

Guide to England's Woodland Carbon Guarantee

On 14th April 2020, the Forestry Commission announced that **£10 million** will be available in the second auction of the Woodland Carbon Guarantee (WCaG). This second auction will take place online from **8 – 19 June 2020**, and land managers across England are encouraged to take part by signing up to the scheme by **5 June 2020**.

The Woodland Carbon Guarantee was launched in November 2019. In total it is a £50 million scheme that aims to help accelerate woodland planting rates and develop the market for woodland carbon sequestration. Of the £50 million available, £20 million has already been allocated to the first two auctions, leaving £30 million to be allocated to future auctions. The scheme is an objective of the 25 Year Environment Plan and was announced in the autumn 2018 Budget. It is hoped that the Guarantee will help the government reach its manifesto commitment to increase planting across the UK to 30,000 hectares annually by 2025 and, in doing so, it will contribute to Britain's net zero emissions by 2050 target.

The first WCaG auction closed in mid-February 2020 and saw 18 contracts offered by the Forestry Commission for the creation of 182 hectares of new woodland. Auction values from the first auction have not been published though the first auction allocated £10 million, so therefore, assuming all allocated funds were used, that is an average income of £1,570 per hectare per year (with funding ending after 35 years). However, this is a likely to be an imprecise figure as values are set on £/tonne of CO₂e not on area, and so income differs depending on each project's own carbon sequestration potential.

How it works

The WCaG provides successful participants the option to sell captured carbon dioxide in the form of verified carbon credits, called Woodland Carbon Units (WCUs). Each unit is a tonne of sequestered CO₂. These WCUs can be sold to the government for a guaranteed price every 5 or ten years up to 2055/56. The government will buy the WCUs for an agreed price that is index-linked for the life of the contract. This additional long term carbon income will help to reduce the financial risk associated with investment in woodland creation projects. If land managers prefer, they can choose to sell the credits on the open market rather than to the government, at any time.

Eligibility

The WCaG is restricted to new woodland creation. In order to apply, woodland creation projects must be registered with and be managed under the [Woodland Carbon Code](#) (WCC). The project must have been registered with the WCC after 29th October 2018. There are a range of eligibility criteria for the WCC, specifically requirements to prove additionality (that the carbon sequestered through planting is additional and would not have been possible without the carbon finance). The WCC released a new version of their [carbon calculation spreadsheet](#) this year, which is free for anyone to use in order to determine the carbon sequestration potential of proposed projects.

WCaG applications cannot include land that:

- is covered by a statutory requirement to establish or restock woodland
- is not entirely within England
- the applicant does not have management control over for the length of the agreement and is unable to have an application countersigned by the landowner
- is owned by public bodies

WCaG applications may be made alongside applications for other existing grants (for example, Countryside Stewardship, the Woodland Carbon Fund or the HS2 Woodland Fund) provided that the agreement was signed after 29 October 2018.

Applicants must have control of all the land and activities needed to meet the requirements of the WCaG scheme for the full duration of the contract period. If an applicant does not have full control, they must obtain

the written consent of all other parties who have management control of the land for the entire period of the agreement. Providing this is given, tenants, landowners, partnerships and licensors are eligible to apply.

If the woodland creation project fits the eligibility criteria, and the amount of carbon that the woodland will sequester has been calculated using the [WCC carbon calculation spreadsheet](#), the applicant can then fill out a WCaG [application form](#).

Auction

Once the application has been accepted, the land manager is invited to participate in an online auction, where the price at which the WCUs are sold to government is agreed. Currently, the auction is a single shot, sealed bid process. Applicants will be asked to provide their best offer of the price required in order to make their woodland creation project viable. Bids will be in Pounds Sterling per Woodland Carbon Unit (£/tCO₂). Lower bids are more likely to be successful. Feedback from WCaG first round applicants has suggested both discounted cash-flow and opportunity cost comparison were used to calculate their bid prices. When calculating the value, it is important to remember not just to take account of income foregone, but also value added in providing environmental services such as carbon sequestration.

Once the auction closes, the bids will be accepted on the basis of price (below the reserve) until the available budget has been committed. The price agreed at auction will be index linked on an annual basis based on the Consumer Price Index 12 month rate in April of each year. Auctions will initially be held on a national basis every few months for 4 or 5 years depending on the rate of uptake and therefore available funds.

Validation and Verification

If the project is successful at the auction then a conditional 30 – 35 year [contract](#) is offered. The woodland must then be validated under the WCC, at which point the number of WCUs that can be sold to the government under the WCaG may be slightly amended (maximum increase in WCUs is 10% above the quantity registered at auction).

As the woodland grows, it will be verified every 5 or 10 years through the WCC to confirm the amount of carbon that has been sequestered and therefore the number of WCUs delivered. The verified credits will then be sold to the government for the guaranteed price or sold privately on the open market. If the number of verified units drops below 80% of the level set out in the contract then the government reserves the right to cancel the contract for any future units. WCaG contracts will only cover the carbon sequestered for the first 30 – 35 years of the woodland's life, with all contracts ending in 2055/6. WCUs produced after 2055/6 can be sold privately but will not be purchased by the government under the WCaG.

The successful applicants of this second auction will not be expected to plant their trees until the next tree planting season (winter 2020/21). If a land owner is thinking of applying to the WCaG, they should seek professional advice. Applications take time and will require Environmental Impact Assessments. This carbon funding is a significant incentive for woodland creation projects, however woodland investment is a commitment in land use change that requires advice and consultation – it is crucial that the right trees are planted in the right places. For more information on the WCaG see the Forestry Commission's [Getting Started leaflet](#), [Guarantee brochure](#) or [Guarantee website](#), or contact Peter Topham or Molly Biddell on the phone numbers below.

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