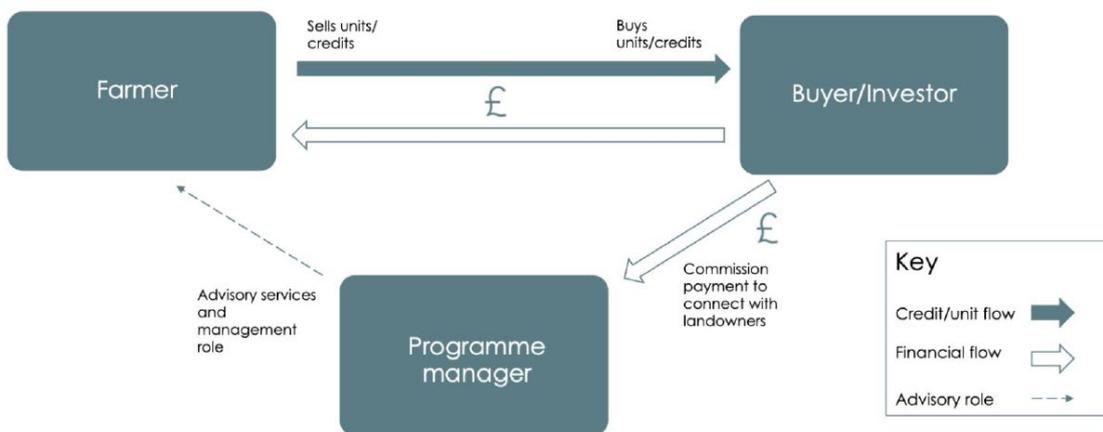
As the business model develops and the Cornwall AONB Unit or Trust can facilitate a portfolio of investments, it can expect to manage several assets. As outlined in (3c) above, there are likely to be cash assets in the form of grants for early phase work in the initial phases. There may also be assets from Supply Chain Finance in various forms such as credit letters, guarantees, or cash advances. Carbon and Biodiversity Units traded are asset classes that generate real natural capital assets, such as new areas of woodland and species-rich grassland. Further development work is required to accurately define all asset classes at different stages in growth, the potential sizes of those assets, and their specific management requirements.

Part of our NEIRF project has examined the kinds of deal structures our business model may wish to consider that would be relevant for each PES transaction. These are outlined

and discussed in detail in *Appendix 9 'Review of Approaches and Deal Structures in use for Specific Ecosystem Services'*. A workshop was held on 22 August 2022 to discuss the deal structures, and the farmers were interested in aspects of three main models.

Fig 8. Potential structures

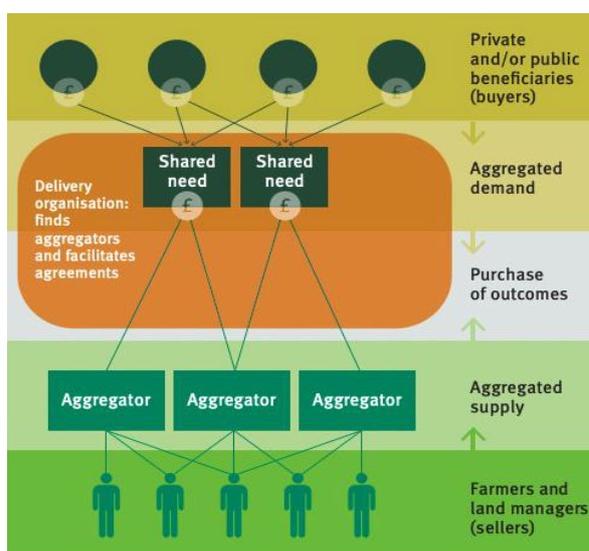
A) An emerging approach via a programme manager



B) Through bundling ecosystem services via a scheme such as Wilder Carbon



C) A group/ aggregated approach, highlighting the Eden River Trail scheme in Cumbria as an example (The Eden Trust)



[Appendix 4](#) explores deal structures in more detail regarding potential counterparts involved and legal entities to facilitate the structures. Complex arrangements such as a fund with multiple holding companies are not likely to be attractive to the farmers on the Lizard. However, this may be useful if scaling up to the whole AONB section or the protected landscape. The suggestion for the moment is to keep the structure as simple as it can be with the programme manager (i.e., Cornwall AONB Unit/ Trust) establishing a single-purpose vehicle (SPV). The Landscape Recovery Framework provides clarity regarding the single project the SPV would be looking to deliver. SPVs can separate the project from other operations and isolate project-specific risks.

A Community Interest Company (CIC) is the suggested model, managed by the programme manager to combine public, private, and third sector entities while allowing for bundling of PES transactions. Other benefits of the CIC model are

- Flexible and commercial CICs can be established with a 35% asset lock or a not-for-profit with a 100% asset lock
- Can receive private investment
- Has options for SITR
- Is straightforward to set up and manage

We conducted a survey and interviews with our farmer group to gather feedback on the feasibility of private investment. This feedback has been incorporated into [Appendix 4 'Identifying promising deal structures for Section 8 with hypothetical counterparts and legal entities'](#), and [Appendix 10 'Feasibility of private investment in Cornwall Area of Outstanding Natural Beauty – Supply.'](#)

This feedback has been incorporated into recommendations for Cornwall AONB going forward to focus on opportunities within the productive farming landscape, such as Soil carbon and Agroforestry Carbon Codes.

As part of the survey and interview, we asked the farmers to rank ideas for 'what actions Cornwall AONB could take to position themselves as a facilitator and/or Programme Manager to help get private investment to farms in the AONB'. These ideas were gathered during the workshop on 22nd August.

Top-ranked suggestions were around forming partnerships specific to private investment projects with key organisations like FWAG SW and Rodda's. This would work well with a comprehensive communications strategy that helped raise the profile of Cornwall AONB in the farming sector. Additionally, even though FWAG and the NFU are on the Cornwall AONB partnership, clearer farming representation on the partnership and/or Trust board may be necessary. These were highlighted as key recommendations for Cornwall AONB to take forward in the next 1-2 years ([Appendix 10](#)).

[Table 8. Overview of farmer feedback on the potential deal structures and the role of Cornwall AONB](#)

Deal Structure	Farmer response			Role of AONB
	Rank	Positive	Negative	
Developer Intermediary	4 Unappealing	Simple structure Low upfront costs	Farmer must discount up to 75%, which was considered a big issue	As facilitator

			No control of ethics	
Programme Manager	2 Some elements appealing	Easy for a farmer to get involved	Needs trusted manager Reduces profits	As manager
Direct	3 Some elements appealing but lacking in multiple benefits	Simple structure No 'middlemen'	The upfront cost to the farmer No economies of scale	Advisory support and engaging buyers
Bundling	1 Appealing due to the delivery of multiple benefits	Create habitat Fits with their aspirations Potentially increased value Well branded schemes like Wilder Carbon offers marketing opportunities	Focus on woodland The high burden on the farmer	Advisory support and help to go through a facilitator such as Wilder Carbon
Stacking	3 Not very appealing, although if it could easily blend with ELMs it might be more appealing	Good money	Complex Rules on blending and additionality need to be clearer	Advisory support on additionality and blending finance
Group aggregated	1 Positive apart from the complexity	Economies of scale	Complex Group working	As intermediary/manager

[Appendix 11](#) adds further detail on the kinds of structures that may be employed at high levels of scale (Section 08 or whole of the Cornwall AONB)

[Special Purpose Vehicle](#) (see also 2 (a) Organisation and governance)

In this scenario, funds generated from ecosystem services are pooled into an SPV that works with the Section 08 farmers and landowners to ensure environmental enhancements are achieved, and agreements are satisfied. The SPV deals with the legal

aspects of the project, (such as covenants and contracts) and keeps all the finances separate from the business operations of the individual farmers or the programme manager to reduce risks to buyers/ investors.

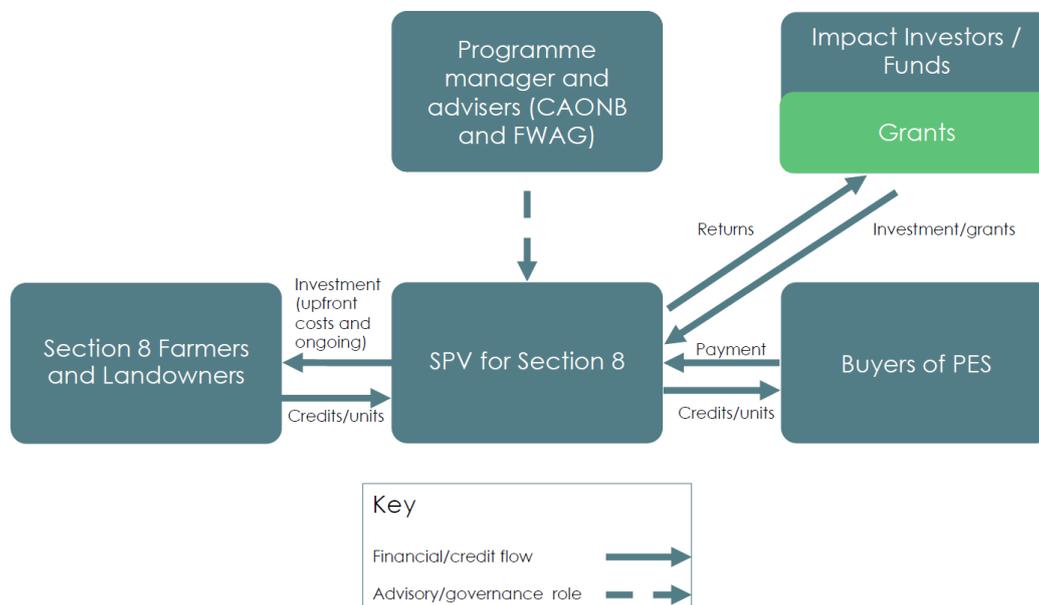


Fig 9. Special purpose vehicle model for the whole of Section 08

Appendix 11 also outlines the potential at larger scales of investment to explore funds, highlighting the potential for the creation of a dedicated fund for carbon offsets with an endowment. The fund would function as a mechanism to provide for the development of projects aggregated into a SPV, achieving a larger number of hectares or volume of credits to attract investors or buyers, as used successfully by NatureScot for peat and woodland landscapes.

d) The exit strategy employed

The SPV suggested in the preferred model in (e) above would set the terms for exiting the investment. The detail of these terms would need to be included in the next stage of our development work.

e) Innovative features of the investment model

There is nothing completely new or unique about our developing model, although it is not a widely adopted model within the UK at the moment, and we think that over the next few years, the conditions will be aligned to enable our model to grow and develop.

A key USP of our model is the individual approach to farm advice and trust building via careful custodianship of the relationship with a dedicated and innovative farmer group and trusted advisors acting on behalf of the Cornwall AONB. We understand that this needs to be a long-term approach and that the long-term sustainability of our model is critical. Our

bespoke approach to advice and farmer development means that the awareness, skills, and knowledge regarding the possibilities of private sector investment are significantly increased, resulting in farmers being ready to take the next step.

#### 4) Project review

Having described the business and investment models developed by your NEIRF project, we would like to know how the process of development and managing the project went. This section of the report focuses on changes made to your planned activities, and key learning that you acquired along the way. We will use these to help support other organisations and projects to plan and prepare their own investment readiness projects.

##### a) Did your NEIRF project run as planned in your application?

The project ran broadly to timetable and programme and achieved its stated outputs. The investment teaser and market testing were timetabled earlier in the project. Still, we delayed, waiting until the supply side was further worked up since the development of the farmer's offer was a key part of the investor teaser. It was felt that conversations with potential investors would be more authentic and tangible if we could talk with more certainty about what the farmers thought they could deliver for an investor.

##### b) Have you been / do you anticipate being successful in attracting the level of investment that you need? If not please explain why.

In this structuring stage, we have begun the initial development of a really innovative and attractive offer that would allow us to achieve, through a blended finance approach, a significant return on ecosystem service benefits, fulfilling our primary purpose to conserve and enhance the protected landscape.

Cornwall AONB is not an asset holder; therefore, what we can offer to both buy and supply side is a unique proposition to build a bespoke offer that makes the best use of the Landscape Recovery Framework and Natural Capital Prospectus.

Success relies on the capacity to draw people into a collaboration due to issues around the scale. Addressing the scale issue is dependent on several players, making this more time-consuming, although the investment offer is likely to be resilient where there is a high number of supply-side deliverers. If we want to do this at scale, a mechanism is required which enables farmer collaboration.

The project found that the Cornwall AONB needs to go on a journey, engaging more farmers, winning their trust, and operating more in the agricultural space. Trust and confidence are key to working with farmers, and the Cornwall AONB is a relative newcomer compared to some organisations like FWAG. Progress has been made, and will continue to be made, connecting with farmers and land managers in the Cornwall AONB as part of the Farming in Protected Landscapes programme (funded by Defra until 2024). This network and building of relationships must continue to develop.

There is an appetite on both sides to see success, which means there is great potential for successful delivery, but we see the opportunity being more of a blended approach rather than a private sector approach. We can develop a bespoke investment offer that would be attractive to local businesses from the point of view of transparency and, ethical investment, local value, although more of a blended approach would be required to deliver it. This is dependent on the new agri-environment schemes, and the comprehensive roll-out of Nature Recovery, along with the necessary conditions to attract blended finance, is the point where we may see success realised.

- c) What benefits have been delivered at the point of your NEIRF project closure, and do these vary from the original project plan?

The end of the NEIRF project sees the close of the initial development phase of the Cornwall AONB Protected Landscapes Investment Bank. Our research to date has given us cause for huge optimism that we have an exciting business model that could be far-reaching in its benefits for nature, landscape, and climate.

The work carried out to date has contributed to a wealth of baseline data which gives us a great grounding going into the next phase of development. This initial phase, funded by NEIRF, has enabled us to continue to build strong relationships with our farmer group and to begin to have discussions at the earliest possible stage with our 'supply side', enabling an in-depth understanding of their expectations and issues. This enables us to develop a supply-side model that really works for our farmers.

The project, crucially, has encouraged a much deeper understanding of how the Cornwall AONB Trust and Cornwall AONB Unit could work together in our respective business models. There is an improved understanding of how the two organisations can be mutually supportive, which puts us in a much better position going forward, revealing the art of the possible. Growing the Trust's experience and achieving a better understanding of structures to manage PES transactions has resulted in a new ambition to develop the Trust into an organisation that facilitates credit transactions in the Protected Landscape marketplace.

Our farmer group has been invaluable in sounding out approaches and broadening our understanding of how the Cornwall AONB can work with farmers in the future and the steps it must take to be a trusted convenor in agricultural circles. This will put the Cornwall AONB Unit and Trust in a good place in developing initial trial phases as we progress toward implementation.

Our research has given us a better understanding of how the market could work and opened our eyes to the possibilities of partnering with local agricultural supply chain businesses. When we began our journey with NEIRF, we were concerned about not being able to attract investors into Cornwall. We now realise the potential of local markets and the desire of Cornwall companies to invest locally. We also have a heightened awareness of the marketing opportunity Cornwall gives us and renewed confidence that we can attract investors locally and nationally.

Understanding more about private investment allowed us to think strategically about the relationship between the Unit and Trust and how we can deliver upon the unique opportunity of 'the offer'. Our market testing buyers told us that they see the charitable status as an asset, and we can build on this going forward.

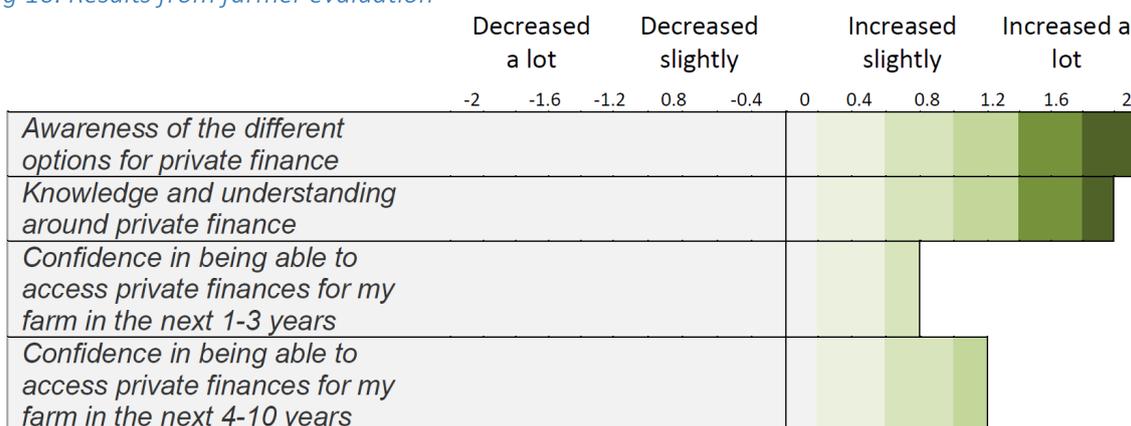
'The NEIRF project has helped the Cornwall AONB Trust develop a business strategy for developing into a charitable organisation capable of facilitating considerable funds for investment and/or credits for sale in the protected landscape. The Cornwall AONB Trust is drawing on the NEIRF project experience and research to grow its offer and capabilities of Payments for Ecosystem Service transactions. The engagement with and outputs from consultants working on the project have provided a roadmap for how the Cornwall AONB Trust can continue to develop its structure.

During the final month of the project, the project undertook research to understand the impact the sessions had had on farmer’s awareness and understanding of private finance. The results were highly positive, showing a significant increase in awareness and knowledge and slightly building confidence to access private finance (mostly in the medium to longer-term). This demonstrates the value of farmer group collaboration in scoping for private investment even at the early stages.

*“It has been eye-opening the whole process, I’m glad I have been involved and something I’d recommend a farmer doing if they have the chance. I have looked forward to the meetings and always come away with a nugget of information”*

*“I am keen to keep working with the AONB and experimenting with new opportunities. I’ll always keep looking for what’s next”*

Fig 10. Results from farmer evaluation



d) Please outline any outstanding tasks needed to realise the original planned benefits / long term implementation of your business/investment model, and the plan for managing them.

As outlined in other parts of this report, more work is required to establish a firm business model that will lead us to early-stage investment.

We have identified three areas of lesson-learning and activity for the medium term, with recommendations targeted at the Cornwall AONB Unit and Trust, primarily, with other key actors identified. These areas are:

- Programme planning and resourcing
- Concept development (supply and buy side)
- Broader outreach and convening efforts

Figure 11 overleaf also shows a more detailed ‘roadmap’ overview of work required to complete Structuring and Development phases and to lead into a Funding phase. This is based on [Appendix 13 Outline investment strategy and roadmap for stimulating private investment in the Cornwall AONB](#).

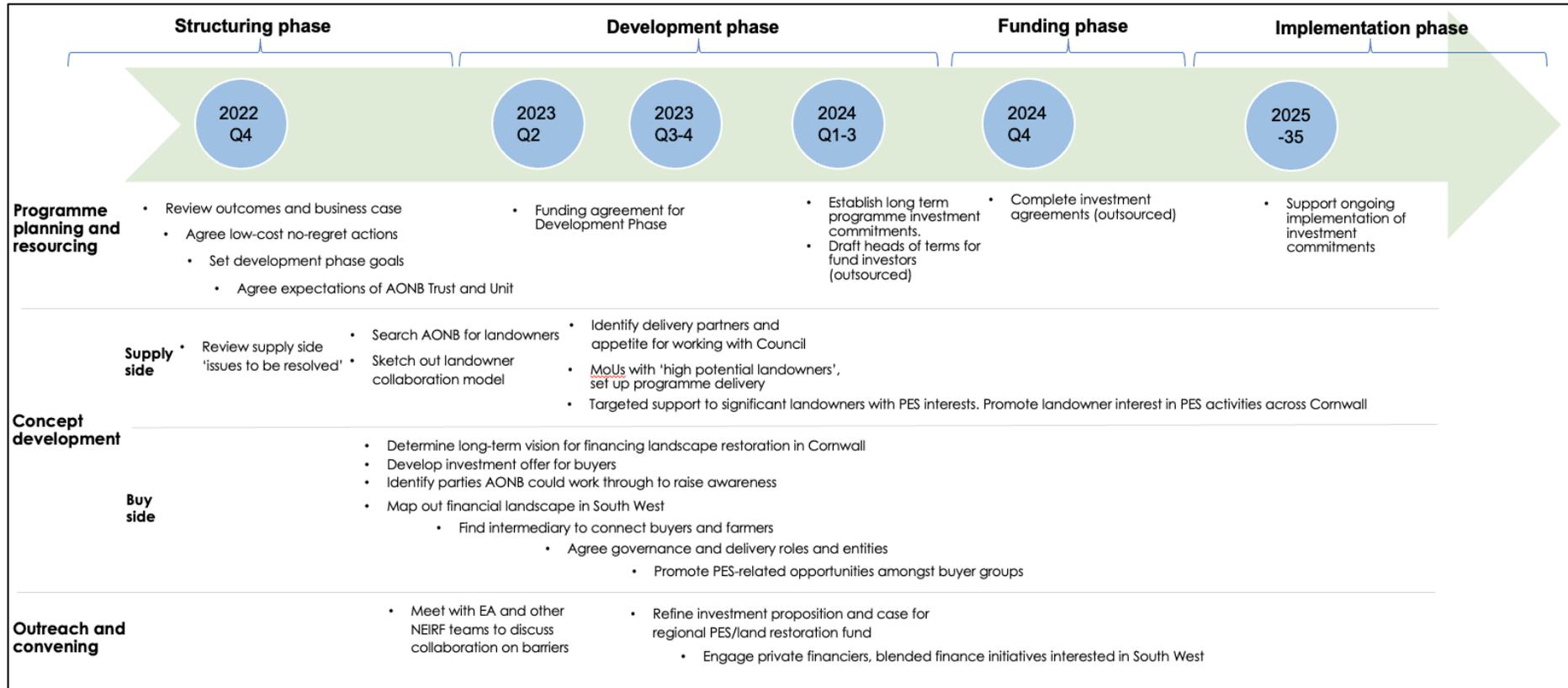
The roadmap implies 3-6 months of further work on structuring, and preparation for a development phase running up to late 2024, after which large scale fundraising could be attempted. The aim would be to have in place a 10-year Cornwall-focused blended finance initiative running from 2025 onwards. Although the long-term role of the Trust and Unit remains to be defined, in the next 12 months both could play a crucial role as catalysts, given sufficient mandate and resources (see [Appendix 13](#)).

Table 9 also explains some aspects in more detail.

*Table 9. Further development work required*

<b>Aspects for further development</b>	<b>Work required</b>
Structuring	An agreement regarding the adoption of structures, governance, and legal entities/ lead body
Supply and scale	Further work with farmers and farmer clusters. Development of the AONB as a trusted farm adviser, taking opportunities provided by the Farming in Protected Landscapes programme. Address the scale issue by building larger farmer cluster groups, rolling the model out across further sections of the Cornwall AONB to build scale and increase attractiveness to investors
The business model	Develop a clear business model based on the further development of pricing, market testing, overheads, and the agreed organisational structure with budget and cash flow projections
Market testing	Undertake further work to understand the market, identifying a frontrunner partner investor (s) to work with the AONB on a trial investment. Further work on raising awareness and skills among the market.
Trial investment project (grant funded)	Develop the project to early/ trial stage, applying for further grant funding to establish the model, and test the business plan ahead of scale-up.

Figure 11: Overview roadmap to move from Structuring to Implementation phases of this project concept.



e) Please outline any key remaining risks to the delivery of the outstanding benefits / long term implementation of your business/investment model, and the plan for managing them.

*Appendix 5' Advice on Running a Price Discovery Process'*, outlines factors that may affect prices in the medium term, including

- Impacts of foregone earnings where farmers are unable to undertake production in conservation areas
- Maintenance costs associated with maintaining the asset e.g. woodland
- Changes in transaction costs
- Integrity and quality of the credits generated
- The levels of ecosystem services benefit from beneficiaries/ buyers
- The visibility of interventions (which will, for example, affect how 'marketable' they are)
- Location (buyers will typically pay more for credits generated close to their market and customer base
- The costs of alternatives e.g., water treatment facilities
- Competition, supply, and demand for credits
- Willingness to invest and pay
- Regulatory changes

*Appendix 12 'Issues identified in the NEIRF project and initial ideas on how to resolve them,'* explores the main issues identified as the project progressed and gives guidance on how they might be mitigated.

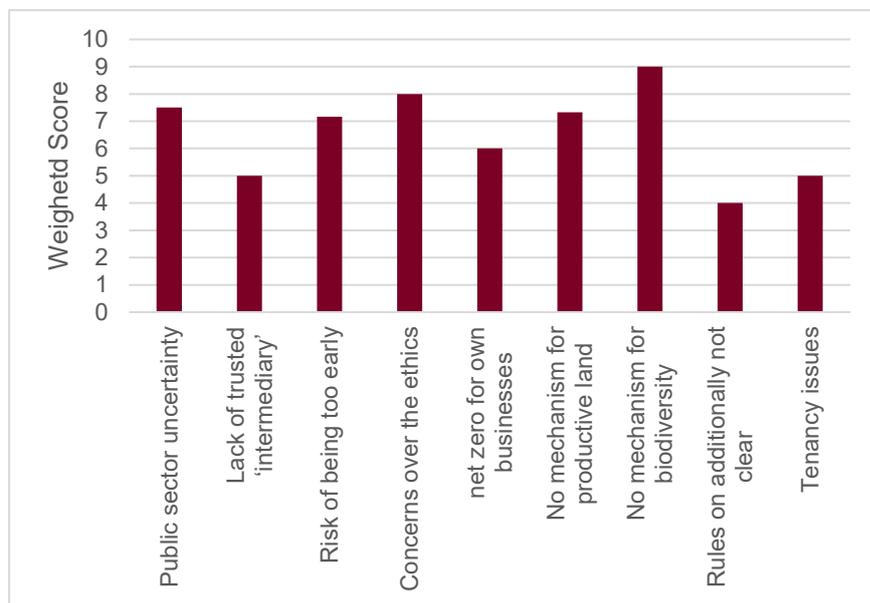


Fig 12. Graph showing weighted score from answers to 'Please rank the following key barriers to stopping you from entering into a private finance deal for carbon/ecosystem services /biodiversity in the short term?' (Appendix 10)

Table 10. Risk and mitigation

Risk	Mitigation
Farmer uncertainty and public subsidies The overriding obstacle was uncertainty over the new ELMs schemes. Farmers wanted a quicker roll-out of the scheme and assurance over eligibility and payment levels, specifically within Nature Recovery. Farmers are facing many uncertainties, such	Clear guidance from Defra on when they expect blended finance to start and on what level

<p>as food pricing, energy costs, and a lack of clarity around levels of future public subsidy and what level of support may be available in the future. Our farmer group told us they would not be keen to engage in private sector investments until there was clarity around the new agri-schemes. Linked to this was certainty on trading rules and additionality. Farmers wanted to be sure they did not disadvantage themselves by entering into agreements/ contracts too early.</p> <p><i>“There’s just too much risk at the moment, which doesn’t encourage investment”</i></p> <p>The two highest ranked incentive options for entering a private finance deal for carbon/ecosystem service/biodiversity in the short term were ‘clear guidance from Defra on when they expect blended finance to start and on what level’ and ‘clarity provided by Defra over new ELMs schemes.’ (<a href="#">Appendix 10</a>)</p>	<p>The clarity provided by Defra over new schemes</p> <p>Support with measuring and monitoring carbon</p> <p>Support in identifying opportunity areas for biodiversity and carbon</p>
<p><a href="#">Markets, costs, and pricing</a></p> <p>The expectation is that carbon and biodiversity prices will increase, although, with the current volatility in the energy sector, there are risks around future pricing, particularly of energy. There is recent volatility also around food pricing, with the price of food increasing and farmers seeing more profit from production in some sectors e.g., dairy than was the case a few years ago. Profitability from sales may reduce farmer appetite to engage with complicated investment propositions.</p> <p>It was challenging to achieve certainty on carbon and biodiversity pricing, which is not fixed, leading to uncertainty on returns. Transaction costs are not transparent.</p>	<p>Government and others could undertake more work on case studies to increase transparency, working with the Green Finance Initiative Hive and others. A UK transaction database would be another solution. The Cornwall AONB can work with partners to get the best pricing information possible.</p>
<p><a href="#">Scale</a></p> <p>A risk to the business model lies in not achieving enough scale attractive to larger investment companies and funds. Several factors influence how far the model can be scaled.</p>	<p>PES mechanisms will lend themselves to working at smaller scales from which we can grow scale</p>
<p><a href="#">Additionality rules</a></p> <p>These are currently uncertain; for example, it is not fully clear whether woodland planted with agri-environment support can also produce additional carbon credits for sale, and less clarity regarding the use of the same intervention to generate biodiversity units. Clarity around additionality is required for bundling and pricing and will influence a farmer's land management decisions</p>	<p>All information on additionality communicated clearly to farmers. The need for clarity communicated to government</p>
<p><a href="#">Project failure</a></p> <p>Buyers were concerned about genuine delivery of the credits purchased and ensuring that their investment delivered the benefits. For example, tree death, resulting in not as much</p>	<p>Good monitoring, assurance, quality control, and data were critical to this, along with a desire</p>

<p>carbon being sequestered, or failure to establish new habitat resulting in less biodiversity benefit. Farmers were concerned about not being penalised for circumstances beyond their control e.g., drought resulting in failure.</p>	<p>to invest in local projects they could visit.</p> <p>Clear contracting and terms</p>
<p><a href="#">Contracting</a> While farmers expressed a desire for long-term certainty, there is doubt about entering long- term contracts e.g., 30- year conservation covenants. There was nervousness about entering into a long contract at a point in time if it would be more beneficial for them to wait until prices increased. There was also nervousness around changing rules and whether long terms fixed contracts may impact eligibility i.e. for public sector support in the future.</p>	<p>New Conservation Covenants under the Environment Act now require a responsible body which may provide more confidence</p>
<p><a href="#">Non-payment</a> (By buyers) was not particularly highlighted as a risk during the project but obviously would present a risk.</p>	<p>Robust contracting and clear terms (see above)</p>
<p><a href="#">Changes in public sector support and resourcing</a> The final main risk to implementing the model is funding and capacity. The emerging model envisages the AONB Unit or the AONB Trust (potentially the AONB Trust supported by the AONB Unit) as the convenor of farmers and the facilitator of deals. The business model is dependent on support, advice, and facilitation from the AONB Unit and publicly funded private-sector consultancies and agencies - particularly in the earlier stages of development.</p> <p>The Cornwall AONB Unit would find it extremely challenging to establish the business model and begin to build scale without extra capacity within the team. Similarly, the AONB Trust is in its infancy and still developing as a charitable organisation with no dedicated staff and only volunteer trustees.</p>	<p>We can mitigate the capacity issue longer term by building in admin and project management fees into the investment model. Grant funding will be sought to generate enough capacity in the shorter term.</p>
<p><a href="#">Farm business viability and farm intensification</a> There is a significant risk to ecosystems if public sector subsidies and blended private financing cannot be made to work to cover the losses from reductions in Basic Payment. There are risks to farm viability if farmers are unable to bridge the gap left by the reduction in basic payment. As a result, there is a considerable risk that farms will intensify to maintain profitability. Doing so will likely further degrade ecosystems, reduce biodiversity levels, and increase carbon emissions and pollution levels.</p>	<p>More work to understand the viability of farm business and good communication of risks to government</p>
<p><a href="#">Farmer health and succession</a> The marginal nature of many smaller farms within the protected landscape means that many farmers experience mental health problems, which may mean they are less able to engage in complex funding proposals. While the farmers on the Lizard</p>	<p>Support for farmers to succession plan and farmer support built in through the process, working with experienced</p>

<p>group are comparatively young, many farmers within the protected landscape are approaching or past retirement age. A large proportion have no succession plans in place, posing difficulty when considering long-term investment options and building scale.</p>	<p>organisations such as Farm Cornwall</p>
<p><a href="#">Undervaluation of ecosystem services by the market</a> The ecosystem services valuation study, carried out by the Cornwall AONB for the Defra Test Trail, highlighted the significant value of ecosystem services in the project area. However, there is a high-level risk that current market prices will not be high enough to reflect the actual value of the ecosystem services and, therefore, not enough to prevent their continued degradation.</p>	<p>Further research on ecosystem services valuation and its relationship to market prices</p>
<p><a href="#">Compatibility with farm enterprises and weak economic case for PES</a> The mismatch between what farmers see as the main opportunities to improve ecosystem services and what PES investment mechanisms are currently available is an ongoing issue. We need investment mechanisms that facilitate action on land in production, such as agroforestry, soil carbon, and diversification of grazing pastures. The area of land farmers are prepared to take out of production is small, making it problematic to achieve scale and requiring larger numbers of farmers to be involved.</p> <p>PES and blended funding mechanisms are unlikely to be able to replace support from the Basic Payments Scheme. The pricing information presented to our farmer group did not completely convince them to engage in these types of markets at this stage.</p> <p>“You want your finger on the pulse, but you do not want to get distracted when something new comes along. What if there is a food crisis in 5 years' time and it all changes? A farmer's top priority is producing high-quality food!”</p>	<p>Stacking and bundling options would be one solution to increasing value. Cornwall AONB can keep building capacity and supporting farmers to see the potential in PES transactions</p>

f) [What have been the barriers that you have had to manage during your project?](#)

<p><a href="#">Click or tap here to enter text.</a></p> <p><a href="#">Appendix 12 'Issues identified in the NEIRF project and initial ideas on how to resolve them,'</a> explores the main issues identified as the project progressed and gives guidance on how they might be mitigated.</p> <p>Some barriers have been outlined above in the section on risks. However, our work on the supply side with farmers and on the buy side during our market testing has revealed other barriers to entering deals. After the workshop on the 22<sup>nd</sup> of August discussing deal structures, follow-up conversations were held with farmers, and a short evaluation questionnaire was completed with them. The results are outlined in <a href="#">Appendix 10. 'Feasibility of private investment in Cornwall Area of Outstanding Natural Beauty – Supply.'</a> This work delved further into farmers' opinions and explored barriers in more detail.</p>
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Table 11. Barriers to the investment model

Barrier	Description
Tenancies	Barriers to tenant farmers entering deals due to difficulties in gaining agreement from landowners. Long-term contracts may not match with tenancy terms. The landowner may want to recoup any profit from the investment. Solutions may involve the development of standard tenant leases/ clauses to enable private finance for tenant farmers.
Collaboration	The willingness of farmers to collaborate is relatively low. There is a traditional unwillingness of farmers to work together or to engage in formal structures. Long investments of time are needed to build trust and develop relationships to a point where collaboration can happen. Small practical beginnings where farmers collaborate in a small, low-risk way are not investable propositions, requiring grant/ public sector funding. Specialist technical, legal and financial support is required to help farmers access these structures, similar to the Natural England Farm Facilitation Fund. The AONB could look more broadly across the AONB to find landowners keen to work together, or it could run a test collaboration model with the existing group. Partnering with a trusted agricultural sector organisations e.g., Rodda's or CQLP may encourage collaboration.
Lack of engagement/ awareness and experience within buyer groups	<p>Market testing revealed a lack of engagement in the local market. Businesses locally were reluctant to get involved in market testing, possibly because of low awareness, lack of knowledge, or perceptions around risk/ loss of profit. <a href="#">Appendix 4</a> also showed limited evidence of experience in PES deals in the South West and Cornwall.</p> <p>Solutions could include government-driven pilot projects with case studies and more buy-side-focused project support. Project developers such as Forest Carbon can help engage and increase buyers' confidence and supply. The government could help increase project developers' establishment through financial and other incentives. The government can also help by providing support for buy-side businesses and improving the evidence around the environmental benefits of PES schemes. Market-building interventions like trading platforms can help to advance buyer engagement.</p> <p>The Cornwall AONB could do more work to increase awareness and build confidence and expertise. It could also highlight the limited good examples in Cornwall and explore with those projects how they met this challenge. The Cornwall AONB can undertake more mapping of potential buyers to align investment with the buyer.</p>
Carbon commitments	Concerns were expressed regarding targets for net zero. Farmers were concerned that they may need to plant trees on their land to offset their own enterprises before being able to sell credits.
Ethics	The supply and buy sides were concerned about entering unethical deals, which may pose a barrier to involvement. Investors wanted to see added benefits for a carbon investment, for example, requiring habitats rather than simply tree planting. Investors wanted to know how they could be sure trees planted survived long term, preferring local projects they could visit and include in their marketing. Similarly,

	<p>farmers did not want to sell their credits to unknown buyers. They were concerned that they did not want to go to the effort of planting woodland or creating a compensation site to enable carbon emitters or developers to carry on in unsustainable ways.</p> <p>Farmers expressed concern that there were few mechanisms, aside from Wilder Carbon, which encouraged them to go the extra mile for biodiversity.</p> <p><i>"I think we all started thinking - why would we want to make other people's businesses look better than they are - but working with the group has shown this may not be such a problem and that ethics are being considered"</i></p> <p><i>"No matter how the transfer side of things is structured, the basis of that would be that you're selling your carbon positive effect to somebody else for them to carry out some carbon-negative effect"</i></p> <p><i>"If I was looking at going forward with them selling carbon credits, I would definitely be very keen on the ethics of whoever is buying them. And really, I would want to be in control of that"</i></p>
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g) Outline 3-5 key learning points from your project that would benefit others going on this journey. Please consider knowledge and skills you have gained through delivering your project.

There is significant future opportunity in approaches around agroecology since this is where the supply side sees substantial opportunities. Investment mechanisms for these kinds of interventions are in their infancy which gives the Cornwall AONB time to explore this further in future development stages. In addition, there is a unique opportunity in Cornwall for tourism which we will investigate further.

There is more interest than we expected from our supply-side and buy-side research. We have learned that we need to build projects that deliver multiple benefits, for example, rewarding biodiversity rather than just carbon. These schemes are likely to be much more attractive to local investors, able to operate at smaller scales and be of higher value, with greater engagement and reduced risk.

Our discussions with suppliers and buyers have told us that the profile of the Cornwall AONB needs to be raised, so the next step is to work up a campaign to raise the profile of the Cornwall AONB (and the Cornwall AONB Trust). Communication is critical to bringing in investment. In addition, the Cornwall AONB is a relative newcomer to the agricultural sector, and we must continue building a reputation in the industry.

There has been a significant increase in understanding with regards to scale. PES transactions currently on the marketplace offer the potential to start at more minor scales - an excellent opportunity for a bespoke and boutique offer. This can allow us to draw upon what Cornwall is best at - creating a more unusual and exciting proposition.

A potential USP for the Cornwall AONB is that collaboration, at a larger scale in Cornwall, would require cooperation among a good number of farmers and land managers, requiring a facilitator with a strong understanding of both productive farming and the Protected Landscape Management Plan. The model is becoming more apparent - Farm advisers building trusted relationships from the supply side to bring together an offer through an intermediary (perhaps Cornwall AONB Trust) that offers transparency and tangible products for buyers.

There is great potential for the Cornwall AONB Unit and Trust to work together to bring in and distribute significant funds. The Unit can act as a farm advisor and set up deal structures across different farmer groups—the Trust to find private funds for investment while networking and profile raising.

h) What would you do differently if you repeated this project?

Market testing could have begun earlier as we found that significant time was required to warm companies up to the idea of being interviewed. However, this would require a more extended project time, as we needed to get the desktop research, and the work to agree on the supply possibilities with the farmer group completed first. It would have been good to have more time to share the results of the market testing with the supply side and get more detailed feedback from the farmers.

More upfront information on the business model and organisational structures would have been valuable to make the picture more accurate in our farmer discussions. However, there was a chick and egg situation where the business model required those more general conversations to happen first.

We want now to include more estates and other farming types and sectors to get different perspectives, and it would have been beneficial to have them participate in the research. However, these are more difficult to reach sectors, and this will require ongoing discussions. In the future, we would like to include estates and other farming types within a supply-side market testing approach.

More research is needed on the scale issue since the investment model is likely to require a larger scale of investment than our small group of farmers can achieve. Looking Cornwall AONB-wide would give us broader results, and we can examine this in the next stage.