

Nutrient trading

Nutrient pollution is an urgent and long-term problem for freshwater habitats and estuaries including internationally important and protected sites. There is no single measure which will solve this issue and there is no quick fix.

Nutrient trading involves allowing sources, both point and non-point, to trade nutrient reduction credits to achieve the local and regional water nutrient neutrality. For example, developers can bid for nitrogen and phosphorus credits generated by farmers and other landholders reducing agricultural pollution or wastewater treatment measures. For a development to gain planning permission, a Habitat Regulation Assessment should demonstrate these measures will ensure no increase in nutrient levels.

At present there is no formally recognised mechanism or policy for nutrient trading in Wales. There are examples in England.

The SAC Rivers Summit recognised the lack of understanding across the sector in providing practical measures within catchments which could be provided by Nutrient Trading. A nutrient Task and Finish group was established and produced *The Feasibility of a Nutrient Trading Platform in Wales* report which set out the following:

- A successful trading program would need support from all stakeholders,
- Taking this forward requires commitment from all involved,
- A fair and just approach is need, which balances environmental, economic and social considerations,
- It should be recognised that nutrient trading is neither a silver bullet nor a one-size-fits-all approach,
- The feasibility and potential success of nutrient trading will vary from place to place and may not be suitable in all scenarios.

There are several issues that will need to be addressed if we are to develop a nutrient trading platform in Wales (see Annex). A dedicated working group, led by Welsh Government, using the task and finish group as the basis for membership, could work through these issues. Does the taskforce agree with this approach? If so, can organisations provide a contact to be members of this group. As part of the Local Authority funding proposal, it would be helpful if the resources needed for nutrient trading were factored in.

We can also look at progressing a pilot, exploring options through the UK Government nature market standards programme.

ANNEX - Issues to address (examples – not an exhaustive list)

What is the market demand? Who are the buyers and sellers?

For nutrients this is likely to be farmers, forestry and other landowners as sellers and developers, water companies, local authorities, environmental organisation, NRW, Welsh Government or private companies as buyers.

The need for a market operator and a register of assets/mitigation– do we have organisations that can provide this service? Even if we do, additional resources and expertise will be required.

Voluntary or mandated market? Strong push from environmental organisation (e.g. Wildlife Trusts) for a mandated market to de-risk participation otherwise there are challenges in entering the market given status as a Charity.

Regulatory baseline – need a baseline to enable trading to take place and provide certainty for buyers.

What is the minimum threshold we would be comfortable with for sellers and buyers to enter the market?

Do we want catchment permitting for nutrient trading in Wales?

Does the catchment have land capacity to deliver mitigation alongside other land-use priorities?

How will the measure implemented be monitored and for how long? Who is best placed to do this? Mitigation will need to be in place for 80 – 120 years.

What is the role of enforcement in nutrient trading.

How much certainty is required for market participants? NRW are working on a risk-based framework, will this provide the regulatory certainty?

How do we balance catchment nutrient balancing trials with regulatory requirements?

How should credits be allocated?

How will nutrient trading platform interact with the Sustainable Farming Scheme? How will the agricultural sector respond – need to handle carefully given likely need for diversification or land use change.

Standard templates for legal documents e.g. section 106 agreements