

Somerset Catchment Market Settlement Report

Results of Market Round 2

23 November 2023

The second Market Round of the Somerset Catchment Market has concluded.

The Market was for the supply of Nature-based Projects to deliver Phosphorus Mitigation in the Tone and Parrett catchment in Somerset.

The Market Round opened for Supplier Offers and Buyer Bids on 30 October 2023 and closed on 6 November 2023.

This Market Settlement Report provides a summary of the Bids and Offers submitted in the second Market Round. It also sets out the results of settlement¹, including the payments to be made:

- to successful Suppliers for delivering Nature-based Projects; and
- by successful Buyers for the rights to Phosphorus Mitigation (P-Credits) from these Projects.

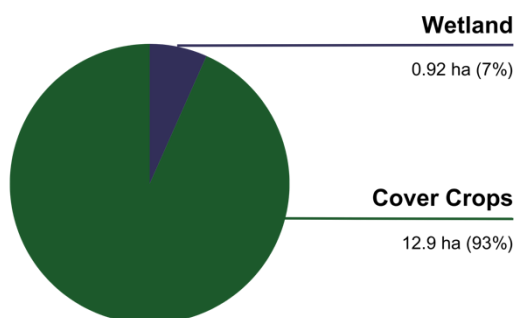
The Settlement Rules that applied in this Market Round are set out in the [Catchment Opportunities Statement for Market Round 2](#)

MARKET OUTCOMES

The Market settled:

- 9.69 Ongoing Phosphorus Mitigation Credits; and
- 0.92 hectares of new wetlands to deliver this on-going mitigation; plus
- 12.9 hectares of cover crops to provide mitigation until the on-going projects are established and verified.

Breakdown of settled Project Area by Project Type



100% of the Credit Requirement of Buyers were met.

Approximately a quarter of the Phosphorus Mitigation available from ongoing Projects in the Market was sold.

¹ **Settlement** means the process for determining the successful Supplier Offers and Buyer Bids following a Market Close and the Payments for Buyers and Suppliers.

Market Payments²

Market settlement resulted in matching all Buyer bids with Supplier Offers.

The Market generated a total surplus of £202,103 which was shared between successful Buyers and Suppliers in proportion to the contribution that each made to the surplus.

Project Suppliers received their share of the surplus as a Project Bonus. Credit Buyers received their share as a Credit Discount.

Payments to Project Suppliers

The Market settled Supplier Offers for a total of £334,036 comprising:

- £177,580 for **Establishment**, of Wetland and Cover Crop Projects
- £90,384 for **Land-use and Project Maintenance**
- £66,072 in **Bonuses** for Suppliers' representing their share of the surplus from the Market.

Bonus Payments

The average Bonus amount paid for Wetlands was £70,717 per hectare.

The average payment³ paid for Cover Crop Projects is summarised in the following table, with the Bonus included in that Payment also listed.

	Average Payment (£ per hectare)	Average Bonus (£ per hectare)
Cover Crops	£ 438	£ 78

No Arable Reversion Projects settled in this Market Round.

Payments from Credit Buyers

The Market settled Buyer Bids for a total of £435,919 comprising:

- £571,950 for the total successful **Bids**
- less total **Discounts** of £136,031.

Bids for On-going P-Credits

Successful Bids for On-going P-Credits ranged from £35,714 per P-Credit to £147,059 per P-Credit.

The Market supplied rights to P-Credits to Buyers with ongoing Credit Requirements ranging from 0.14 to 7.66 kg Annual Total Phosphorus.

² All financial figures are exclusive of VAT.

³ Payment comprises Establishment, Land-use and maintenance, and bonuses.

Bids for additional fixed term P-Credits

There were no Bids for additional fixed term P-Credits.⁴

Credit Prices

Ongoing Credits settled for an average payment of £44,986. This comprised an average settled bid price of £59,025 and an average discount of £14,038 per P-Credit.

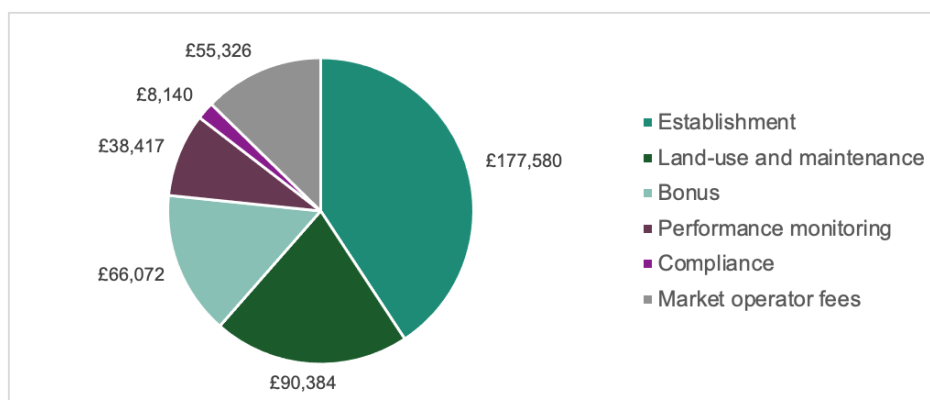
MARKET FEES AND COSTS

EnTrade's fees as Market Operator including Market Governance Costs, and the other fixed Market Costs for the Market Round were set out in the [Catchment Opportunities Statement for Market Round 2](#)

Other Market Costs included:

- Compliance Monitoring costs
- Performance Monitoring costs

A breakdown of Market Payments, Fees and Costs is summarised below.



MARKET OBSERVATIONS

Supply exceeded demand in the second Market Round with approximately three-quarters of the Phosphorus Mitigation available from ongoing Projects in the Market unsold.

All Buyers were successful in this Market. This was because Buyer willingness to pay for Credits could be matched with the amount required by Suppliers to deliver Projects that could generate 100% of Buyers' Credit Requirements.

There were fewer Buyers in Market Round 2 compared to Market Round 1. This could be because:

- there was considerable uncertainty about future Nutrient Neutrality requirements during the Buyer Registration period; and
- the second Market Round was run quickly after the first Market Round with a small window for new Buyers to express their interest in participating in the Market.

⁴ Additional fixed-term P-Credits may be required for developments that commence prior to the scheduled upgrades to waste-water treatment works.