

# CATCHMENT OPPORTUNITIES STATEMENT

EnTrade

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Green Recovery Challenge Fund

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## Purpose

The Catchment Opportunities Statement ensures all participants of the Bristol Avon Catchment Market have access to the key information to inform Bids (Credit Buyers or Credit Investors) and Offers (Project Suppliers). This document therefore:

1. Informs Environmental Credit Buyers and Credit Investors of the types and quantity of Environmental Credits expected to be available in a Market Round;
2. Informs Project Suppliers about the type, quantity, and locations of Nature-based Projects for which there is an expected demand for the Environmental Services that the Projects will deliver; and
3. Sets out the types and locations of Nature-based Projects that are agreed by the relevant Competent Authority(ies) to meet regulatory requirements.

The purpose and content of the Catchment Opportunity Statement are set out in the Market Rules. The Market Rules are published on the Bristol Avon Catchment Market website [here](#).

## Introduction

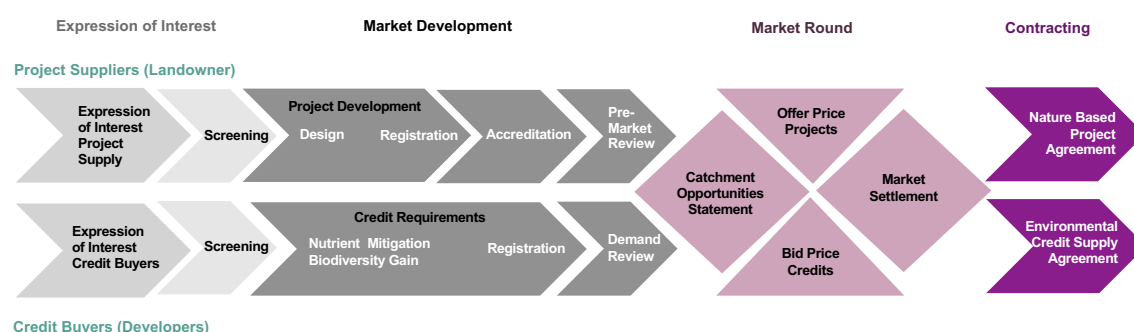
The Bristol Avon Catchment Market is being delivered through a collaboration between Avon Wildlife Trust, Wiltshire Wildlife Trust and EnTrade<sup>1</sup>, funded by the Government's Green Recovery Challenge Fund<sup>2</sup>.

The Bristol Avon Catchment Market is a high integrity Environmental Service Market developed to accelerate the delivery of Nature-based Projects ('**Projects**') that provide environmental services ('**Credits**' or '**Units**'), e.g., biodiversity gain and nutrient reduction, for nature recovery across the Bristol Avon catchment.

Catchment Markets are two sided on-line markets that operate simultaneous market settlement in Market Rounds. In a Market Round, Landholders make offers to supply Projects ('**Offers**') and buyers bid for the Credits ('**Bids**') that the Projects deliver.

Buyers who are successful in a Market Round will be assigned rights to the Credits they need from Projects supplied by the Landholders whose offers are successful in the Market Round. The process for a Market Round is illustrated in **Figure 1**.

**Figure 1: Catchment Market Process**



<sup>1</sup> EnTrade is a not-for-profit business of Wessex Water Ltd.

<sup>2</sup> Developed by Defra and its Arm's-Length Bodies and delivered by The National Lottery Heritage Fund in partnership with Nature England, the Environment Agency, and Forestry Commission.

## Regulatory Drivers

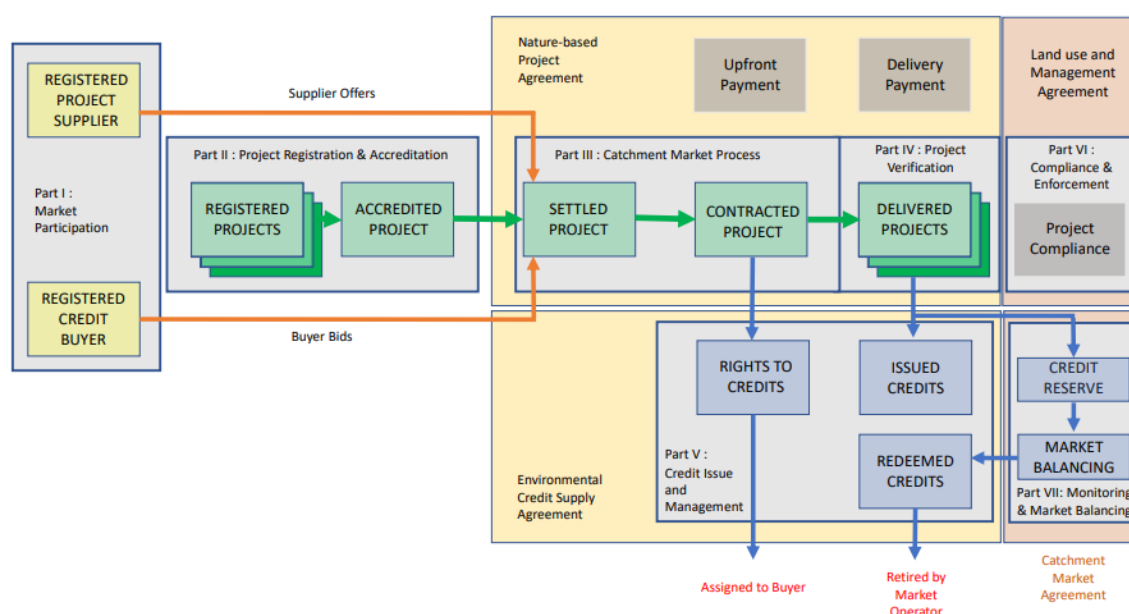
The main regulatory driver for Bristol Avon Catchment Market is currently 'Biodiversity Net Gain' (BNG). As legislated in the Environment Bill, built developments in England will soon be required to leave the natural environment in a better state by delivering 10% Biodiversity Net Gain. Habitat created to meet this can be delivered on-site, off-site or via statutory biodiversity credits and will need to be monitored and maintained for at least 30 years. Local Biodiversity Unit trading is a recognised way to achieve this.

The Bristol Avon Catchment Market uses the Biodiversity Metric 3.1 to determine how many Biodiversity Units are supplied by a Project. Biodiversity Units are traded according to the principles, rules and guidance as set out in the Biodiversity Metric 3.1 User Guide. Rules regarding habitat distinctiveness and condition, strategic significance and spatial risk are applied, these rules govern all Biodiversity Unit trades in the Bristol Avon Catchment Market.

## Market Rules

How a Market Round is conducted is set out by the Market Rules. For example, it is the Bristol Avon Catchment Market Rules that set out what this Catchment Opportunities Statement should cover. An overview of how the Market Rules operate is illustrated in **Figure 2**.

**Figure 2 Operation of the Market Rules**



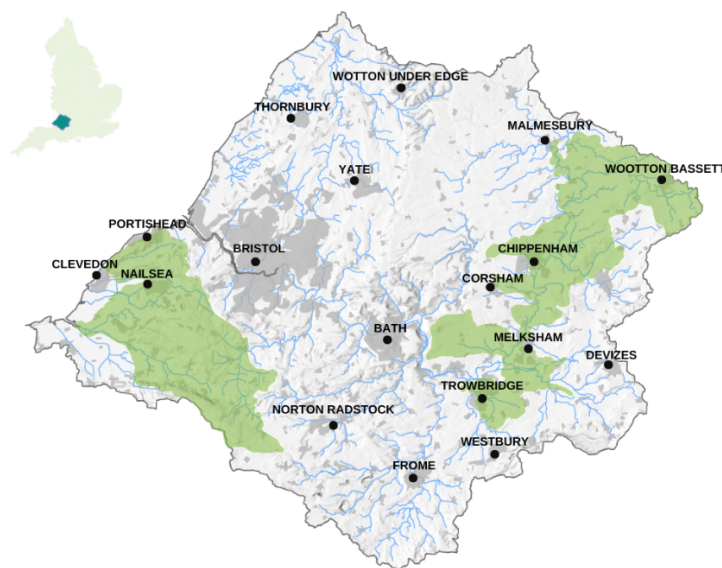
The Rules require that ahead of a Market Round, Projects are screened, developed, and accredited in accordance with Project Specifications and the Biodiversity Metric 3.1. The Rules also set out how EnTrade (as the Market Operator) will verify Project delivery, monitor Project delivery, ensure on-going compliance, and manage risk including the operation of a Credit Reserve.

The Market Rules are supported by a Market Instruments that provide technical, legal, and financial certainty that the Projects supplied through the Market will deliver the required environmental services. A summary of the Market Instruments is in **Appendix 1**.

## Eligible Areas

The Market will operate in the Bristol Avon Catchment. **Figure 3** shows the catchment boundary. Project development prioritised the green target areas however nature-based

projects for Market Round 1 are eligible from within the whole the catchment. **Figure 3 Eligible Area Map**



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**Table 1** shows the National Character Areas (NCAs) and Local Planning Authorities (LPAs) that Projects Suppliers and Buyers are based in.

**Table 1 The NCAs and LPAs that registered Projects Suppliers and Buyers are based in.**

National Character Area	Local Planning Authority
Avon Vales	Bath & North East Somerset Council
Berkshire & Marlborough Downs	Bristol Council
Bristol, Avon Valleys & Ridges	Mendip District Council
Cotswolds	North Somerset Council
	Wiltshire Council

## Project Types and Specifications

The Project Specifications describe the technical standards that a Project must be delivered and operated in accordance with, to ensure the desired Environmental Outcomes are delivered. There will be four types of Projects supplying Credits in Market Round 1:

1. **Grassland enhancement:** Enhancing whole or parts of permanent 'improved' grassland fields to species-rich or 'low input' grassland
2. **Scrub mosaic habitat:** Reverting whole or part fields from arable or intensive grassland to create new scrub mosaic habitat
3. **Wetlands:** Creating new ponds and scrapes.
4. **Woodlands:** Introducing management to enhance existing woodland and creating wood pasture.

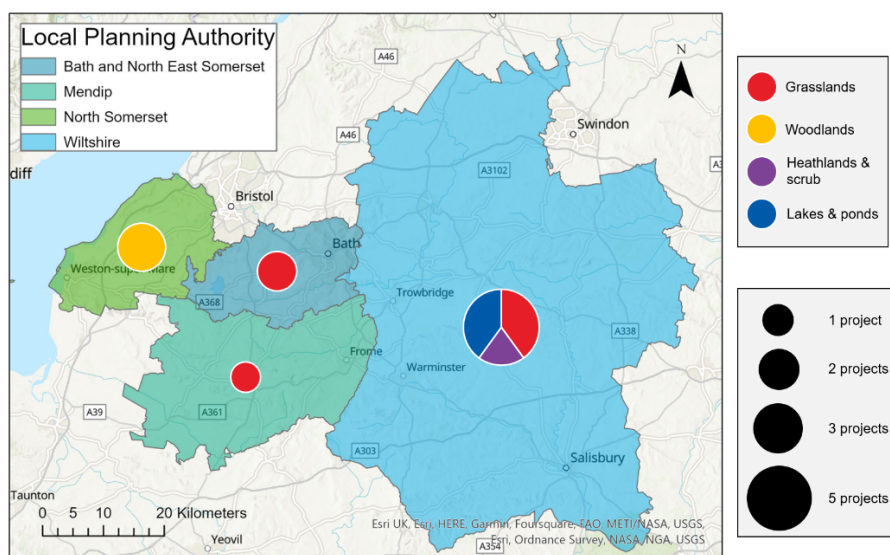
Project Specifications have been provided to all Project Suppliers and Local Planning Authorities. Copies of Market Round 1 Publications, including Project Specifications, can be requested from [Market Round 1 Publications](#).

## Summary of Credit Supply

### Number, Size and Location of Projects

For Market Round 1 of the Bristol Avon Catchment Market, there are 5 Registered Projects that include grassland enhancement total to ~5.0 ha, scrub mosaic to ~0.1 ha, ponds and scrapes total to ~0.2 ha and woodland enhancement and wood pasture total to ~5.5 ha. The approximate location of these Projects is shown in **Figure 4**.

**Figure 4 Approximate location of Projects by broad habitat type.**



### Credit Delivery from Projects

The number of Biodiversity Units available in Market Round 1 will be ~34.08<sup>3</sup>. The Rights to Biodiversity Units that may be acquired will be up to a total of ~58.74 (at year 30). Due to spatial and temporal multipliers applied within the Biodiversity Metric 3.1 the number of Biodiversity Units required to meet a Buyer's Credit Requirement may vary. For example:

- Projects may be matched with a Buyer within the same Local Planning Authority (LPA) or a Buyer from another LPA, this alters the number of Biodiversity Units required.
- Buyers may need Units now or in the future. Buyers who need Units in the future will be matched with Projects based on their expected condition (and number of Units available) at that date.

The Market will settle according to the most efficient match of Bids and Offers, accounting for Buyer needs, Suppliers Offers and the Biodiversity Metric 3.1 rules.

In Market Round 1 an estimated ~19.29 Units will be available from grassland enhancement, ~0.28 Units from scrub mosaic creation, ~1.17 Units from wetland creation and ~13.34 Units will be delivered from woodland Projects.

### Credit Delivery Start Date

For Projects registered in Market Round 1, the anticipated establishment date ranges from 30<sup>th</sup> June 2023 to 1<sup>st</sup> May 2024. This means some Biodiversity Units for buyers registered in Market Round 1 could be issued from 15<sup>th</sup> June 2023. For later establishment dates buyers

<sup>3</sup> Calculated without the spatial or temporal multipliers within the Biodiversity Metric 3.1 applied

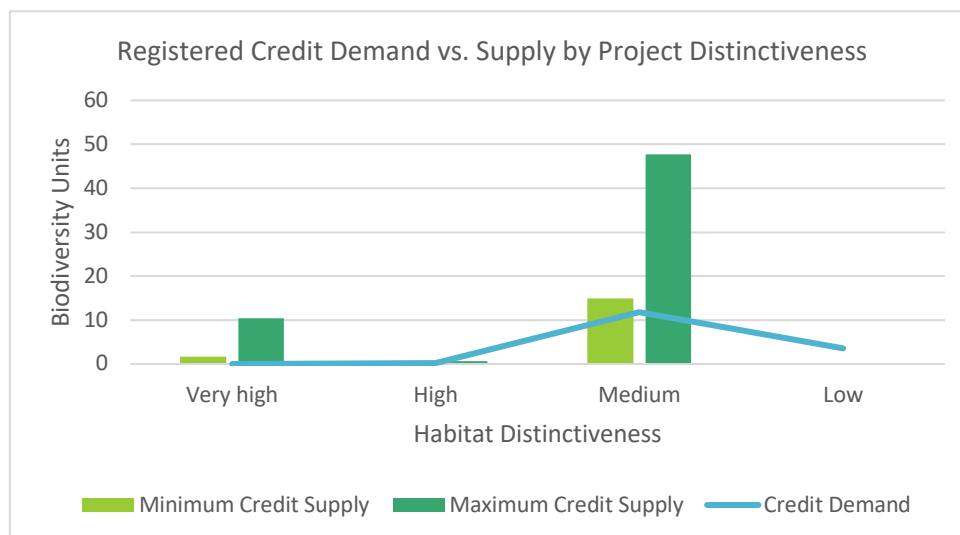
will be assigned the Rights to Biodiversity Units and Biodiversity Units can be issued after Projects have been established and verified, this will be before 1<sup>st</sup> May 2024.

## Summary of Credit Demand

### Credit Requirements of Registered Buyers

A total of ~15.76 Credits will be required by the buyers registered in Market Round 1 (see **Figure 5**).

**Figure 5 Minimum and maximum Credit demand vs. supply by Project distinctiveness.**



## Market Round and Settlement

### Project Supplier Offer

An Offer by a Landholder to supply a Project must clearly outline: (a) Project details, (b) Credits Supplied, and (c) Offer Amount.

#### (a) Project Details

To be considered in a Market Round a Project must be registered with EnTrade. Project Registration includes providing Baseline Data and Project Data to enable the environmental services delivered by the Project to be calculated and accredited.

Suppliers do not need to re-enter this data with their Offer, it is linked to the unique identifier provided to Project Suppliers by EnTrade.

#### (b) Credits Supplied

For Market Round 1 Projects will be supplying Biodiversity Units only. Project Suppliers have committed at Project Registration to offer their Project(s), and the Rights to Biodiversity Units from the Project(s), to be available to Buyers in the Bristol Avon Catchment Market. EnTrade will endeavour to find Buyers for all environmental services the Project Supplier makes available.

Project Suppliers may elect to retain their rights to other environmental services such as nutrient reduction. EnTrade makes no representation that these credits will be able to be sold later.



### (c) Offer Amount

Project Suppliers must offer *the minimum payment that they are willing to accept* to establish and deliver the Project to the Project Specifications and Management Plan in their Landholder Pack. The offer amount must be exclusive of VAT.

This offer is for the minimum payment a Project Supplier would be prepared to accept to **establish and deliver** the Project(s). The ongoing annual maintenance and land-use payments are in addition to this offer and are paid by EnTrade for the duration of the Nature Based Project Agreement. **Table 2** lists the value of land use and maintenance payments made to Project Suppliers.

**Table 2 Value of Payments made to Project Suppliers.**

Project Type	Year 1 Establishment and Delivery	Annual Maintenance Payment per ha	Annual Land Use Payment per ha	Annual indexation
Grassland & Scrub	Price set by Project Supplier	£300	£150	3%
Wetland	Price set by Project Supplier	£250	£150	3%
Woodland	Price set by Project Supplier	£200	£100	3%
Pond mosaic	Price set by Project Supplier	£250	£150	3%

Successful Project Suppliers are *guaranteed to receive at least their minimum offer*. Project Suppliers may also receive a Project Bonus, based on a share of any surplus created by the trades in the Market.

In the future, Project Suppliers may also receive a Market Bonus(es) from a share of the resale of unused credits released from the Credit Reserve. Credits from the reserve will be released if:

- Sufficient Projects have been verified as being delivered to required standards
- Sufficient Projects achieve their target condition
- At the end of 30 years if sufficient Projects has been maintained properly.

### Credit Buyer Bids

A unique identifier is supplied by EnTrade for all Buyers at Registration and this will be required to submit a bid.

The Buyer bids by offering an amount per Biodiversity Unit to acquire the rights to their required quantity of credits. Bids are made online via the bidding portal and must include: (a) Bid Type, (b) Bid Amount(s).

#### (a) Bid Type

Buyers must indicate if whether they need their Registered Credit Requirement(s) to be met in **FULL** or whether they are happy to receive Biodiversity Units for **PART** of their Registered Credit Requirement(s). If a Buyer indicates that they want their Registered Credit Requirement(s) to be met in **FULL**, and their bid is not successful they will receive no Biodiversity Units.

#### (b) Bid Amount

The bid for Biodiversity Units (EXCLUDING VAT) must be entered for each category of habitat distinctiveness (Very High, High, Moderate, Low). The bid amount is entered as a value per Biodiversity Unit in GBP.

The amount bid for their Credits must be sufficient to cover:



- The Project Supplier's offer
- The annual payments to Project Suppliers for land-use and maintenance
- The Buyer's contribution to the Market's Operational Costs (which includes Project verification and monitoring).

A Bid will be successful if there are sufficient Credits available to meet the Buyer's Credit Requirement in full and the Bid can be settled in the Market. If there is a surplus in the market, buyers will receive a discount on their Bid.

All Market Participants will be required to declare they:

- have read and understood the Catchment Opportunities Statement
- are making a Bid or an Offer for Units or a Project associated with their unique identifier
- will enter into the relevant Agreement for the amount settled through the Market
- have the authority to bid and enter into the relevant Agreement

## Lindsay Mechanism

Once Offers and Bids have been received, an independent market settlement process designed by the University of Exeter (the '**Lindsay mechanism**') is used to:

- Determine the combination of Offers and Bids that most efficiently matches Project supply with Credit demand; and
- Determines the payments to be paid by buyers and made to Project Suppliers, in a way that fairly shares the surplus from trade between Market Participants.

## Credit Investors

The first Market Round of the Bristol Avon Catchment Market is supported by the Green Recovery Challenge Fund.

This includes up to £1m for Avon Wildlife Trust and Wiltshire Wildlife Trust (the 'Trusts') to invest in the establishment nature-based projects and create a revolving fund for nature recovery projects via the revenue generated from the sale of Rights to Biodiversity Units in future Market Rounds.

As shown in Figure 5, in this first Market Round there is an excess of supply of Biodiversity Units over demand. The Trusts will therefore be a Credit Investor in the Market and will bid to secure the Rights to Biodiversity Units. The Trusts will hold these Rights to Biodiversity Units as a portfolio to be sold in subsequent Market Rounds. This increases the likelihood that Project Suppliers Offers will be met in this Market Round before Biodiversity Net Gain becomes mandatory in November 2023.

The Credit Investor bid will be submitted alongside Credit Buyers bids and the Lindsay Mechanism will be used to settle the Market including Credit Buyer and Credit Investor bids.

## Next Steps

### Successful Participants

Participants will find out whether their offers have been successful within 10 days of Market Settlement, by 16<sup>th</sup> June 2023.

### Legal Agreements

Project Suppliers whose offers are successful enter into a Nature-based Project Agreement with EnTrade to deliver the Project to a defined Project Specification and Management Plan. Project Suppliers may be required to enter into a Section 106 Agreement with the Local

Planning Authority. Copies of the Nature Based Project Agreement and template Section 106 Agreement have been provided to all Project Suppliers and Local Planning Authorities.

The Nature-based Project Agreement and Landholder Section 106 Agreement commit all Projects to be maintained for a minimum of 30 years. Upon entering the Nature-based Project Agreement, the rights to the Biodiversity Units are transferred by the Market Operator to the Buyer(s) via an Environmental Credit Supply Agreement between the Buyer(s) and the Market Operator.

Successful Buyers enter into an Environmental Credit Supply Agreement with EnTrade to buy the rights to the required amount of Biodiversity Credits to meet their obligations. Copies of the Environmental Credit Supply Agreement have been provided to all Credit Buyers.

Buyers may also enter a Developer Section 106 Agreement with the Local Planning Authority or be required to secure Biodiversity Units by Planning Conditions.

Copies of Market Round 1 Publications, including Legal Agreements, can be obtained on request at [Market Round 1 Publications](#).

## Payments

Successful Buyers will make payments in two stages to EnTrade:

1. **Contract Execution** within 15 business days of the Environmental Credit Supply Agreement being signed, to secure the rights to Credits/Units. This payment is worth 50% of the total settled bid.
2. **The Final Payment** within 15 business Days of notification from the Market Operator that Project Delivery has been verified and Credits/Units are ready to be issued. This payment is the outstanding balance of the settled bid.

Successful Suppliers will receive Establishment and Delivery Payments in three stages as well as annual Maintenance and Land Use payments made by EnTrade:

1. **Establishment Payment** when the Nature-based Agreement is signed to cover Project establishment costs, 25% of the settled amount.
2. **First Delivery Payment** when required permits are secured, 25% of the settled amount.
3. **Final Delivery Payment** when Project delivery is completed and Project has been Verified by EnTrade, 50% of the settled amount.

**Maintenance and Land-use payment** paid annually for the duration of the Nature-based Project Agreement (30 years). These payments are detailed in **Table 2**.

## Costs

The costs of Market Operation, risk management, Compliance Monitoring and Performance Monitoring are covered by revenue from Environmental Credit/Unit payments. These costs are deducted and the net surplus is shared between Buyers and Suppliers via the Lindsay Mechanism.

The operation costs are fixed for each Market Round. They are set in relation to the actual costs that have been expended in developing and launching the Market Round, and the future cost of validating and monitoring project delivery for the registered Projects.

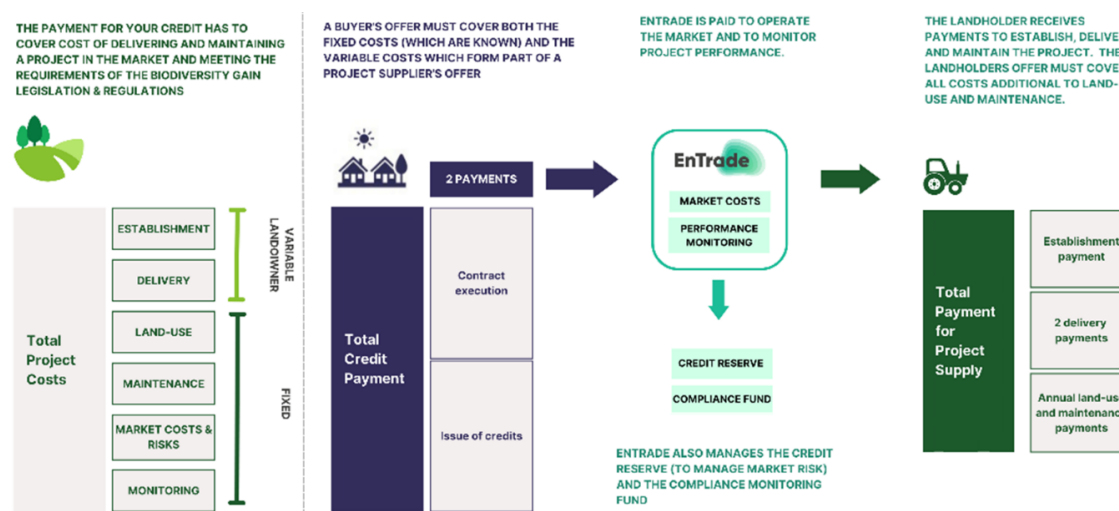
A Summary of Market Costs are set out in **Table 3** and a breakdown included in **Appendix 2**. Some costs incurred in Market Round 1 have been supported by the Defra Green Recovery Fund and have been discounted to £0.

**Table 3 Summary of Market Costs**

Market Costs	Total Cost	Market Round 1 Cost
Market Preparation	£9,899	£0
Market Engagement	£13,751	£0
Screening	£538	£0
Project Development	£3,358	£0
Participant Registration	£4,176	£1,120
Project Registration	£1,182	£1,182
Project Accreditation	£5,416	£0
<b>Market Round - Market Processes</b>	<b>£18,493</b>	<b>£8,493</b>
Contracting, Credit Issue & Management	£2,264	£2,264
Market Governance	£7,100	£7,100
<b>Total Cost</b>	<b>£66,177</b>	<b>£20,159</b>

Monitoring costs are secured in a Compliance Fund to be used throughout the lifetime of the Nature Based Project Agreement. Landholders make annual Compliance Returns to EnTrade and regular monitoring visits are carried out in accordance with the relevant standards. A monitoring cost of £300 per annum is allocated to each successful Project.

Buyers bids must be sufficient to cover these fixed costs and the variable costs included in Project Supplier Offers.

**Figure 6 Costs and Payments**

## Unsuccessful Participants

Whilst the Wildlife Trust acting as a Credit Investor increases the Demand for Credits, whether an individual Project is successful will depend on how the Supplier Offer compares to the Buyer and Investor Bids. It is not guaranteed that all Project Supplier Offers and Buyer Bids will be successful.

Project Suppliers and Buyers whose Offers and Bids are unsuccessful in Market Round 1 may opt to have their Projects automatically registered for Market Round 2.

All Market Participants whether successful or unsuccessful will be notified of the outcome of the Market Round within 10 business days of Market Settlement.

A Market Report will be published following Market Settlement to provide information regarding the number of Environmental Credits/Units settled in the Market and the range of amounts paid for Environmental Credits/Units as well as the range of payments paid per hectare for Project Establishment.

## Appendix 1 – Market Instruments

The Market Rules are supported by a range of Market Instruments that provide **technical, legal, and financial certainty** that the Projects supplied through the Market will deliver the environmental services paid for by the Buyers. A summary of the key Market Instruments developed is in **Table A1**.

**Table A1 Key Market Instruments developed for four stages of the Market Process.**

	Stage of Market Process			
	Project Development	Project Accreditation	Project Delivery	Risk Management
Market Instrument	<b>Screening Tools</b> confirm Projects are appropriate for the site having regard to technical and regulatory constraints and opportunities.	<b>Standards</b> ensure that a precautionary approach is taken to quantify the environmental service(s) that are delivered by a Project.	<b>Contracts</b> ensure that Projects are delivered and verified to the required Project Specifications, managed in accordance with the Management Plan for the Project, and monitored for compliance.	<b>Credit Reserves</b> provide additional assurance that number of units issued is no greater than the level of service delivered, by retaining units to address any residual risk.
	<b>Project Specifications</b> provide the technical details of how a Project must be delivered to provide environmental services.	<b>Statements</b> record how the Standards have been applied to Projects.	<b>Market Agreements</b> may be signed with the Local Planning Authority ('LPA') to provide certainty for the LPA that resources will be available to deliver the long-term monitoring of the Projects.	<b>Compliance Monitoring Tools</b> set out how the landholder's on-going compliance with the Project Specifications and Management Plan is monitored and reported.
	<b>Field checks</b> confirm that the site proposed for the Project has the necessary characteristics to deliver the Project.	<b>Registries</b> evidence who owns the rights to environmental services that will be delivered by Contracted Projects, and the credits issued from Delivered Projects.	<b>Enforcement mechanisms</b> ensure that the LPA as Competent Authority has the power to take enforcement action against a landowner if the Project is not being maintained to the required Project Specification.	<b>Performance Monitoring Programmes</b> provide assurance that the Standard(s) for accrediting the environmental services from Projects is not overestimating the amount of service delivered.

## Appendix 2 – Market Operation Costs Breakdown

[EnTrade to INSERT]

COMPONENT	DESCRIPTION	UNIT COST	PER	NO.	Fixed or variable cost	Cost Breakdown	GRCF	MR1 Cost
Market Preparation	Website set up	£4,000	Market	1	Fixed	£4,000	Y	
	Website maintenance	£441	Market Round	1	Fixed	£441	Y	
	Branding	£4,000	Market	1	Fixed	£4,000	Y	
	Prepare Communication Materials	£881	Market	1	Fixed	£881	Y	
	Data	£577	Market	1	Fixed	£577	Y	£0
Market Engagement	LPA Group Engagement	£3,056	Market	1	Fixed	£3,056	Y	
	LPA Individual Meetings	£764	LPA/ Market	6	variable	£4,584	Y	
	Stakeholder Engagement	£764	Group/ Market Round	4	variable	£3,056	Y	
	Landholder Engagement	£3,056	Market Round	1	Fixed	£3,056	Y	£0
Screening	Screening Permanent Projects	£108	Project	5	Variable	£538	Y	£0
Project Development	Wetland Project Design	£861	Project	2	Variable	£1,722	Y	
	Woodland Project Design	£378	Project	1	Variable	£378	Y	
	Grassland Project Design	£252	Project	5	Variable	£1,259	Y	£0
Participant Registration	Prepare EnTrade Platform	£577	Market Round	1	Fixed	£577	N	
	Market Round Launch	£3,056	Market Round	1	Fixed	£3,056	Y	
	Supplier Contacts	£26	Supplier	5	Variable	£129	N	
	Buyer Contacts	£46	Buyer	3	Variable	£138	N	
	Registered Participant Eligibility Checks	£35	Participant	8	Variable	£277	N	£1,120
Project Registration	Preparation of Draft Catchment Opportunities Statement	£817	Market Round	1	Fixed	£817	N	
	Managing Permanent Project Registry Entries	£29	Project	5	Variable	£144	N	
Project Accreditation	Accreditation preparation	£1,730	Market	1	Fixed	£1,730	Y	
	Biodiversity Credit Estimation*	£646	Project	5	Variable	£3,228	Y	
	Project Credit/Unit Registration	£57	Project	8	Variable	£458	Y	£0
Market Round - Market Processes	Pre-Market Review	£4,000	Market Round	1	Fixed	£4,000	N	
	Open Market Round	£3,000	Market Round	1	Fixed	£3,000	N	
	Bid & Offer Processing	£26	Participant	8	Variable	£207	N	
	Run Market Settlement	£10,000	Market Round	1	Fixed	£10,000	Y	
	Contract Preparation and Execution	£117	Contract	6	Variable	£643	N	
	Contract Payment Processing	£117	Contract	6	Variable	£643	N	£8,493
Contracting, Credit Issue & Management	Management of Rights to Credits/Units	£57	Project	6	Variable	£367	N	
	Issuing of Permanent Credits	£432	Project	4	Variable	£1,730	N	
	Issuing of Short-term Credits	£44	Project	0	Variable	£0		
	Ongoing Management of Registries	£31	Participant	6	Variable	£168	N	£2,264
Market Governance	Interim Board	£3,250	Market Round	1	Fixed	£3,250	N	
	Technical Advisory Group (TAG)	£3,850	Market Round	1	Fixed	£3,850	N	£7,100
TOTAL Cost						£66,177		£20,159