

# Woodland Carbon Guarantee in England



In this five-part series, **Matt Hay** explains the basic concepts of woodland carbon and carbon markets.

Scottish, Welsh and Northern Irish land managers look away. This article, the third in my series for *Forestry and Timber News*, is all about a source of carbon funding that exists only for woodland creation schemes in England: the 'Woodland Carbon Guarantee'.

Conceived of by the previous administration, this Government launched the Woodland Carbon Guarantee (WCaG) in November 2019. Its purpose is simple: to incentivise woodland creation in England. By committing £50m to the purchase of Woodland Carbon Units (WCUs) between now and 2055, the government can act as the 'buyer of last resort' for a project's carbon, thereby guaranteeing a minimum future income for landowners and tenants who invest in woodland creation.

With knowledge of the value of their WCUs, land managers are able to make informed decisions about the economic viability of woodland creation versus other land uses. Importantly, their contract to sell to the government does not preclude them from selling their carbon on the open market, if the timing or price is more advantageous. However, they will always have that government contract as a backstop, providing a level of security.

One common misconception about the Woodland Carbon Guarantee is that it is in some way separate from or an alternative to the Woodland Carbon Code (WCC). This is incorrect. The guarantee sits within the Woodland Carbon Code's framework and is one route to market for WCC projects in England. Indeed, for landowners and tenants to enter the guaran-

tee, their project must first be registered with the code. Throughout its lifetime, it will be subject to the same validation and verification processes that WCC projects across the UK undergo. It is these processes that generate the credits, which the government is buying.

## How does it work?

A project must first be registered with the Woodland Carbon Code, with a sound additionality case and detailed woodland creation plan. Only then can the project's developer apply to one of the Woodland Carbon Guarantee auction rounds, which take place two to three times a year. Contracts are awarded via a sealed bid reverse auction, so land managers put forward the WCU price they need in the hope that their bid will be competitive.

If successful, a project is then able to sell its WCUs to the government every five or 10 years. The frequency of this income is determined by how many verifications a land manager wishes to pay for. For unsuccessful bidders, there is always the option of entering the next guarantee auction or selling their carbon to someone else.

## Woodland Carbon Guarantee vs Open Market

Even for successful bids, the Woodland Carbon Guarantee may not always be the best option for a land manager with carbon to sell. Although the recent WCU prices of £17 - £20 compare favourably to the going rate for most PIUs, the government only ever agrees to buy 35 years worth of

carbon. However, projects registering with the WCC can generate carbon credits for up to 100 years, which potentially gives them a lot more carbon to sell if they explore other routes to market. Of course, there is no harm in these longer duration projects securing a guarantee contract as a failsafe. But they might be able to sell (up to 50%) more carbon if they look beyond the Woodland Carbon Guarantee, possibly generating more income even if they sell the carbon as PIUs.

Similarly, the guarantee is of limited use for landowners or tenants who need the money upfront, to bridge a funding gap for instance. Little or no income will be generated from WCUs until year 15, due to the non-linear rates of carbon sequestration by trees. If a project host needs to see a return on their investment before 2035, then the guarantee is not for them.

The fourth Woodland Carbon Guarantee auction will be happening in the coming months. It is worth keeping an eye on the Woodland Carbon Code's website if you are interested in entering, or want to stay abreast of the prices being achieved for WCUs.

I'll be back with another article in the next edition of *Forestry and Timber News*, when I examine the potential for integration of the woodland carbon market with some of the emerging ecosystem markets that are starting to generate income for land managers across the country.

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## WCU PRICES AT WCaG AUCTIONS

Auction date	Total bids	Successful bids	Total area of contracts awarded	Average WCU price achieved
February 2020	31	18	182ha	£24.11
June 2020	77	27	1,517ha	£19.71
October 2020	46	31	620ha	£17.31

Source: Woodland Carbon Code (<https://woodlandcarboncode.org.uk/woodland-carbon-guarantee>)