

Market Opportunities Statement

MARKET ROUND 4

Date of Issue: 13th March 2025

Prepared in accordance with Rule 3.2 of the Environmental Market Rules

Prepared by: EnTrade as the Market Operator

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PURPOSE

This Market Opportunities Statement ('**Opportunities Statement**') provides Market Participants that have registered for Somerset Catchment Market Round 4 with information to inform their Bids and Offers.

Somerset Catchment Market Round 4 will run from 09:00 Thursday 13 March 2025 until 17:00 Monday 24 March 2025.

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**).
- Advises Market Participants of the fees that will be charged for the Market Services provided by the Market Operator and the fees for Compliance and Performance Monitoring and Market Governance (**Fees**).

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

In this document all capitalised words and expressions used shall, unless otherwise defined in this document or the context otherwise provides, have the same meaning as set out in the Market Rules ([Market Rules - Definitions](#)).

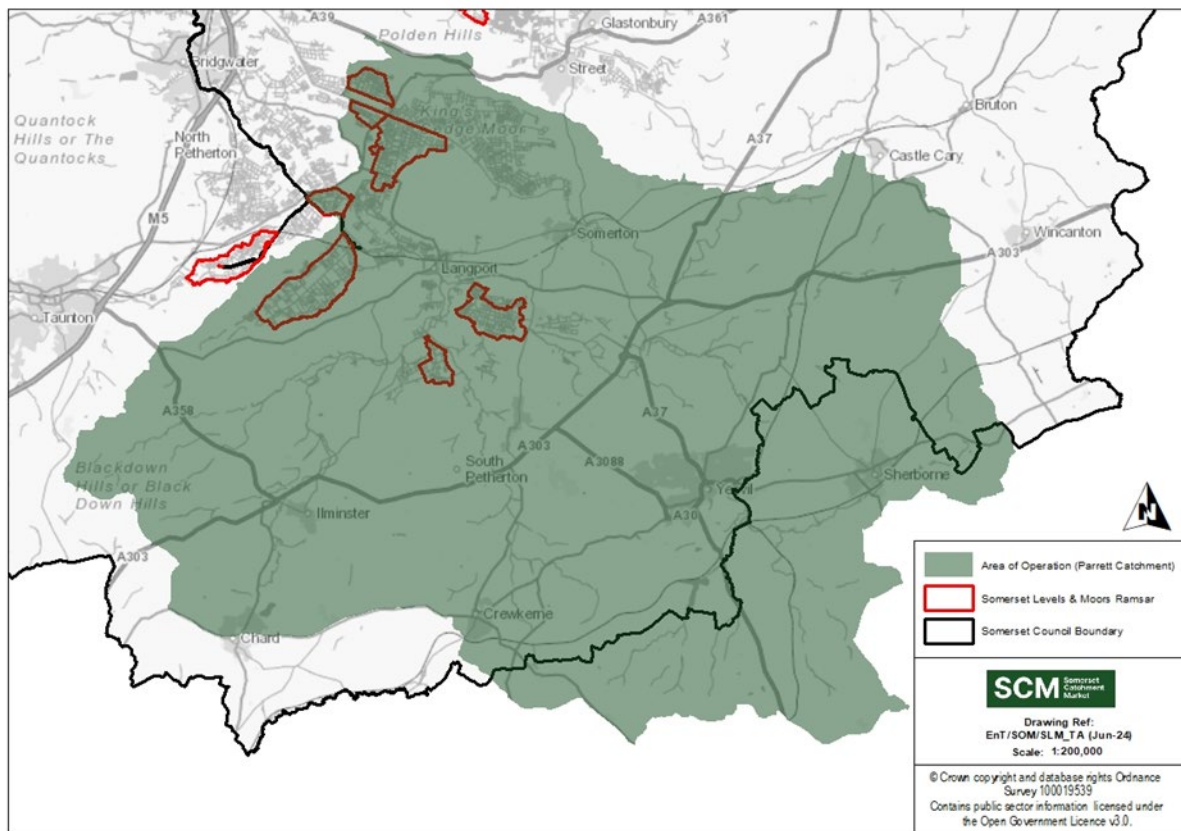
MARKET ROUND 4 – GEOGRAPHIC AREA OF OPERATION

The Market will operate in the Somerset Levels and Moors Surface Water Catchment, as illustrated by the green shading in **Figure 1**.

This fourth Market Round ('**MR4**') is for:

- the supply of phosphorus mitigation Projects within the market operation area; and
- the sale of phosphorus mitigation credits ('**P-Credits**') from Contracted Projects in this market operation area.

Figure 1 – Eligible Area Map



This area of operation reflects the availability of mitigation in MR4 within the Parrett Catchment. All Registered Projects are in the Somerset Council Local Authority area.

MARKET ROUND 4 – SUPPLY

This Section sets out the Registered Supply of Projects and the Environmental Credits available in MR4.

Supply of Projects – Type and Location

Table 1 shows the three types of Projects that have been registered by Suppliers for MR4. Project Specifications are available on the website or on request via scm.cmo@entrade.co.uk.

Table 1 – Project Types, Descriptions, and Specifications

Project Type	Ongoing or short-term phosphorus mitigation	Project Description
Arable reversion	Short term	Reverting whole or part fields from arable or intensive grassland to low/medium-input grassland, to deliver short-term phosphorus mitigation for 3 to 5 years
Cover crops following combinable crops or maize	Short term	Planting whole or parts of arable fields (used for combinable crops, or maize and other late harvest crops) with fast growing dense cover crops, to deliver short-term phosphorus mitigation for 1 to 2 years
Interceptor wetland	Ongoing	Designed to capture and treat the nutrient run-off from surrounding agricultural land and maintained to deliver phosphorus mitigation for a minimum of 80 years

Supply of Projects – Quantity

The quantity of ongoing P-Credits available in MR4 has been calculated by EnTrade using the approved Standard¹ applying the precautionary principle to account for uncertainty.

The quantity of fixed-term P-Credits available in MR4 has been quantified by EnTrade using the Standard approved by the Environment Agency for use in Wessex Water's Catchment Nutrient Balancing Programme.

The quantity of Project Supply registered for MR4 is shown in Table 2.

Table 2 – Area of Registered Project Supply

Project Type	Area (ha)
Arable reversion	151.86
Cover crops following combinable crops and maize	92.89
Wetland	2.00

The total number of Credits and total area for each project type includes scenarios where multiple project options are proposed for the same piece of land, such as cover crops or arable reversion. However, since only one project can proceed in practice, the total number of available Credits will be lower than simply adding the values together. To help visualise this, a Credit profile of MR4 Supply can be seen in Figure 2. In order to calculate an approximate kg/annum of Fixed-term P-Credits, an average was taken between 2025 and 2030.

¹ Graham, J., Young, D. and Yang, L. (2023), *Interim Nutrient Reduction Standard for Interceptor Wetland and Interceptor Woodland Projects*, Arup EnTrade, London.

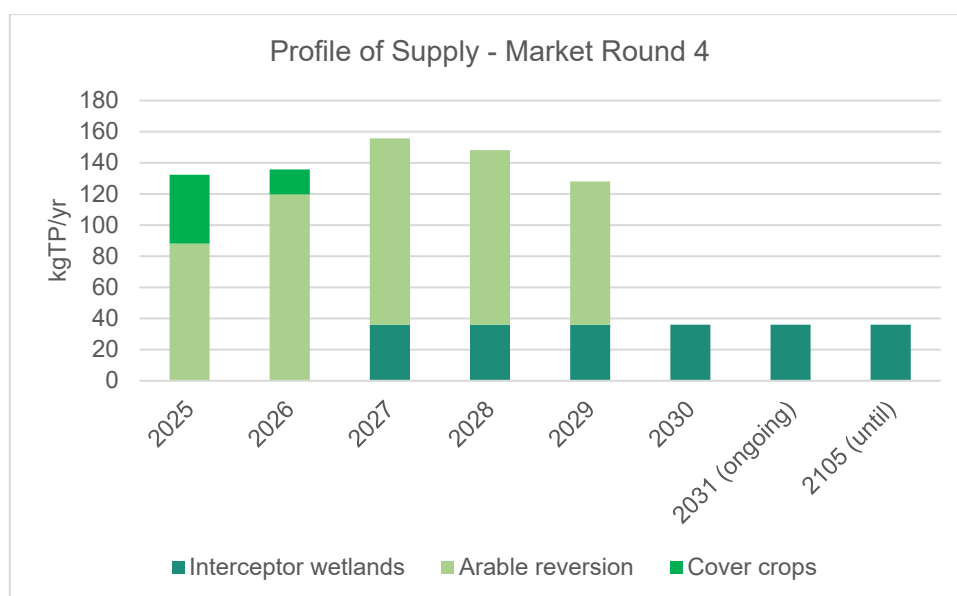


Figure 2 – Annual Credit profile for MR4 Supply

Registered Projects can provide a total supply of approximately 36.02 kg/annum of Ongoing P-Credits.

Registered Projects can provide a total supply of approximately 118.41 kg/annum of Fixed-term P-Credits up to 1 April 2030.

There are also a total of 5.2 Fixed-term P-Credits that are being resold in this Market Round.

Supplier Offer

To make an Offer through the on-line Portal, a Registered Project Supplier must enter their:

- Unique Project ID
- Offer Amount

Legal Status

- Offers may only be made by a Registered Supplier.
- Offers are for the delivery of a Registered Project.
- A Supplier whose Offer is successful in MR4 is legally bound to enter a **five-year agreement** (or for the entire duration of the Project if it is less than 5 years) 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.

The Council will enter a Section 106 Agreement with the Landholder to secure the ongoing management and maintenance of the Ongoing Projects for 80 years.

Unique Project ID

Suppliers who have Registered a Project(s) for Market Round 4 will have received a unique Project ID.

The Project ID will need to be entered into the Portal before you enter your Offer Amount.

Offer Amount

Project Suppliers must enter an Offer Amount that is the **minimum payment that they are willing to accept** to deliver the Project by the Delivery Date to the Project Specifications and Management Plan as set out in their Landholder Pack.

The Offer Amount must be exclusive of VAT.

In addition to the Offer Amount, successful Suppliers will also receive a Lump Sum Payment to cover the Lifetime Land Use and Maintenance (Fixed payments) for the Project. The value of land use and maintenance payments for different Project Types are set out in Table 3.

The Offer should not cover the Fixed payments (Table 3) or Market Operator Fees (Table 4). The Supplier's Offer is the amount over and above the Fixed payments a Supplier will receive, these amounts are included in the Suppliers Offer Form provided to Suppliers by EnTrade with their Project Confirmation.

Table 3 – Value of Payments made to Project Suppliers Ongoing Projects

Project Type	Year 1 Establishment and Delivery	Annual Maintenance Payment per ha	Total Lifetime Land Use Payment per ha	Time Period Covered
Wetland	Amount set by Project Supplier (Offer)	£950	£20,000	> 80 years

Table 4 – Value of Payments made to Project Suppliers short-term Projects

Project Type	Year 1 Establishment and Delivery	Annual Maintenance Payment per ha	Total Maintenance Payment per ha	Time Period Covered
Arable Reversion	Amount set by Project Supplier (Offer)	£720	£3,600	5 years
			£2,880	4 years
			£2,160	3 years
Cover Crops after Maize	Amount set by Project Supplier (Offer)	£135	£135	1 year
Cover Crops after Combinable Crops	Amount set by Project Supplier (Offer)	£160	£160	1 year

The full Maintenance and Land Use Payments will be paid to Suppliers as part of their Final Payment on verification of Project Delivery.

The Market Settlement Mechanism ensures that a successful Supplier will receive no less than their Offer.

Bonus

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

Credit Reserve

Because the quantity of phosphorus mitigation is estimated in advance, the Habitats Regulations require a highly precautionary approach to Project Certification.

As the rights to P-Credits are traded in advance of the delivery of the mitigation, EnTrade also maintains a Credit Reserve (P-Credits that are not available for sale in MR4), to help eliminate any residual risk that the number of P-Credits traded could exceed the level of phosphorus mitigation actually delivered.

The Credit Reserve for MR4 has been approved by the Interim Board at 20%.

Credits from the Credit Reserve will be released if:

- Projects have been verified as being delivered to required Project Specifications; and
- Monitoring shows that Projects are exceeding their certified performance; and
- Projects have been maintained in accordance with the approved Management Plan.

Project Suppliers may also receive a further payment from their share of the resale of any unused P-Credits released from the Credit Reserve in the future.

Retained Rights

All Projects in MR4 will deliver phosphorous mitigation. Some Projects may also deliver biodiversity gain.

All Project Suppliers have agreed to allow EnTrade to transfer rights to the phosphorus mitigation to Buyers if their Offer is successful in the Market Round.

Project Suppliers retain their rights to Biodiversity Units from the Projects and will provide a First Offer to EnTrade to sell these rights in a future Market Round.

MARKET ROUND 4 – DEMAND

This Section sets out the Registered Demand for P-Credits in MR4.

The total registered demand for Ongoing P-Credits in Market Round 4 is 0.18 kg/annum.
The registered demand to meet fixed-term additional credit requirements is 4.12 kg/annum.

Demand for Ongoing P-Credits in this Market Round is very low. All registered long-term projects are at a scale that would generate significant quantities of credits, but given the limited demand, **Buyer Bids for Ongoing Credits are unlikely to be matched in this Market Round.**

The demand for Additional Fixed-Term P-Credits to 2030 is moderate. **The short-term projects registered are aligned in scale and duration to this demand.**

Credit Validity

Somerset Council ('**Council**') has agreed that P-Credits bought by developers through the Market will be an approved form of evidence of phosphorus mitigation that the developer can redeem to meet 'nutrient neutrality' requirements² in accordance with Regulation 63 of the Conservation of Habitats and Species Regulations 2017³.

Prior to its approval of the commencement of a development the Council will require a developer to submit:

- an Allocation Certificate provided by EnTrade confirming the developer has been allocated the rights to the required number of P-Credits to meet their Credit Requirement.

The Council will also accept a Bridging Certificate from EnTrade that confirms that fixed-term Bridging Credits have been issued to a developer in accordance with their s106 Agreement in advance of the Issue of on-going P-Credits.

Credit Types

As a Registered Buyer you can make commercial Bids for both Ongoing and fixed-term P-Credits to meet your requirement for offsite phosphorus mitigation ('**Registered Credit Requirement**').

Ongoing phosphorus mitigation Projects may take up to five years to deliver and verify. To enable you to be certain that mitigation has been delivered prior to occupancy, EnTrade will secure short-term Projects and issue P-Credits to bridge any gap until on-going P-Credits can be issued ('**Bridging Credits**').

Bridging Credits can only be issued where:

- the short-term Projects that generate the Bridging Credits have been verified;
- the Projects that provide the ongoing mitigation have been contracted; and
- the Buyer has paid for the ongoing mitigation in full.

² Wood, A., et al (2022) *Nutrient Neutrality Principles*. Natural England Technical Information Note. TIN186. Natural England.

³ UK Government (2017) *The Conservation of Habitats and Species Regulations 2017*. Available at: <https://www.legislation.gov.uk/uksi/2017/1012/contents/made>

Buyer Bid

To make a Bid through the online Portal, a Registered Buyer must enter:

- their Unique Credit Requirement ID.
- confirmation of their Bid Quantity for:
 - On-going P-Credits
 - Fixed-term P-Credits
- their Bid Amounts.
- their latest Delivery Date.

Legal Status

- Bids may only be made by a Registered Buyer.
- Bids are for the supply of P-Credits to meet a Registered Credit Requirement.
- A Registered Buyer whose Bid is successful in MR4 is legally bound to enter into an agreement to buy P-Credits on the term of the Environmental Credit Supply Agreement ('**ECSA**').

Under the ESCA a successful Buyer will pay:

- the Bid amount for the P-Credits they have secured, **less**
- their share of any Market Surplus in the form of a Credit discount.

Unique Credit Requirement ID

A unique Credit Requirement ID has been provided to each Buyer at Registration, and this will be required to submit a Bid.

Bid Quantity

Each Registered Buyer has a Registered Credit Requirement calculated using the calculator approved by Somerset Council⁴ and submitted by Buyers at Registration.

The Registered Credit Requirement may include:

- a short-term phosphorus mitigation requirement up to 1 April 2030
- an ongoing phosphorus mitigation requirement
- both.

Each Buyer will need to confirm their Bid Quantity prior to making their Bid.

Bid Amount

- The Bid Amount is the maximum amount that a Buyer is willing to pay for P-Credits.
- A Bid Amount must be entered for each type of P-Credit (short term and/or on-going).
- Each Bid Amount must be entered as a value per Credit in GBP or; a total amount for each Credit Type for the quantity specified in the Registered Credit Requirement.
- A Bid Amount must be exclusive of VAT and in GBP.

The Bid for Credits must be sufficient to cover:

- the costs of delivering the mitigation Projects required to generate the P-Credits by the Suppliers.
- the fixed payment to Project Suppliers for land-use and maintenance; and
- the Buyer's contribution to:

⁴ <https://www.somerset.gov.uk/planning-buildings-and-land/phosphates-on-the-somerset-levels-and-moors-ramsar-site/phosphate-budget-calculator/>

- EnTrade's Fixed Fees
- Other Market Fees including market governance, compliance, and monitoring. Details of EnTrade's Fees and Other Market Fees are set out below.

The Market Settlement Mechanism ensures that a successful Buyer will pay no more than their 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 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.

Latest Delivery Date

To be able to settle the Market Round each Credit Buyer must enter their latest delivery date for the P-Credits.

The Delivery Date is the date that successful Buyers will be issued with the P-Credits they need to meet their Credit Requirement.

Market Operation Fees

EnTrade's fees are for the services it provides to Market Participants. These services are shown in Table 5, along with the fees that have been approved by the Interim Board.

Table 5 – EnTrade's Fees for Market Round 4

Market Operator Service	Description	Fee	Unit
Project Development	Wetland project design	£5,050	per Project
	Woodland project design	£4,050	
	Arable reversion and cover crop project design	£50	
Registration	Registration checks for all Market Participants, Projects and Credit Requirements	£1,200	per Ongoing Project
		£250	per short-term Project
Project Certification	Calculation of the environmental services generated by Projects	£5,500	per Ongoing Project
		£100	per short-term Project
Market Round	Pre-Market Review	£10,000 £200	per Ongoing Project per short-term Project
	Market Opportunities Statement		
	Market Round for Bid and Offer Management		
	Market Settlement		
	Market Settlement Report Market Governance ⁵		
Contract Management and Project Verification	Contract preparation and execution and Project Verification.	£4,500	per Ongoing Project
		£250	per short-term Project
Credit & Registry Management	£400 per Market Participant per Market Round.	£640	per Ongoing Project
		£250	per short-term Project

These Fees will be allocated against all successful Projects and Credit Requirements.

Market Governance

The Somerset Catchment Market is overseen by the Environmental Markets Board ('the Board'). The Board approves and maintains 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 ('Market Rules').

The Board also:

- authorises a Market Operator for each Environmental Market and monitors, reports and advises to secure compliance with the Market Rules.
- appoints a Scientific Advisory Group to provide expert scientific advice in relation to the relevant Standard(s) and Monitoring Plan(s) to apply to Projects that are approved by the Board.
- Approves the Market Rules for each Environmental Market and the Market Opportunities Statement and level of Credit Reserve for each Market Round.

⁵ Market Governance fees 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.

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

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

Other Market Fees

Compliance and Performance Monitoring processes have also been established to ensure that the Somerset Catchment Market is operated transparently, fairly, and efficiently and provides assurance that the environmental services will be delivered.

A summary of these assurance processes and their fees are set out below.

Table 6 – Compliance and Performance Monitoring Fees for Market Round 4

Other Market Fees	Fee per Project	Fees for Market Round 4
Compliance Monitoring	£7,800 per wetland £6,700 per woodland	To be determined at Settlement
Performance Monitoring	£38,000 per wetland £14,000 per woodland	To be determined at Settlement

The fees for Compliance and Performance Monitoring cover:

- 3 year programme monitoring nutrient reduction from the on-going projects.
- Annual compliance reporting and verification.
- Scheduled compliance visits to Projects.
- Risk based compliance visits to Projects.

MARKET ROUND 4 – MARKET MATCHING & SURPLUS ALLOCATION RULES

Process

Once Offers and Bids have been received, a process to match the bids and offers and allocate the surplus⁶ from the Market Round ('Matching and Allocation') will be carried out using a process known as the 'Lindsay Mechanism',⁷ in accordance with the rules set out below.

General Matching Rules

Bids and Offers will be matched according to the combination of Bids and Offers that generates the greatest monetary surplus.

For Supplier Offers to be matched, the number of Credits available from the Suppliers Projects must exceed the Credit Requirements of one or more Buyers plus a **20% Credit Reserve**.

For Buyers Bids to be matched, the Bids must cover the Suppliers Offers for the number of Credits required plus the Market Fees (Tables 5 & 6).

P-Credit Matching Rules

In this Market Round two Matching Rules will apply:

- Bids for Ongoing P-Credits are capped at 21kg/annum per Buyer.
- Bids for fixed-term P-Credits are limited to the additional credits a Buyer needs until the 1 April 2030.

These Matching Rules aim to maximise the number of Buyers who will be able to secure the P-Credits they need to meet both their fixed-term and on-going Credit Requirements.

Matching Outcomes

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

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

There are four potential outcomes from Market Matching for a Credit Buyer:

- both Bids for on-going and fixed-term P-Credits are successful; or
- the bid for on-going P-Credits is successful, but the Bid for fixed-term P-Credits is not;
- the bid for fixed-term P-Credits is successful, or
- neither Bid is successful.

Surplus Allocation Rules

Any surplus generated in the Market Round will be shared between successful Buyers and Suppliers according to the Shapley Rule: The more you contribute to the surplus, the bigger your share.

⁶ The surplus is the monetary difference between the amount buyers are willing to pay (Bids) and the amount suppliers are willing to accept (Offers), after market fees have been deducted.

⁷ Lindsay, L. "Shapley value based pricing for auctions and exchanges", Games and Economic Behavior, vol. 108, March 2018, 170-181. Available at <https://ore.exeter.ac.uk/repository/handle/10871/30141>

Project Bonus

If successful Project Suppliers will **receive at least their Offer Amount** for their Projects. Project Suppliers may also receive a Project Bonus.

If there is a surplus generated by the trades in the Market, the Project Bonus a Supplier will receive on their offer on their Bid will be in proportion to their contribution to the surplus.

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.

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.

Remaining Credits

If the number of credits generated by successful Supplier Offers exceeds the number demanded by successful Buyer Bids plus the minimum 20% Credit Reserve, the excess Credits will be added to the Credit Reserve.

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 Market 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 4 – GEOGRAPHIC AREA OF OPERATION	4	
b. Expected level of supply of different Project Types	Supply of Projects – Quantity	5	
c. Project Types and Specifications	Supply of Projects – Type and Location	5	Full Project Specifications and Management Plans are available in the Project Supplier's landholder pack, but also via request on the SCM website.
d. Terms of Nature-based Project Agreement	Supplier Offer - Legal Status	6, 7	Terms of the NBPA are available in the Project Supplier's landholder pack, but also via request on the SCM website.
e. Annual Payments available	Table 3 – Value of Payments made to Project Suppliers Ongoing Projects Table 4 – Value of Payments made to Project Suppliers short-term Projects	7	
f. Structure and content of supplier offer	Supplier Offer	6, 7	
g. Expected demand for environmental credits and any geographic restrictions on their source	MARKET ROUND 4 – GEOGRAPHIC AREA OF OPERATION Credit Types	4 9	
h. Basis of compliance of Credits with Regulation	Credit Validity	9	
i. Structure and Content of Buyer Bids	Buyer Bid	10	The Market Rules have been varied to exclude Investors in early Market Rounds.
j. Fees for market operation	Table 5 – EnTrade's Fees for Market Round 4	12	
k. Market Matching and Surplus Allocation Rules	General Matching Rules	13-14	

APPENDIX 2 – FURTHER KEY REFERENCES

- A complete set of answered Frequently Asked Questions is available [here](#).
- Somerset Catchment Market Round 1 [Settlement Report](#).
- Somerset Catchment Market Round 2 [Settlement Report](#).
- Somerset Catchment Market [Website](#).
- The Market Rules are overseen by the Interim Environmental Markets Board ('Interim Board') and are available on the [Interim Board website](#).