



The Scottish Parliament
Pàrlamaid na h-Alba

Francesca Osowska OBE FRSE
Chief Executive
NatureScot

By email only

**Net Zero, Energy and Transport
Committee**

c/o Clerk to the Committee
Room T3.40
The Scottish Parliament
Edinburgh
EH99 1SP

netzero.committee@parliament.scot

30 May 2023

Dear Ms Osowska,

Memorandum of Understanding regarding woodland investment and nature restoration in Scotland

Thank you for your [letter of 14 April](#) sharing further details regarding the Memorandum of Understanding (MoU) signed between NatureScot and three private investment firms (Hampden & Co., Lombard Odier Investment Managers and Palladium).

We note this correspondence followed a [letter we received](#) from the Minister for Green Skills, Circular Economy and Biodiversity on 27 March. The letter stated that NatureScot, as the legal signatory to the agreement, was best placed to advise us on its scope and operationality.

At our meeting on 25 April, we agreed to seek further clarification from you in relation to the MoU. This was to understand the agreement in more granular detail, in order to assess its practical implications and effectiveness in delivering a successful programme of nature restoration in Scotland.

We are aware that the MoU sets out a largely non-binding framework for working arrangements between parties, and that more detail will be available as the two pilot projects progress through the design phase. However, we are interested in learning about the proposed model of investment, and any assumptions underpinning the proposed work at this stage.

We would be grateful if you could provide further information in relation to the following questions—

1. Does NatureScot have a current position on the application of carbon finance to land-use activities in Scotland (for example any agreed principles), and on the use of carbon offsetting, that will inform its engagement in this project?
2. Does NatureScot have a current position on which independent standards or methodologies are appropriate for the certification of

carbon or other ecosystem services, or will this be agreed as part of the project? The Committee is particularly interested in how risks around double-counting and ensuring additionality will be addressed or mitigated.

3. Has NatureScot carried out any estimates or assessment of the total amount of private funds NatureScot envisages will need to be raised to enable the pipeline of projects required to meet current ambitions for nature restoration in Scotland, including 2030 targets expected to arise from the new Biodiversity Strategy? What external assessments or key assumptions have underpinned any NatureScot views on requirements for private finance?
4. What type of activities does NatureScot expect, at this stage, will or may generate a financial return for investment – such as sale of carbon credits or commercial activities such as forestry?
5. What is the overall role of public money expected to be (including from any public sources other than NatureScot, noting the information already provided by NatureScot about its financial role)?
6. How will NatureScot identify and avoid conflicts of interest in relation to the projects – for example in relation to its funding or advisory roles?

We appreciate there may be questions within the list above that you may not be able to answer until practical arrangements underpinning the agreement become clearer. If so, we would appreciate if you could indicate when we can expect a response to them to be provided in detail.

Additionally, as the information becomes available, we would be grateful if you could write to us with more information, at what seems to be an appropriate time (I suggest no later than the year end) about—

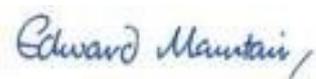
1. What types of funding will be channelled from private investors;
2. The expected returns for other actors (i.e. communities, landowners, land managers, public sector);
3. How environmental outcomes - both in terms of nature restoration and carbon benefits - will be guaranteed, monitored, and evaluated, and who has responsibility for ensuring that they are delivered;
4. How trade-offs or tensions will be managed with a view to establishing best practice in natural capital investment – for example between nature and carbon benefits, or delivering returns on investment and equitable benefit sharing, or between pursuing large-scale interventions and enabling a diversity of participants;
5. What is currently expected to be the return on investment for the three private investment firms involved in the agreement?
6. How outcomes and best practice of the pilot might be relevant to other areas of policy development such as on biodiversity, agriculture, forestry land reform, water resources or climate adaptation;
7. What assumptions underpin the project in terms of the overall role of land and land use change in achieving Scotland's net zero targets, bearing in mind the need for alignment with the forthcoming Climate Change Plan, expected later this year;
8. What market-based assumptions underpin the viability of the project in relation to offtake (i.e. purchase) of carbon credits or other ecosystem service credits, in relation to the sustainability of the financial model;

9. Where public money is being provided in grant or loan form in association with activities that generate financial returns, how will public value for money be maximised?
10. Who are the partners expected to be in the south of Scotland pilot?
11. What type and scale of landowner do you anticipate will be able to participate in the projects?
12. How will the project aim to identify best practice? E.g. will international advice be sought including experiences from international organisations on use of ecosystem service finance?

In order to assist with our future scrutiny of issues pertaining to the Scottish Government's biodiversity policy, it would be helpful if a response could be forthcoming by 27 June.

I look forward to hearing from you.

Yours sincerely,

A handwritten signature in blue ink that reads "Edward Mountain".

Edward Mountain MSP
Convener
Net Zero, Energy and Transport Committee