



Habitat Banking FAQs

In this document we have explored some frequently asked questions based on our extensive consultations to date across the full range of sectors that would be expected to contribute to the habitat banking initiative. The term habitat banking is used as an all inclusive term, to include, for example, conservation credits and bio-banking.

Q. What is habitat banking?

A. Habitat banking is a market-based environmental solution to deliver ecosystem service benefits provided by land, including biodiversity conservation, and to address the historical loss of ecosystem service value at landscape and catchment scales. Habitat banking is an effective and efficient means of ensuring that development offsets its impacts on ecosystem services – where the true costs of development include the historically zero-costed resources which are lost as a result of development. The zero-costs applied to biodiversity and landscape have resulted in their observed degradation and fragmentation over time. The fundamental premise of habitat banking is to identify existing or degraded land and habitats that may be restored and/or enhanced and where developers purchase credits used to fund site purchase or management under long-term agreement, for habitat creation, restoration or enhancement. So, for example, arable farmland might be used to create new habitats or managed in a way that promotes better biodiversity and landscape quality, where different types of credits can be used to supply different ecosystem services. Habitat banks are designed to consolidate credits from many smaller development schemes to provide substantial added value to large landscape-scale initiatives. Habitat banking creates economic incentives for restoring, creating and enhancing habitats for the purpose of providing compensation for unavoidable losses to habitats and ecosystem services in advance of development actions, where on-site mitigation is difficult and would not result in such environmental benefits, as has repeatedly been shown in relation to S106 on-site mitigation designs. Habitat banking enables both conservation and development by providing a mechanism for appropriate and necessary development to occur in a more responsible and environmentally sensitive manner.

Q. What is a habitat bank?

A. The term habitat bank refers to a) privately or publicly owned land managed for its natural resource value and b) the delivering body, such as The Environment Bank Ltd., that brokers arrangements between developers and land owners/managers to provide a 'no-net-loss' policy of ecosystem services including biodiversity. In exchange for the creation, long-term protection and management of the land, the 'bank' sells habitat credits to developers who need to meet requirements for mitigating and compensating for the environmental impacts of development projects. Habitat banks may involve the consolidation of many small mitigation projects into larger and more ecologically valuable biodiversity conservation projects.

A habitat bank is a free-market enterprise that:

- ❖ Offers land owners economic incentives to protect natural resources for biodiversity conservation or other ecosystem resource;
- ❖ Saves developers time and money by providing a streamlined and more predictable mitigation and compensation process, along with dependability on an efficient provision of mitigation;
- ❖ Provides long-term protection and management of habitat through *in perpetuity* agreements.

Q. What is the role of the Environment Bank?

A. The Environment Bank is the first and only company of its kind in the UK. As such we have developed considerable experience to enable the effective delivery of habitat banking in the UK. We are able to assist with all aspects of the habitat banking process.

The Environment Bank can:

- ❖ Assist land owners in putting their land forward for identification as receptor sites (provided that they have good potential).
- ❖ Assist LPAs in identifying and assessing potential receptor sites.
- ❖ Assist LPAs in developing the necessary LDF conservation or ecocredits or habitat banking policy.
- ❖ Broker the arrangements for credit purchase.
- ❖ Put into place environmental enhancement strategies and management plans for receptor sites.
- ❖ Manage credit spend or “draw down” from pooled contributions on behalf of LPAs.
- ❖ Monitor credit spending and delivery through reporting practice tailored to assist with an LPA’s ARM.
- ❖ Take action where contractual management obligations are not being met by parties involved.

Q. Does this concept apply to just housing sites or are other forms of development liable?

A. Any form of development (including changes of use), which reduces the ecosystem services function of the land and which requires planning permission will be the subject of the scheme. This will include infrastructure projects, ports and harbours, energy related development,

commercial developments such as business parks, air ports, minerals and waste projects, out-of-town retail development, sport, tourism and leisure developments etc.

Q. Would the habitat banking system apply to 'brown field' (previously developed land or PDL) as well as 'green field' sites?

A. Essentially, habitat banking is principally aimed at 'green field' sites which all currently perform ecosystem services. However, 'brown field' sites that perform ecosystem services will also contribute to the scheme. 'Brown field' sites within urban areas including the larger gardens associated with low density housing (which is being redeveloped), institutional development, educational establishments, hospitals or similar in large grounds will provide ecosystem services and thereby meet the criteria. 'Brown field' sites beyond urban areas (such as former air fields and un-restored quarries) can provide significant ecosystem services so would, in such instances, be included. Small scale redevelopment schemes, say under 0.25 ha, would generally be excluded. However, this would very much depend upon the characteristics of the area concerned and the LPAs should determine the threshold criteria for habitat credit purchase on schemes within their defined urban areas.

Q. Does habitat banking allow for the facilitation of development by providing a 'license to trash'?

A. No. The habitat banking scheme is compatible with the current mitigation hierarchy and will apply to sites that have been identified as appropriate for development following LPAs rigorous evaluation which rules out statutorily protected sites and sites with formal nature conservation value designations recognised by the development plan. The scheme's aim is to avoid any further erosion of the land area for nature conservation purposes as these are part of the site's ecosystems services role and are being compensated for by way of the habitat credit purchase scheme.

Q. If I have land which could be used for credit spending as a 'receptor' how would I go about getting it identified?

A. We envisage the forward planning system 'calling for sites' as a part of the Local Development Framework (LDF) process. This is currently undertaken to identify potential development sites (i.e. Strategic Housing Land Availability Assessment - SHLAA) and could be initiated by land owners where potential has been identified. We have launched The Environment Bank Ltd. to facilitate a) the sourcing and assessment of receptor sites to include on-boarding selected landowners and managers, b) designing location-specific ecosystem service delivery and c) ensuring the credits are used appropriately and reporting on what is created.

Q. Will it affect house prices or the developer's profits?

A. No. The aim is to target the increase in land value created by the grant of planning permission. The cost is therefore borne by the enhanced land value. It may however impact upon those development sites which are the subject of a minimum land value 'option' or other arrangements. Some form of transitional mechanism will therefore need to be put into place which allows such sites to come through the process and for a "start date" to be applied to all future development sites.

Q. What are the benefits to a developer?

A. Quite simply a more predictable outcome in terms of the net developable area, increased speed in the processing of planning applications and reduced costs previously associated with the delays and uncertainties created within the current system.

Q. How would developers benefit from purchasing habitat banking credits?

A. Whilst the landscape-scale ecosystem service benefits of habitat banking to society are clear, there are also significant benefits to developers as a result of greater clarity in the planning process, avoidance of costly delays, reduced costs through avoiding the sterilisation of developable land, removing a further burden of mitigation delivery from the developer.

Q. What size of development would use the scheme? Examples?

A. Generally sites which are over say 0.25 ha in scale and which perform an ecosystem service. As can be read above (see [Q: Would the habitat banking system apply to 'brown field' \(previously developed land or PDL\) as well as 'green field' sites?](#)), we see this procedure as applying to primarily green field development sites, for instance, urban extensions and new infrastructure but which may similarly apply to rural brown field sites (or previously developed land – PDL) and certain categories of land within the urban areas which currently perform ecosystem services. We do not however wish to apply this concept to urban regeneration sites unless exceptionally these contain previously undeveloped pockets of land which do, as a result of their scale, contribute to the provision of ecosystem services and are proposed to be developed.

Q. What type of development do you envisage is most likely to use this approach?

A. Any form of development (including changes of use) which results in a net loss to the ecosystem services provided by that land. For further details refer to previous question.

Q. Would such a system enable developers to avoid providing for public open space, green corridors (amenity space), playing fields or landscaping within their development proposals?

A. No. The conventional requirement to provide such features in accordance with development plan requirements would remain. The habitat banking mechanism is designed to avoid further losses to the net developable area by ensuring that ecosystem service losses (such as food and energy provision, water quality, quantity and management, climate change mitigation, carbon storage, biodiversity and habitat provision for wildlife conservation, wider landscape quality and amenity value) are converted into a credit purchase to be spent on large landscape or catchment scale 'receptor sites'. This avoids the loss of otherwise developable land to small and inconsequential attempts to address secondary nature conservation interests on site.

Q. What are the benefits to the local planning authority (LPA)?

A. First, it enables the LPA to demonstrate to the local community that land lost for necessary development will be compensated for in targeting credit spending at landscape-scale receptor sites. Currently, there is real difficulty in convincing many local residents that the balance between development and environmental consequences is being achieved. This process brings together the consideration of development allocations or applications and receptor sites as a parallel process

available for all to see and understand. Second, it simplifies the processing of planning applications in terms of protracted negotiations and uncertainties, particularly in relation to major projects. Third, through the management of credit spending, performance delivery can be effectively and independently monitored (via accredited facilitators such as Environment Bank) and through the vehicle of the Annual Monitoring Report (ARM) action taken to improve performance, recast priorities etc. This reduces the staff time and resources needed to monitor and manage delivery.

Q. Does this mechanism apply in a similar way to S.106 (Town and Country Planning Act 1990) agreements?

A. It is intended to be a separate and distinct element of the planning application process but will be secured by legal agreement under the terms of section 106 or CIL. The aim is to treat the credit purchase as a base line cost applicable in all circumstances where there is an identified loss to ecosystem services. It would not be appropriate for the credit purchase to be absorbed into s.106 negotiations as it needs to be regarded as the 'non-negotiable' element in any such application.

Q. When would the payment for credits be triggered?

A. As implementation of the planning permission commences. It could be geared to the incremental site coverage achieved through development or, say, linked to phasing or completion of buildings and related infrastructure. It would not be paid therefore on the grant of planning permission for the simple reason that until a site is developed there is no loss of ecosystem services. However, the trigger mechanism for conservation credit purchase would be contained within the s.106 agreement (or CIL) and entered into before planning permission is granted. There may, however, be some stipulated requirement to deliver mitigation before a development proceeds, as is currently the case in some circumstances. In such instances, there would be a requirement set by the LPA for credits to be purchased prior to development implementation.

Q. Who sets the environmental value / cost of a piece of land that is lost to development? Who oversees it?

A. The net developable area of land (including proposed buildings, gardens, roads, surface infrastructure, footpaths, cycle ways, formal playing fields and sports pitches and other hard surfaces, but excluding informal recreation areas, public open space, amenity land and landscaping) will be used to calculate the net land loss to ecosystem services. This is then converted to a credit spend depending upon the ecosystem service performance of the net land area lost to development. We aim to apply a simple formula based upon the per hectare cost of creating similar habitat or ecosystem function, or enhancing existing habitat or ecosystem function (plus its in perpetuity i.e. 25 year management) on an area of land acquired for that purpose either through site purchase or management agreement. Having already established a per hectare financial value for a single conservation- or eco-credit, this is then divided into the net land area lost to ecosystem services to the development and the number of credits to be purchased established. This would be overseen by an accredited facilitator (such as Environment Bank Ltd) working with the planning authority.

Q. How would environment / conservation projects (receptor sites) be chosen?

A. Simply down to their potential to deliver results in terms of environmental improvements including ecosystem services such as biodiversity. Scale or proximity and landscape relationship to other land cumulatively forming a landscape-scale receptor site is critically important. These can be blocks of land, green corridors or networks. There must be connectivity capable of being part of a larger “whole”.

Q. My Council will expect all of the credit spend to be within its own administrative area. Why should the credits purchased from development within our area be directed at receptor sites beyond our boundary?

A. The habitat banking system aims to deliver ecosystem benefits within the administrative area and if the Council has a suitable ‘landscape’ or catchment scale receptor site(s) within its administrative area then this is not a problem. We believe that sites of scale are the best way of achieving ecologically meaningful results and these may be beyond the immediate administrative boundary. The best location for receptor areas will be where they can deliver the best ecosystem service gains. There will, however, be the opportunity to link such sites into the Council’s health, well being and education functions enabling say school children and students from the Council’s area to use facilities within the receptor sites. There are significant benefits arising from this if neighbouring councils work together on a range or network of sites within their hinterland or further afield. This approach will be consistent with greater cooperation between authorities, providing greater benefits where pooled contributions can, for example, be utilised to create large scale projects.

Q. Once the process is underway how will the public know where these sites are and access them?

A. We envisage public access to many sites, though this will depend upon their ecological sensitivity and management arrangements entered into with land owners. The receptor sites will be placed upon a public register held by the local planning authority and will be publicised. The sites may include fitness trails, nature conservation interpretation facilities, over night accommodation for school children and students undertaking research, visitor facilities, cycle ways and footpaths etc.

Q. How will we know what has been done with the money raised through the credit system and how effectively it has been spent?

A. The receptor sites will be the subject of legally binding management agreements entered into with the land owners. These agreements will include a plan-based implementation strategy for a given period or phases based upon a 25 year minimum project period. The implementation of the management plan, the creation of habitats, restoration, enhancement works and other measures will take place as the credits are drawn down. The project will be monitored by the accredited enabler such as The Environment Bank Ltd and made the subject of a yearly review which is then fed into the Council’s Annual Monitoring Report (ARM). Action can then be taken to either increase/decrease spending or enforce the implementation measures where these have not occurred as recommended by the review of the site’s performance.

Q. How will accreditation be set-up and will the policy need regulation?

A. We envisage that delivery bodies will need some form of accreditation body or mechanism to ensure best practice. We would recommend that this be evaluated and a system put in place in parallel to the roll-out and implementation of the policy, rather than establish the accreditation mechanism first. There could, for example, be an 'Ofsted' type of assessment undertaken of the banks according to a schedule of commitments to ecosystem service provision. Regulatory enforcement on the developer would not be necessary if credits are purchased prior to implementation of the development. But regulation of the habitat banks may be required and desirable to ensure delivery of ecosystem service provision.

Q. Is there national legislation covering environmental mitigation for development projects? Or are there regional variations depending on the planning authority itself?

A. The short answer is yes to both. European and national environmental legislation applies to the consideration of potential environmental impacts from proposed development projects which fall into certain categories of type and scale. Mitigation strategies form a required part of the planning application process, however our experience is that piecemeal, disparate and ad hoc mitigation has generally failed to deliver particularly with respect of land lost to ecosystem services. At the regional and local levels the development plan contains many policies which seek to minimise environmental impacts but similarly are too crude and result in cumulatively ineffectual results, not least because of the lack of current enforcement.

Q. What are the differences between your approach and the current environmental mitigation practices?

A. We see this as more effective in being able to reflect the true cost of the use of land and hence land lost to ecosystem services for society's legitimate development needs. The generation of "pooled" credit spending from contributor development sites can be targeted at landscape-scale receptor sites. By virtue of the potential scale of the receptor sites, together with independent and regulated delivery and management of the credit spending, this procedure will deliver far more effective environmental mitigation and, more importantly, considerable enhancement. The latter is a reflection of the potential identification of receptor sites which can deliver considerably greater environmental benefits than current site specific mitigation strategies. Our approach will enable significant investment into the natural environment from development which would, without mitigation, further erode the ecosystem service function of land.

Q. What are the benefits to the community affected by the development if the credits aren't spent locally?

A. If it is not possible to identify a landscape-scale receptor site within the area which is regarded as local to the development then it will be necessary to ensure that the credit spending on the receptor sites is linked to local education initiatives, so that, say, local school children or students can access various sites. The community in general could treat some or parts of receptor sites as "country parks" made accessible through improvements to local footpath networks, cycle ways, bus routes etc. It would also be possible for local communities to have a say in the running and management of the receptor sites, the priorities for access and public use. We essentially see this

initiative as being able to assist in reconnecting the urban population with the countryside and nature, with health , fitness and well-being objectives

Q. What will motivate land owners / managers to get involved? The potential for conservation funding on their land? Or a more acceptable / speedier approach to development of their land?

A. First, it offers land owners a potential additional income stream in being able to implement and manage a credit spending scheme on their land. The land can remain within their ownership and control. It may assist some land owners in being able to bring into effect land management practices more appropriate to the localized characteristics of their land than currently with resultant environmental benefit. This seems particularly appropriate where marginal agricultural land is involved, where there is land regularly liable to flood or land within water catchment areas which, with management and say the re-introduction of traditional farming techniques could assist in flood prevention whilst earning an income. The credit spend may well make the decision to revert to such practices more economically viable than currently could be the case. Second, land owners and farmers are best placed to manage the receptor sites in accordance with a binding management agreement. In terms of land owners with potential development sites it makes the net developable area more predictable and, as with the developers, assists in reducing delays and costs in the processing of planning applications. Additionally it will hopefully reduce the amount of objection to planning applications as local people can see the whole development / environmental mitigation picture more clearly than currently.

Q. What needs to happen before such a scheme forms part of everyday development planning?

A. For a policy mechanism to be formally adopted by Government.

The Environment Bank is the first company of its kind in the UK, and provides the mechanism by which effective ecosystem service function, such as biodiversity conservation and landscape improvement, can be delivered by taking a strategic approach, enabling landscapes of substantial worth to be created, managed and maintained within a long-term framework.

Visit www.environmentbank.com for more information. Contact details: Professor David Hill at dhill@environmentbank.com or Rob Gillespie at rgillespie@environmentbank.com for further information and advice on: Novel mitigation solutions; Purchasing credits; Being a contributing landowner; Discussing your own development project.