

# Diversification of funding - Marco Franzoi - Report 8 - SW Scotland LENs framework - 2019

## The South-West Scotland Landscape Enterprise Networks: opportunity analysis and the role of SNH

### *Executive summary*

This report outlines the opportunity of setting up a Landscape Enterprise Networks (LENs) project in Scotland. The first part introduces the LENs concept. The second sketches out an opportunity analysis of LENs: each opportunity and benefit is linked to businesses and industries that could be interested in investing and to evidence gaps that would need to be addressed. The third presents some recommendations and challenges.

### *What is LENs*

LENs is a catchment-wide partnership of local stakeholders, mainly from the private sectors but open to the public and third sectors. Local businesses that rely on clean water, resilient crop production and other land-based services invest in nature-based solutions to ensure their supply chains are not disrupted. This investment is collaborative thanks to a place-based web of transactions which enable groups of businesses to co-procure landscape outcomes from land-based organisations - such as farmers and landowners - that can make things happen on the ground.

Payments could be based on the direct monetary benefits that a business expects to gain in the short-term and on willingness to pay for long-term risk avoidance, and are then agreed with the suppliers. Online tools, such as the reverse auction platform EnTrade<sup>1</sup>, help to aggregate demand and supply as well as to estimate market prices for specific interventions.

A LENs project is being established in the Eden river catchment (Cumbria) by Nestlè and United Utilities (UU) which respectively benefit from resilient milk production and better water quality. Other projects are currently under development in England and in South-West Scotland. Further information about LENs and about the current work of SNH on the Scottish project is available at: <http://intranet/obr?id=qA166356>. A short LENS 'explainer' can be downloaded from <https://www.3keel.com/wp-content/uploads/2019/07/LENs-explainer.pdf>.

### *Opportunity analysis of the SW Scotland LENs*

In contrast to other schemes, the structure of LENs has the flexibility to offer multiple benefits which attract different stakeholders. Consequently, in this Section, a LENs opportunity analysis Table is introduced which aims to show the link between the opportunities that private businesses would gain from a LENs in SW Scotland. Moreover, for each benefit, the Table identifies particular issues and how they might be addressed, especially with regard to the availability of the evidence of the impact of interventions and measures.

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<sup>1</sup>EnTrade is an easy to use online transactions platform for farmers and businesses developed by Wessex Water. It currently focusses only on nitrogen and phosphorous mitigation transactions, but it will soon include transactions for a variety of natural capital assets and ecosystem services (<https://www.entrade.co.uk>).

Although the section looks at benefits separately, it is important to note that projects should not be focussed on single targets or specific ecosystem services. The advantage of LENSs, being place-based, is that they are holistic and account for the co-benefits that derive from intervention, for example the impact on biodiversity and wellbeing.

Opportunity	Private sector stakeholders	Evidence gaps and other issues
<p><b>Improvement in water quality</b></p>	<p>The primary <b>beneficiaries</b> are</p> <ul style="list-style-type: none"> <li>- water utility companies experiencing lower treatment costs;</li> <li>- fresh water and marine fisheries from improved catch;</li> <li>- the agricultural sector;</li> <li>- tourism sector e.g. from cleaner beaches;</li> <li>- local communities.</li> </ul>	<p>There is currently little research in the impact of restoring wetland habitats (e.g. peatlands, fens, etc.) on the water quality. LENS offers the opportunity to collect stronger evidence of possible improvements through econometrical analysis, consequently making this type of project mainstream.</p>
<p><b>Protection against flooding</b></p>	<p>Diminution in the flooding risk represent a cost-saving opportunity for all stakeholders in vulnerable areas:</p> <ul style="list-style-type: none"> <li>- local communities and businesses which would otherwise flood;</li> <li>- the food and drink supply chain, from the farmers, who will limit damage to their production, to the manufacturers;</li> <li>- insurers that will have to repay less for damages.</li> </ul> <p>Local businesses not directly flooded can still be affected by transport disruption caused by the flood. Flood mitigation would allow workers and deliveries to access the premises and maintain continuous operations.</p>	<p>Large scale implementation of nature-based solutions (NBS) across multiple sites could help to better understand the impact of green infrastructure and to draw comparisons against traditional ‘grey’ anti-flooding infrastructure.</p> <p>It is an opportunity to use innovative natural flooding management measure, such as the <a href="#">Viridian Logic’s tool</a> for clearer and sounder monetary evaluations.</p>
<p><b>Resilience of water sources during droughts</b></p>	<p>The main <b>beneficiaries</b> from continuous water access in periods of drought are:</p> <ul style="list-style-type: none"> <li>- farmers, the drink industry and the agricultural sector which are able to sustain production;</li> <li>- water utility companies that would have fewer costs in water abstraction.</li> </ul>	<p>Better evidence of the capacity of various natural habitats (e.g. peatlands, fens, wetlands, etc.) to retain water during periods of drought or water scarcity can attract further interest from affected industries.</p>

<p><b>Resilient soil</b></p>	<p>Resilient soil reduces risks of topsoil erosion saving costs for farmers.</p> <p>Water quality and flow improve from the reduction of eroded soil washed into waterways.</p> <p>Less erosion also reduces the amount of pesticides and fertilisers entering water courses including downstream coastal waters.</p> <p>Healthier soils are more productive, give greater resilience to pests and diseases, and to droughts, and store more organic carbon.</p> <p><b>Beneficiaries</b> from resilient soils therefore include:</p> <ul style="list-style-type: none"> <li>- food and drink industries depending on agricultural products and clean water;</li> <li>- water companies;</li> <li>- tourism and hospitality (from improved local environments);</li> <li>- inshore shell fisheries including aquaculture.</li> </ul>	<p>A study of the impact of NBSs to strengthen soil resilience and quality can lead to better agricultural measures around Scotland.</p> <p>Linking the improvement in soil to other co-benefits can help to assess its economic impact on the supply chain.</p>
<p><b>CO<sub>2</sub> emissions reduction</b></p>	<p>Industries and businesses can invest in nature-rich projects through LENs to diminish their unavoidable carbon footprints.</p>	<p>Not all interventions deliver the same amount of carbon offsetting and it may prove difficult to assess this amount for many interventions (such as grasslands, peatland restoration or wetland creation).</p>
<p><b>Wellbeing and health benefits</b></p>	<p>Creation or improvement of green infrastructure in urban areas can lead to better mental and physical wellbeing of local communities.</p> <p>Local businesses would benefit from higher labour productivity and better workforce morale.</p>	<p>Working with stakeholders to understand whether improved green infrastructure and open spaces has an impact on labour productivity (e.g. on absenteeism and presenteeism).</p> <p>Understanding the role of improved green infrastructure, open space and landscape quality on attracting and retaining skilled workforce.</p>

<p><b>Creation of innovative governance and investment structures</b></p>	<p>The structure of LENS allows the private sector directly to implement environmental and social-minded projects.</p> <p>Innovative governance and easier payment structures could lead to investment opportunities unavailable in the past, especially addressing free-riding issues.</p> <p>LENS has the capacity to increase the available evidence of the socioeconomic impact of nature-based solutions and other environmental interventions, e.g. better monetary evaluation for single stakeholders and better stacking of multiple benefits.</p> <p>LENS could also allow for the development of alternatives to current farm subsidies that see private and public funding combined and that are more focused on environmental targets, e.g. within Regional Land Use Strategies</p>	<p>LENS offers a great opportunity to research how the private sector can play a more relevant role in investing in the environment:</p> <ul style="list-style-type: none"> <li>- understanding how businesses value ecosystem services;</li> <li>- helping the development of an alternative payment structure to rural support mechanisms, including CAP;</li> <li>- studying benefit staking and address free-riding issues.</li> </ul>
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## ***Recommendations and Challenges for the SW Scotland LENSs***

LENSs have the potential to unlock new investment opportunities for the nature and the economy of Scotland both in rural and urban areas, so are, potentially, an important component of future initiatives on land use, such as Regional Land Use Strategies. By deriving the values of ecosystem services for specific industries and businesses, they help to address the exploitation of nature as a common good, addressing free-riding issues. Moreover, they can raise the awareness of businesses about the relevance of nature and ecosystem services to their production and supply chains and to the risks that the climate crisis poses to them.

However, it is imperative that nature is not commodified: projects have to deliver a nature-rich future. It will be important to ensure that interventions deliver multiple benefits across a range of scales, securing public goods for public money. Strong governance and accountability arrangements will be required to apportion risks, costs and benefits that involve trusted experts and ethical brokers to advise investors on best procedures and techniques. Benefits and targets, such as the multiple benefits of carbon offsetting through peatland restoration, will need to be specific and quantified or clearly stated.

There is potential for several LENSs projects across Scotland, each tailored to its own context including rural, urban and rural/urban examples. These could be private- or public- or voluntary-sector led, ideally all three to provide a level of credibility to attract a diverse range of businesses and companies.

Expertise will be needed to collect, manage, analyse and share data and evidence of the impact of interventions and projects, as well as to monitor the efficacy of measures and their overall impact on people, local nature and the economy.

Insofar as several local projects arise, it may be useful to ensure some form of national governance of LENSs to advise on the application of the model so as to avoid perverse incentives or unforeseen outcomes, promote multiple benefits, take account of local communities' needs, involve civil society and secure a nature-rich future.

## ***Why invest in LENSs?***

Aside from the positive impact of LENSs on Scottish nature and towns:

- The evidence collected for LENSs projects can be used to make a stronger case of the importance of investing in nature to the government and the private sector as part of the transition to a net zero economy.
- Better working relationships across the public, private and voluntary sectors leading to a better understanding of needs and priorities and more potential for collaborating around shared goals.
- The structure of LENSs can offer ideas for alternative or complimentary greener ways to support rural businesses after EU-Exit.