

# MARKET OPPORTUNITIES STATEMENT

EnTrade

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VERSION: 1.3

Green Recovery Challenge Fund

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## Purpose

This Environmental Markets Opportunities Statement ('**Opportunities Statement**') provides Market Participants that have registered for Bristol Avon Catchment Market Round 2 with information to inform their Bids and Offers.

Bristol Avon Catchment Market Round 2 will run from 09:00 Friday 2<sup>nd</sup> February 2024 until 17:30 Monday 12<sup>th</sup> February 2024.

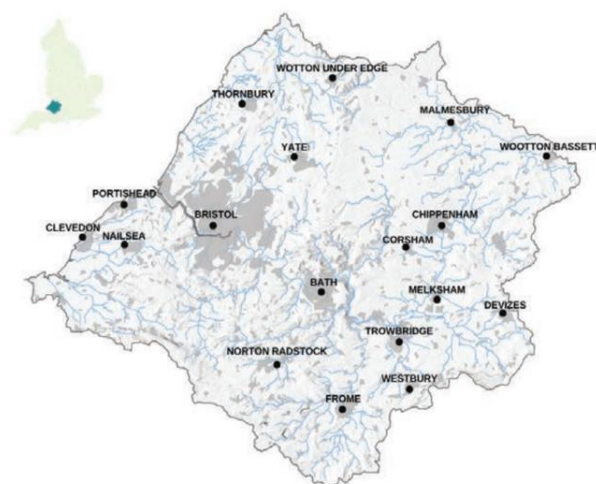
The Opportunities Statement:

- Informs Environmental Credit Buyers and Investors about the types and quantity of Environmental Credits expected to be available in the Market Round (**Demand**);
- Informs Project Suppliers about the type, quantity, and broad locations of Nature-based Projects available to provide different Environmental Services (**Supply**); and
- Sets out the types and/or locations of Eligible Projects agreed by the relevant Competent Authority(ies) able to supply Environmental Services that meet regulatory requirements (**Validity**).

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

## Market Round 2 – Geographic Area of Operation

The Market will operate in the Bristol Avon Catchment. **Figure 1** shows the catchment boundary. Project development prioritised the green target areas however nature-based projects for Market Round 2 are eligible from within the whole the catchment.



**Figure 1: Eligible Area Map**

**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 MR2 Registered Projects Suppliers and Buyers are based in.**

National Character Area	Local Planning Authority
Avon Vales	Bath & North East Somerset Council
Cotswolds	Somerset Council
Bristol Avon Valleys and Ridges	Wiltshire Council

## Market Round 2 – Supply

This Section sets out the Registered Supply of Projects and the Biodiversity units available in Market Round 2.

### Credit Validity

Biodiversity Units have been calculated using the Statutory Biodiversity Metric<sup>1</sup>. Biodiversity units generated by Projects supplied to the Bristol Avon Catchment Market will be valid form of evidence of Biodiversity Gain that the developer can redeem to meet 'Biodiversity Net Gain' requirements<sup>2</sup> in accordance with Schedule 7A of the Town and Country Planning Act 1990 (as inserted by Schedule 14 of the Environment Act 2021)<sup>3</sup>.

Prior to commencement of a development:

- The relevant Local Planning Authority will enter a s106 Agreement with the Landholder to secure the ongoing management and maintenance of the Project for 30 years.
- Successful Projects will be submitted to the National Biodiversity Gain Site Register.
- EnTrade will provide an Allocation Certificate to the Buyer confirming the developer has been allocated the rights to Biodiversity Units.

### Supply of Projects – Type and Location

Table 2 shows the three types of Projects have been registered by Suppliers for MR2. Project Specifications are available on the website upon request.

*Table 2: Project types, descriptions, and specifications*

Project Type	Project Description
Grassland Creation or Enhancement	Revert or enhance whole or part fields to species-rich or low-input grassland.
Hedgerow Creation	Create new lengths of species-rich, native hedgerow with or without trees.

### Supply of Projects – Quantity and Timing

The quantity of Project Supply registered for MR2 is shown in Table 3a for Area Projects and Table 3b for Linear Projects.

*Table 3a: Area Projects: Area, Distinctiveness and Biodiversity units Supplied.*

Project Type	Area (ha)	Minimum Biodiversity units delivered by Habitat Distinctiveness		
		Medium	High	Very High
Grassland Creation or Enhancement	2.51	10.47	0.00	0.00
<b>Total Supply</b>	2.51	10.47	0.00	0.00

<sup>1</sup> Department for Environment, Food & Rural Affairs (2024). Statutory biodiversity metric calculation tool.

Available online: <https://www.gov.uk/government/publications/statutory-biodiversity-metric-tools-and-guides>

<sup>2</sup> Department for Levelling Up, Housing and Communities (2023) *Draft biodiversity net gain planning practice guidance*. Available online: <https://www.gov.uk/guidance/draft-biodiversity-net-gain-planning-practice-guidance> [Accessed 8th January 2024]

<sup>3</sup> Legislation.gov.uk (2021) *Environment Act 2021*. Available online: <https://www.legislation.gov.uk/ukpga/2021/30/schedule/14/enacted> [Accessed 8th January 2024]

*Table 3b: Linear Projects: Length, Distinctiveness and Biodiversity units Supplied.*

Project Type	Length (Km)	Minimum Biodiversity units delivered by Habitat Distinctiveness		
		Medium	High	Very High
Hedgerow Creation	0.56	0.00	5.68	0.00
<b>Total Supply</b>	<b>0.56</b>	<b>0.00</b>	<b>5.68</b>	<b>0.00</b>

## 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

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

The Offer Amount is the **minimum amount that a Supplier is willing to accept** to deliver the Biodiversity Gain Project as set out in their Landholder Pack.

The Offer for Project delivery must be sufficient to cover:

- The opportunity costs of delivering the Biodiversity Gain Projects required to generate the Biodiversity Units (the '**Variable cost**').

The Offer should not cover the Fixed costs and payments. Instead, successful Landholders will continue to receive the delivery and establishment payments at three stages (Market Settlement on entering the NBPA, permissions and consents, verified delivery) and annual maintenance payments will start one year after verification. However annual maintenance payments will no longer be made for the full 30 years.

If a landholder has successfully delivered, maintained the project and complied with the Nature Based Project Agreement and Section 106 Agreement a lump sum will be paid at the end of year 5 for the total amount of the remaining 25 years of Maintenance and Land Use payments. If landholders are not compliant the lump sum may be withheld until compliance is achieved.

The Bid Amount should be in GBP and exclusive of VAT.

The Market Settlement Mechanism ensures that a successful Supplier will receive at least the amount of their Offer.

*Table 4: Value of Payments made to Project Suppliers*

Project Type	2024 Maintenance per ha/ 100m per annum	Land Use per ha/ 100m per annum	Indexation years 1-5	Lump Sum year 5	Total Maintenance & Land Use for 30 years per ha/ 100m
Grassland Creation or Enhancement	£450	£150	5%	£16,713	£21,548
Scrub Creation	£350	£150	5%	£16,713	£19,752
Hedgerow Creation	£100	£4.50	5%	£3,176	£3,753

## Legal Status

Offers made in MR2 from Suppliers to deliver biodiversity gain Projects are legally binding; a Supplier whose Offer is successful in MR2 is legally bound to enter a five-year agreement to deliver the Project on the terms of the Nature-based Project Agreement ('NBPA').

Under the NBPA a successful Supplier will receive:

- their Offer Amount for the delivery of the Project, plus
- a lump sum for the on-going land use and maintenance of the Project, plus
- their share of any Market Surplus in the form of a Project bonus.

## Market Round 2 – Demand

This Section sets out the Registered Demand for Biodiversity Units in Market Round 2.

### Credit Investors

This Market Round of the Bristol Avon Catchment Market is supported by the Green Recovery Challenge Fund. This includes up to £600,000 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.

The Trusts will be a Credit Investor in the Market and will bid to secure the Rights to Biodiversity Units.

### Buyer and Credit Investors Bid

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

The Buyer and Credit Investor 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 or Credit Investors must indicate 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 or Credit Investor 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

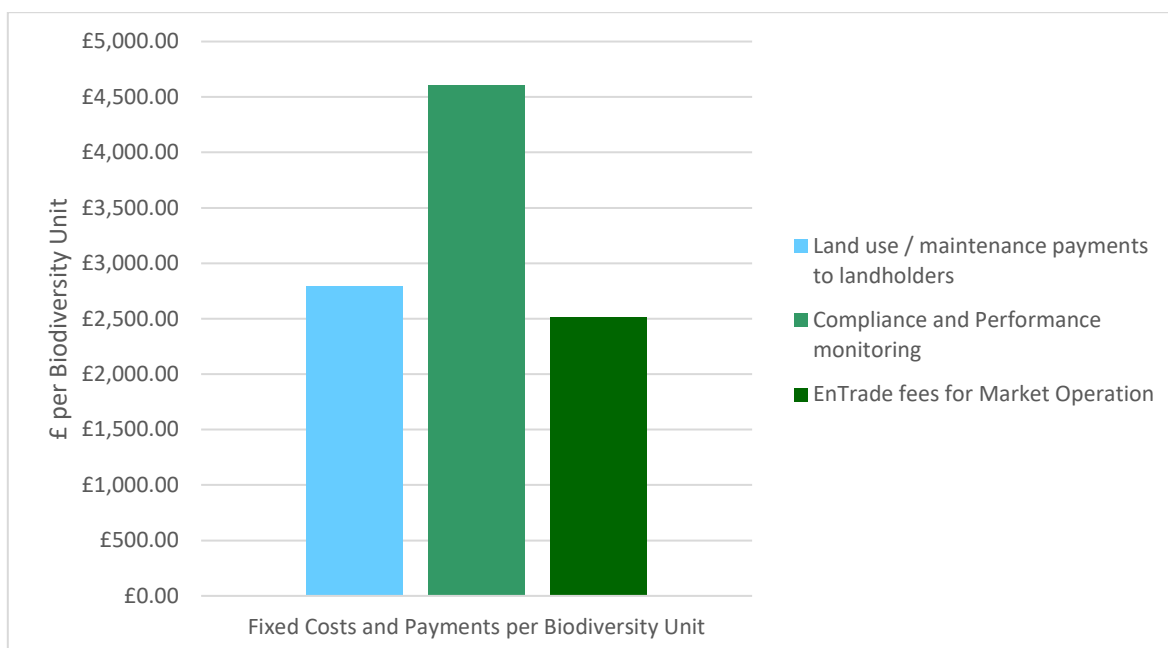
The Bid Amount is the ***maximum amount that a Buyer or Credit Investor is willing to pay*** for Biodiversity Units. The bid for Biodiversity Units must be entered for each category of habitat distinctiveness (Very High, High, Moderate, Low).

The Bid for Credits must be sufficient to cover:

- The opportunity costs of delivering the Biodiversity Gain Projects required to generate the Biodiversity Units by the Suppliers (the '**Variable cost**'); and
- The '**Fixed costs and payments**' that include:
  - Fixed payment to Project Suppliers for land-use and maintenance; and
  - The Buyer's contribution to:
    - EnTrade's Fixed Fees
    - Other Market costs including market governance, compliance, and monitoring.

The Bid Amount should be in GBP and exclusive of VAT.

Details of the Fixed costs and payments are set out in [Figure 2](#). It is important to note that the fixed costs and payments per Biodiversity Unit shown here are **averages**. The figures we are providing are **indicative only** and should be reviewed alongside the Settlement Report of previous Market Rounds to give Buyers and Credit Investors an idea about what the fixed costs and payments for Biodiversity units might be.



*Figure 2: Averaged Fixed Costs and Payments per Biodiversity Unit*

Further breakdown of the Fixed fees and costs are detailed below.

### EnTrade Fees

EnTrade's fees are based on the cost of the services it provides to Market Participants. These services are shown in

#### Table 5.

Some costs incurred in Market Round 2 have been supported by the Defra Green Recovery Fund and have been discounted to £0. The remaining costs will be incurred in running and settling the Market Round, contracting with successful Buyers and Suppliers and issuing and managing P-Credits on behalf of Buyers.

The costs of these Market Services are set out in

**Table 5** along with the Fees that have been approved by the Interim Board for the second Market Round.

### Market Governance

The Bristol Avon Catchment Market is overseen by the Environmental Markets Interim Board. The Interim Board has responsibility for ensuring that there is a transparent, fair, and efficient set of rules by which landholders can offer to supply Nature based Projects on their land, and third parties can bid for the rights to the Environmental Services delivered by these projects.

The Interim Board also:

- appoints the Market Operator and monitors and enforces its compliance with the Market Rules.
- appoints a Technical Advisory Group to provide expert scientific advice in relation to the relevant Standard(s) and Monitoring Plan(s) to apply to Projects.



- ensures that the Market Operator maintains the market infrastructures, systems, and processes necessary to operate a high integrity Catchment Market.

Further information about the Membership, Terms of Reference and Operation of the Interim Board can be found on the Environmental Markets Board website [here](#).

**Table 5: EnTrade's Costs and Fees for Market Round 2**

Market Operator Cost	Cost per unit	Total Cost	Fees for Market Round 2
Project development	£500 - £4,208 per Project	£6,680	£0
Registration	£197 per Project £127 per Buyer Credit Requirement	£2,153	£1,938
Project accreditation	£1,171 per Project	£9,370	£0
Pre-market review	£4,000 per Market Round	£4,000	£0
Market round	£3,000 per Catchment Opportunities Statement £5,400 per Market Round for Bid and Offer Management. £10,000 per Market Settlement £2,000 per Market Settlement Report £22,625 for Market Governance <sup>4</sup>	£43,025	£29,723
Contract management and project verification	£1,070 average per Project	£3,194	£2,875
Credit & registry management	£148 per Market Participant per Market Round.	£4,454	£4,009
Total		£72,876	£38,545

These Fees are based on all Projects settling in the Market Round and will be allocated against Settled Projects based on the Settlement Rate from Market Round 1 which is, 40%.

EnTrade's costs will be recovered through its Fees which will be charged in two stages 90% of the Fees will be charged on Market Settlement and deducted from the Market Surplus. The remaining 10% of the costs will be deducted from the Market Surplus on the sale of Credits from the Credit Reserve.

### Other Market Costs

Compliance and Performance Monitoring processes have also been established to ensure that the Bristol Avon Catchment Market is operated transparently, fairly, and efficiently and provides assurance that the environmental services will be delivered. A summary of these monitoring processes and their costs are set out in **Table 6**.

**Table 6: Compliance and Performance Monitoring Costs for Market Round 2**

<sup>4</sup> Market Governance costs are the payment per Market Round to the Environmental Markets Board for Market oversight, based on a forecast of six Market Rounds per annum across EnTrade's Environmental Markets.

Other Market Cost	Cost per unit	Cost for Market Round 2
Biodiversity Gain Monitoring	£9,300 per project	To be determined at Settlement

The cost of Compliance and Performance Monitoring covers:

- Annual compliance reporting and verification
- Scheduled compliance visits to Projects
- Risk based compliance visits to Projects

## Market Round 2 – Market Settlement

### Mechanism

Once Offers and Bids have been received, an independent market settlement process designed by the University of Exeter (the '**Lindsay mechanism**') will be 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.

An explanation of how the Market Settlement Mechanism works can be found [here](#).

### Rules

In this Market Round three Settlement Rules will apply:

1. A minimum 10% Credit Reserve will be created upon Settlement;
2. Supplier Offers, Credit Investor Bids and Credit Buyer Bids will be settled simultaneously; and
3. The Statutory Biodiversity Metric Trading Rules.

### Outcomes

There are two potential outcomes from Market Settlement for a Project Supplier:

- Offer to supply a Project is successful; or
- Offers to supply a Project is unsuccessful.

There are three potential outcomes from Market Settlement for a Credit Buyer:

- Bid for Biodiversity Units is successful in full;
- Bid for Biodiversity Units is successful in part; or
- Bid for Biodiversity Units is unsuccessful.

### Project Bonus

If successful Project Suppliers will **receive at least their Offer Amount** for their Projects. Project Suppliers may also receive a Project Bonus. The size of the Project Bonus will depend on the Project Supplier's contribution to any surplus created by the trades in the Market Round.

### Bid Discount

If successful, the amount Credit Buyers will pay for the Credits will be no more than their Bid and they may also receive a Discount.

A Bid will be successful if:

- there are sufficient Credits available to meet the Buyer's Credit Requirement; and
- the Bid is for of a sufficient amount to be settled in the Market.

If there is a surplus generated by the trades in the Market, the Discount a Credit Buyer receives on their Bid will be in proportion to their contribution to the surplus.

## Appendix 1 – Compliance with the Market Rules

**Table 7** shows the content of the Market Opportunities Statement with Rule 3.2.2 of the Market Rules.

**Table 7: Compliance of Catchment Opportunities Statement with Market Rules**

Catchment Market Rule 3.2.2	Section(s) of Market Opportunities Statement	Page(s)	Notes
a. The geographic area in which the market will operate	Market Round 2 – Geographic Area of Operation	3	
b. Expected level of supply of different Project Types	Supply of Projects – Quantity and Timing	5	
c. Project Types and Specifications	Table 2: Project types, descriptions, and specifications	4, 5	Full Project Specifications and Management Plans are available in the Project Supplier's landholder pack, but also via request on the BACM website.
d. Terms of Nature-based Project Agreement	Supplier Offer – Legal Status	7	Terms of the NBPA are available in the Project Supplier's landholder pack, but also via request on the BACM website.
e. Annual Payments available	Table 4: Value of Payments made to Project Suppliers	6	
f. Structure and content of supplier offer	Supplier Offer	5, 6	
g. Expected demand for environmental credits and any geographic restrictions on their source	Expected demand for environmental credits and any geographic restrictions on their source	8	
h. Basis of compliance of Credits with Regulation	Credit Validity	4	
i. Structure and Content of Buyer and Investor Bids	Structure and Content of Buyer and Investor Bids	8, 9	The Market Rules have been varied to exclude Investors in early Market Rounds.
j. Costs for market operation	Costs for market operation	12, 13	
k. Market Settlement Rules	Rules	10	

## Appendix 2 – Further key references

- A complete set of answered Frequently Asked Questions is available [here](#).
- Bristol Avon Catchment Market Round 1 [Settlement Report](#).
- Bristol Avon Catchment Market [Website](#).
- [Statutory Biodiversity Metric Guidelines](#).
- The Market Rules are overseen by the Interim Environmental Markets Board ('Interim Board') and are available on the [Interim Board website](#).