

# Environmental markets



## OUR ASK

**The development of environmental markets which work alongside domestic food, energy and fibre production, have clear rules and standards to allow farmers and buyers to take part with confidence, are accessible across a range of farm sizes and business structures, and fairly reward farmers for the delivery of environmental goods.**

## Why it's needed

Environmental markets are an emerging area of interest to farmers and growers, with long-term land management agreements possibly offering them an additional income stream. This could potentially reduce the reliance of UK agriculture on taxpayer support, as well as provide another way to incentivise environmental best practice.

At present, environmental markets in the UK are poorly defined, largely unregulated and fail to offer certainty, either to farmers looking to supply into these markets or for buyers on environmental outcomes.

Because environmental markets have a key role to play in delivering the UK's ambitions on net zero, water and biodiversity, the next government must shape best practice within these markets. Environmental markets will respond,

provided the next government builds and maintains market confidence and helps minimise the risk of adverse outcomes.

We cannot leave this to the markets. Without government intervention, there is a risk of environmental markets becoming discredited due to poor execution, agreements, measurement, reporting and verification (MRV) standards, or accounting protocols including the registration of credits.

The next government must develop a body to accredit environmental markets, and the codes and standards that underpin them, to ensure they are compatible with other policies, such as the land use framework, food security commitments, ELMs, and regulatory environmental targets.

The NFU supports the development of the British Standards Institute's Nature Investments Standards Programme, as announced in the government's Nature Markets Framework, which has the potential to play a vital role in driving integrity in markets, provided it is underpinned by a strong governance mechanism.

The sooner appropriate standards are fully developed and adopted by the next government, the sooner we can scale up high integrity environmental markets to support the flow of private sector investment into nature.



# What it would deliver

Around 70% of land in Britain is agricultural, so farmers are uniquely positioned to deliver a range of environmental benefits, such as carbon sequestration and storage, the creation, enhancement and maintenance of biodiversity, as well as improving water quality.

As part of this, farmers and growers have the potential to generate positive carbon, biodiversity and nutrient outcomes which could attract investment from a broad range of private sector businesses looking to meet their own environmental objectives.

This may include companies looking to use carbon removals as part of managing their own journeys to net zero, or water companies and developers interested in delivering nutrient or biodiversity benefits.

Such new market approaches may increasingly complement government environmental schemes for farmers and, in some cases, may provide a higher reward for meeting environmental objectives.

These new approaches, therefore, have the potential to leverage private finance, whereby a proportion of public funding encourages greater levels of private sector engagement, unlocking more investment.

This could provide farmers with a much-needed new stream of largely stable income that they can use to help to improve productivity, deliver sustainable farming practices and manage wider market volatility.

These “additional” incomes could be the difference between a nature-focused project happening or not.

However, it is important that these potential new income streams from environmental markets are considered in the context of a wider package of equally important measures. These include mitigating the speed and impact of agricultural transition, as well as ensuring all future policy making and legislation takes proper account of the impact of such markets on UK food security and resilience.

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