

FIRNS Interim Evaluation Review

nature.scot



Net Zero
Scotland
Scottish
Government



NatureScot
NàdarAlba
Scotland's Nature Agency
Buidheann Nàdair na h-Alba

Introduction

The Facility for Investment Ready Nature in Scotland (FIRNS) is co-funded by The Scottish Government and NatureScot in partnership with The National Lottery Heritage Fund (NLHF). It aims to help create a pipeline of market-ready projects to help attract responsible private investment in Scotland's nature. The fund was launched in February 2023. The programme has delivered two funding rounds to date, one in August 2023 and second in March 2024.



Grants overview

£4,759,189

Total Funding Awarded

72

R1 enquiries

41

R1 project applications

27

R1 projects awarded

17

R2 enquiries

15

R2 project applications

8

R2 projects awarded

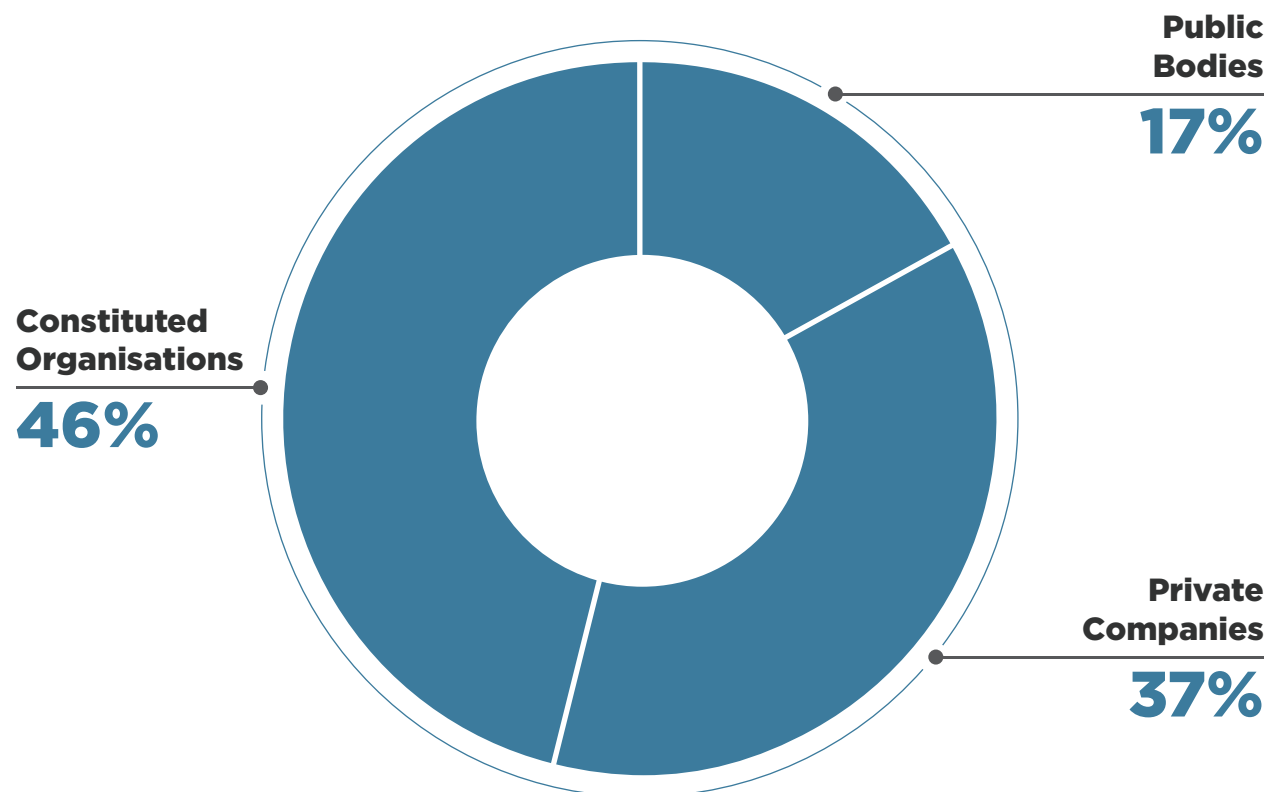
Overall, the competitive process has generated significant interest with 89 Expressions of Interest received across the two funding rounds. This translated into 55 applications to FIRNS with a total project value of over £9.8 million. In total 28 organisations have received around £4.75 million in grant support from NatureScot and The National Lottery Heritage Fund for 35 natural capital projects. This is indicative of significant and continued interest in this area in Scotland and a gap between project demand and available funding.

Funded organisations

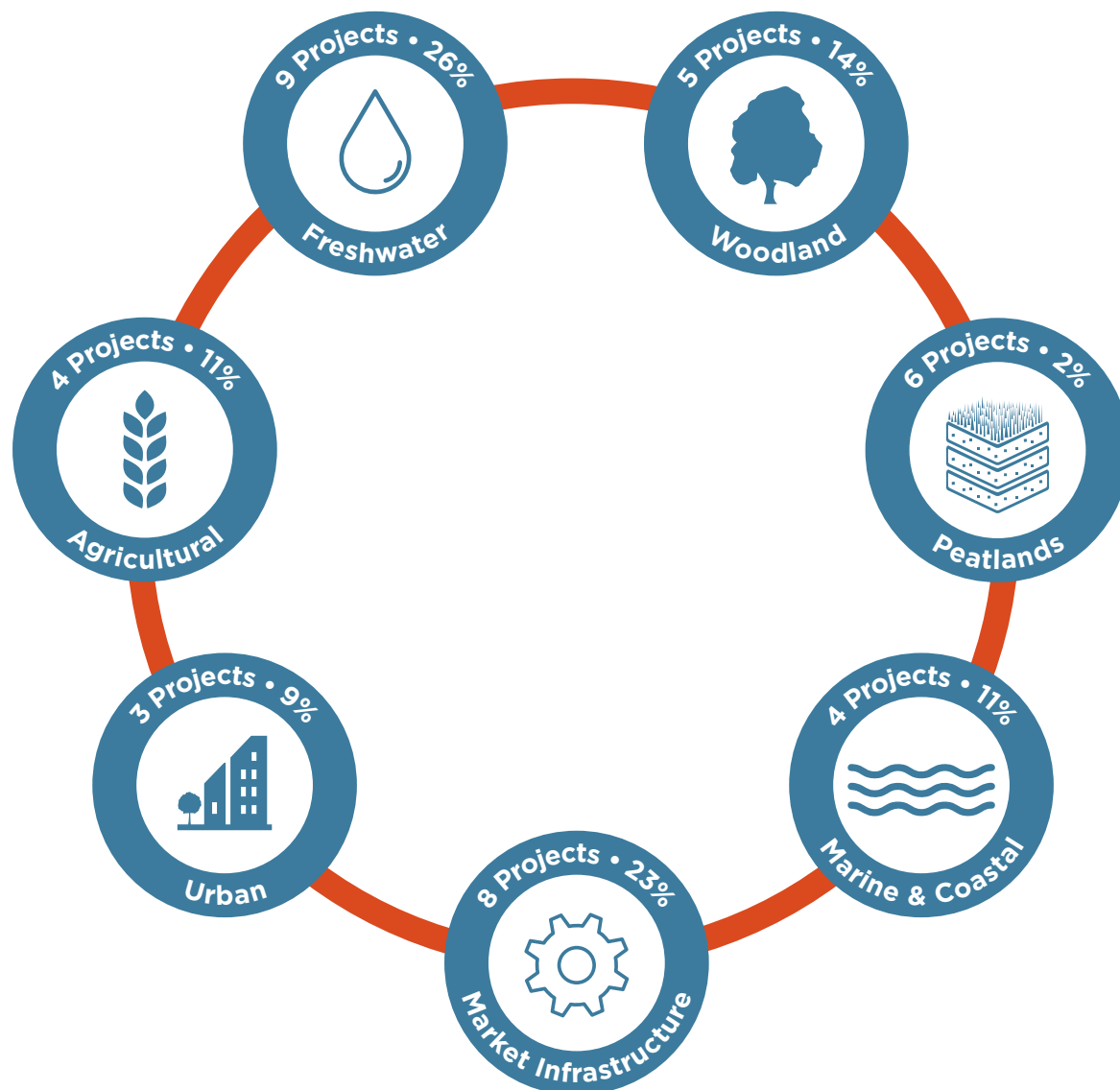
Across two rounds of applications constituted organisations make up 36% of applicants but are the most common grantees, 46% of grantees across both funding rounds. Conversely, private organisations make up 49% of applicants but 37% of grantees. Public Bodies make up the remaining 17% of successful applicants.

16	Constituted organisations
13	Private Companies
6	Public Bodies

Successful application breakdown by organisation type



Project types

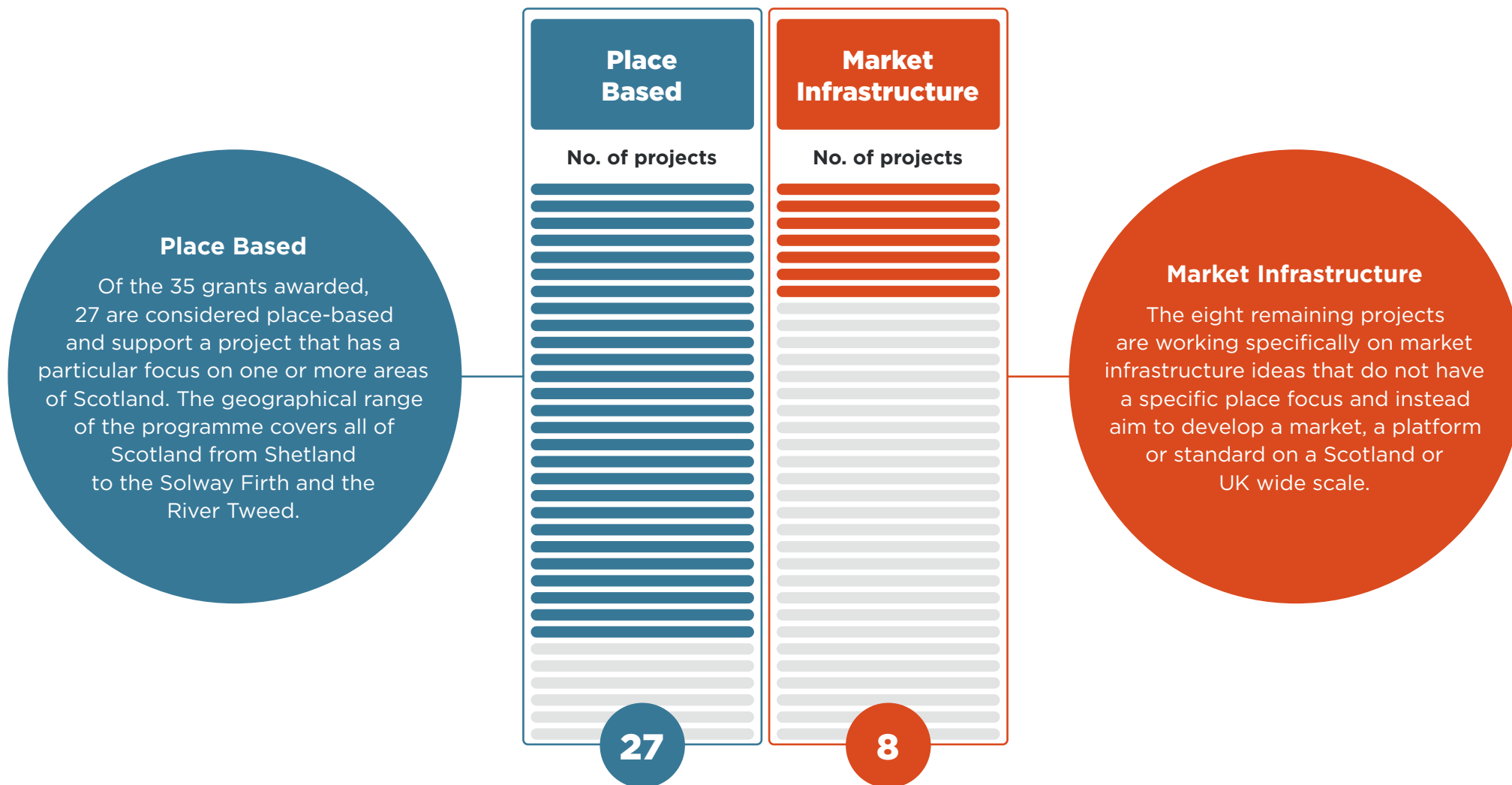


Broadly the awarded projects can be broken down into seven themes, showing the range and diversity of FIRNS project across a range of ecosystem services and market mechanisms:

- **Freshwater**
9 projects, 26% of total projects
- **Woodland**
5 projects, 14% of total projects
- **Peatlands**
2 projects, 6% of total projects
- **Agricultural**
4 projects, 11% of total projects
- **Urban**
3 projects, 9% of total projects
- **Marine & Coastal**
4 projects, 11% of total projects
- **Market Infrastructure**
8 projects, 23% of total projects

Across the different ecosystem services projects are trying to monetise a range of opportunities including carbon, natural flood management, saltmarsh, biodiversity, and marine natural capital such as oysters.

Project types



FIRNS grant projects

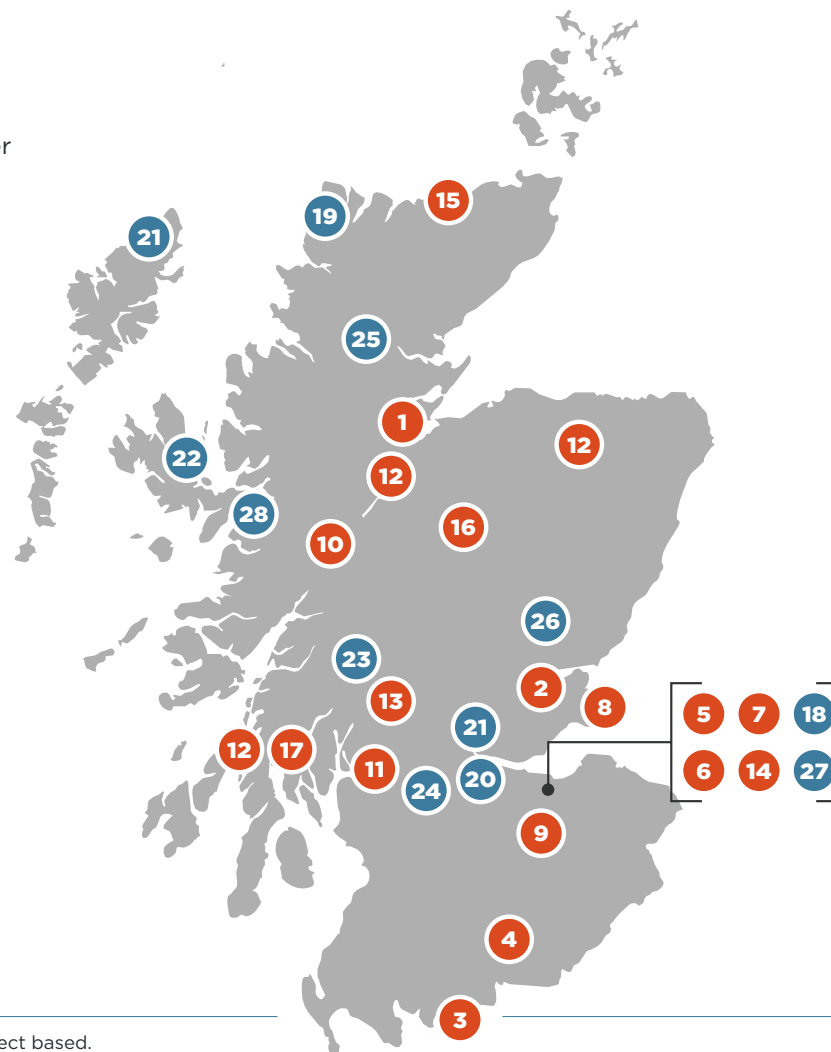


Market and Investment Readiness

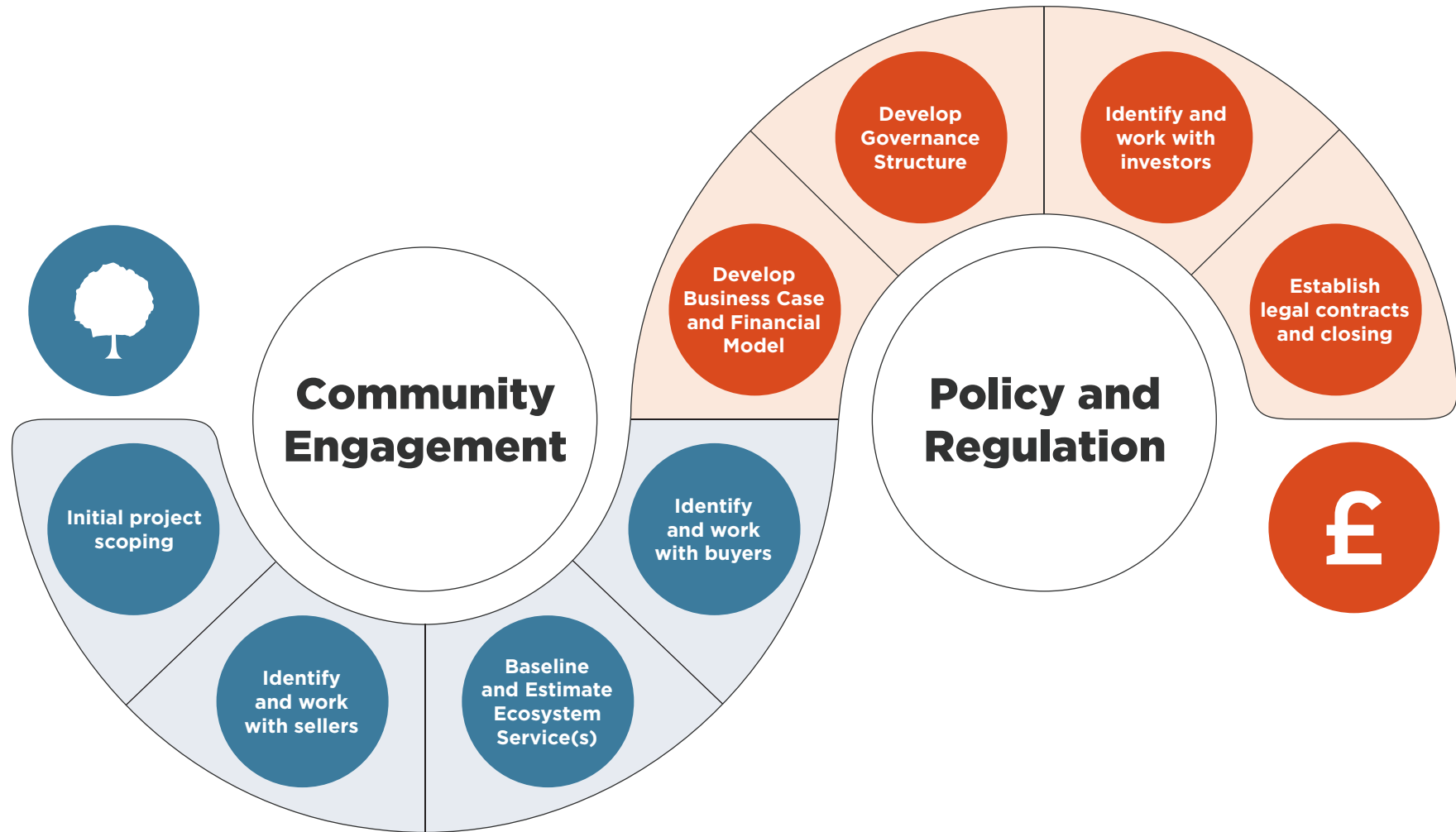
1. Community Benefits Certification Mark for UK Natural Capital Projects, made by the nature finance certification alliance*
2. Improved governance mechanisms for whole-farm and farm cluster natural capital project implementation*
3. Solway Coast and Marine Project
4. Annan Riparian Restoration Network
5. Edinburgh New Gardens - Urban Nature Restoration Investment Scheme
6. Project L•AND
7. Buyer-seller contracts for carbon and other nature markets*
8. Dreel Burn Investment Readiness
9. Financing Natural Flood Management for communities and wildlife of the Eddleston Water
10. Arkaig Naturl Capital: Regenerative Investment in West Lochaber
11. Leven Landscape Enterprise Network (LENS)
12. Joint venture for Scaleable Community Benefits from Rewilding
13. Loch Lomond and the Trossachs National Park nature Finance Platform
14. Biodiversity crediting for woodlands, peatlands and other ecosystems*
15. Flow Country Green Finance Initiative
16. Make Rewilding Your Business (MRYB)*
17. Saving Scotland's Rainforest with Natural Capital Finance

Development Phase

18. Scottish nature Impact Fund Feasability Study*
19. It's in our Nature: Place Powered Futures
20. Advancing the UK Saltmarsh Code in Scotland*
21. Unlocking the restoration of degraded peatland on crofting and common grazing land
22. Enabling Markets for Marine Natural Capital*
23. Planning the Financial Future for Wild Strathfillan
24. Central Scotland Green Network Routemap to Green Finance Mobilisation
25. River Catchment Restoration Pilot at Alladale Wilderness Reserve
26. Braes of Alyth: Wild Cores and Corridors
27. Developing a sustainable Scottish source to sea, green finance model*
28. The Knoydart Credit - A Partnership of Nature and Community



Progress



Progress

Market and Investment Readiness Projects GFI Stages

Initial project scoping



Identify and work with sellers



Baseline and estimate ecosystem services(s)



Identify and work with buyers



Develop business case and financial model



Develop governance structure



Identify and work with investors



Establish legal contracts and closing



Development Phase Projects GFI Stages

Initial project scoping



Identify and work with sellers



Baseline and estimate ecosystem services(s)



Identify and work with buyers



Develop business case and financial model



Develop governance structure



Identify and work with investors



Establish legal contracts and closing



Number/Percentage of projects achieving this stage of the toolkit

Lessons learned

The FIRNS programme has provided valuable progress and insights into the development of Scotland's natural capital markets. Through supporting 35 projects, a growing market has been further established, and a clearer understanding has emerged about what's needed to continue to scale high-integrity nature restoration with private investment in Scotland. FIRNS has become an integral and vital part of the current pipeline of projects supporting a wide range of capacity building and market innovations.

Market Development Themes

Four key themes emerge across the programme: demand, pipeline development, business models, and governance. Each offering insight into future market development:



Lessons learned

Demand

- Carbon remains dominant revenue model, but other revenue streams are often required to support a viable project
- Significant potential in emerging markets (biodiversity, water quality, natural flood management) which can be further supported by developing policy frameworks
- Buyers often seek local projects where there can be geographic misalignment with supply
- Premium pricing for high-integrity project and credits is possible but also challenging



Lessons learned



Project Pipeline

- Early-stage development typically requires 2-3 years and funding support; grant funding or blended finance is essential for many projects
 - Upfront costs (baseline assessments, stakeholder engagement) often underestimated
 - Need for patient capital and flexible funding structures
-

Lessons learned

Business Models

- Multiple revenue streams needed beyond carbon and business models need to reflect this
- Cooperative and landscape-scale approaches show promise
- Patient capital can be essential to support extended development periods
- Technical business modelling support is often required to support projects engaging with buyers



Lessons learned



Legal Structures, Governance and Community Benefits

- Simple governance and legal structures can often be most effective; sharing of models and contracts supports market development
- Community engagement crucial but requires significant time investment
- New frameworks are emerging for benefit sharing and demonstrating community benefits
- Cooperative models show promise for smaller landholdings



nature.scot



**Net Zero
Scotland**
Scottish
Government



NatureScot
NàdarAlba
Scotland's Nature Agency
Buidheann Nàdair na h-Alba