

# GIGL Overview

## Lincs Wolds FIPL

7 Nov 2023

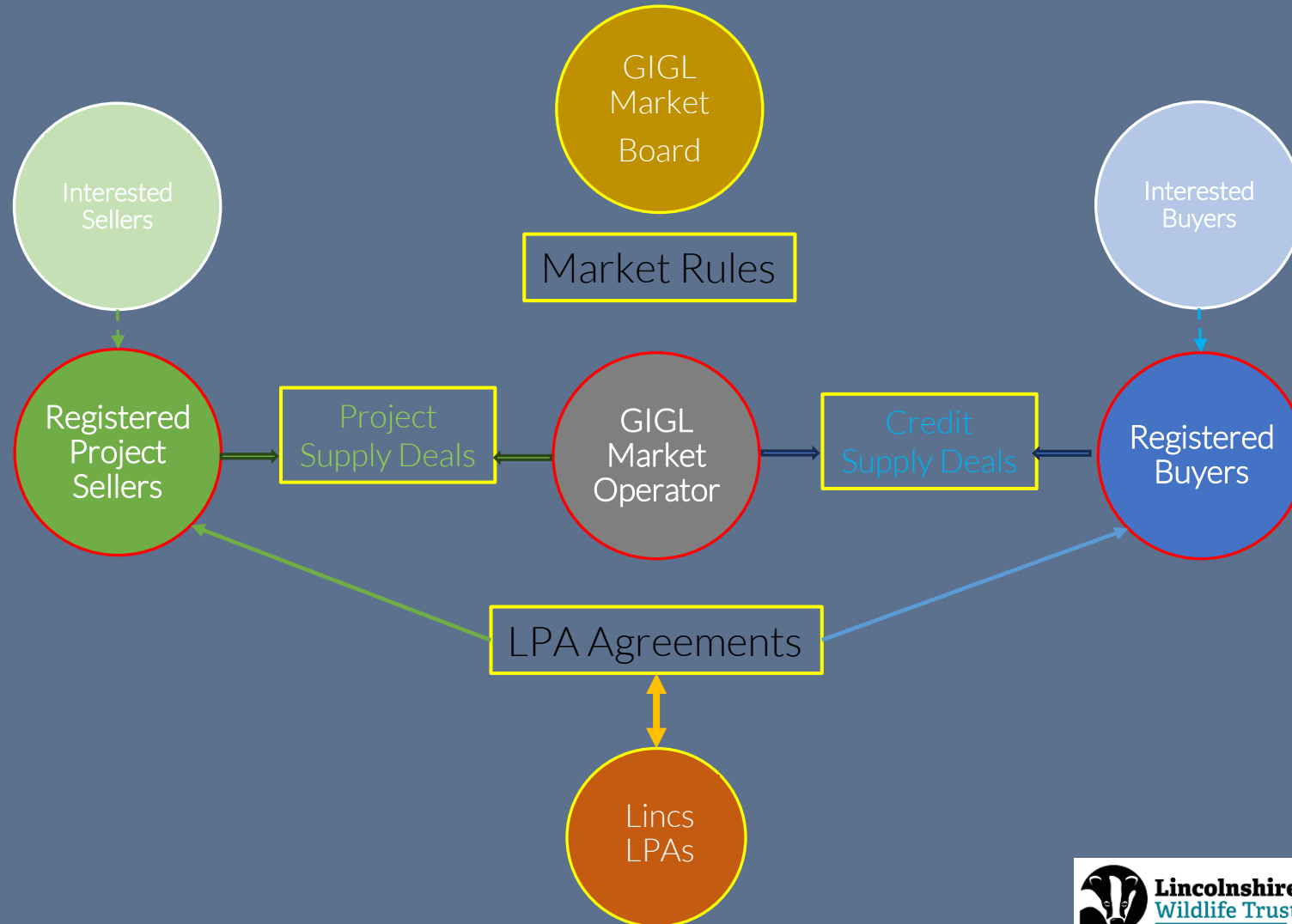
# What is GIGL?

- Green Investment in Greater Lincolnshire – a high integrity BNG Marketplace
  - Started as a pilot project
  - Now looking to establish as a formal organisation (GIGL Ltd) to act as a BNG Market Operator
  - GIGL will be directed by Lincolnshire Wildlife Trust with input from many (possibly all) of the Lincolnshire Local Planning Authorities
- Farmers are **Sellers**. You bid to be paid to deliver Projects on their land that meet the basic design requirements specified by GIGL
  - NB you retain ownership of land
  - You set the price you want for your project. You will understand how many Credits are available from the project and can set your price accordingly.
- Housing developers and major project builders (eg Anglian Water, National Grid) are **Buyers**. They offer prices to buy BNG Credits
  - Their price must covers the costs required by Sellers, plus the costs of Market Operation

# Why create a BNG Marketplace?

- Better for LPAs
  - Costs of admin recovered in the market
  - Standardised rules and templates which can be tailored to local policy goals
  - Simplified outsourcing of Ecological and admin expertise required for Project Screening, Delivery Management, Monitoring and Reporting
- Better for the rural economy
  - More farmers have access to a diversified income source
- Better for developers
  - Reduces monopoly pricing risk of big Habitat Banks
  - Broader range of habitats created means more units of the right type
  - Standardised templates approved by LPAs will speed things along
- Better for nature
  - Extends areas where nature recovery is promoted whilst staying true to Lawton principles
  - Consistent standards for BNG projects enforced

# BNG Marketplace



# Market Board =

## GIGL Ltd Board of Directors

- Set and approve the Market Rules
- Approve key documents used in the Rules eg Project Design templates
  - To ensure that projects and credits satisfy the appropriate Standards and Regulatory/Planning policies
  - As such, it would improve the perceived integrity of the Market if LPAs were members of the SPV Board.
- Oversee the technical and procedural rigour of the Market
  - This could involve appointment of a Technical Advisory Group, to comment on approaches, and external audits of Market Operator actions (eg outcomes of Market events)

# Market Operator = Employees and contractors of GIGL Ltd

- Communicate information about market operation
  - Maintain website with core market documents eg Market Rules, processes, timetables, standard templates and project design advice
- Generate interest amongst potential participants
  - Run marketing events
  - Capture EOIs
  - Support Sellers in assessment of project feasibility and initial design
- Register participants and projects
  - Formally register and screen potential participants
  - Formally assess the credit potential of projects to be supplied
- Operate trading platforms and settle bids
  - Publish information on market opportunity (likely size and scope of supply/demand)
  - Develop bidding platform and bid settlement process
  - Run platform to capture and settle bids
  - Communicate outcomes of market rounds
- Administer contracts, payments and registries
- Deliver additional services required by LPAs

# Market Rules and templates

# Key Market Documents

Ref	Document	Owner	Main Parties	Purpose
1A	Market Rules	Market Board	Market Operator, Sellers & Buyers	Governs requirements for participating, contracting and settling bids in the market, for ensuring appropriate standards are met, for handling risk buffers and to specify the services/fees to be provided by the Market Operator.
1B	Nature-based Project Supply Agreement	Market Operator	Market Operator and Seller	To set the terms for <b>supply and maintenance of a BNG project</b> , payment structure, access and mechanisms for handling project failure. The payment amount is determined in the market bidding round. Monitoring is delivered by Market Operator, paid for in fees levied on Buyer contracts (3A).
1C	BNG Unit Supply Agreement	Market Operator	Market Operator and Buyer	To set the terms for <b>supply of specified numbers and types of BNG Units</b> . The payment amount is determined in the market bidding round, with Market Operator fee added on.
2A	Market Operator Contract	LPA	LPA and Market Operator	Specifies commercial services that the Market Operator may provide to LPAs e.g., in relation to approving and monitoring BNG projects. This could extend to BNG projects developed outside the market or tracking of onsite BNG.
2B	Landowner s106 BNG Template	Market Operator	LPA and Seller	Secures the site for BNG for 30 years, according to the requirements of the management plan set out in the Nature-based Project Supply Agreement, including in situations of change in land ownership. Easier to use than Conservation Covenants
2C	Planning Permissions	LPA	LPA and Developers	To confirm that appropriate BNG measures have been put in place to allow development of housing on a specific site.



# Market Rules

- The purpose of Market Rules is to provide a transparent, fair and efficient governance framework for the operation and technical oversight of Environmental Markets.
- Market Rules exist so that Participants understand their rights and responsibilities and provide a robust and reliable mechanism to facilitate the supply of Nature-based Projects and trading of the Environmental Services generated by these Projects.

## The Market Rules :

- specify valid project types (including template design requirements) and eligibility to participate
- govern the market arrangements for landholders (project Sellers) to submit Offers to supply Nature-based Projects on their land;
- regulate how the Environmental Services from Nature-based Projects are to be quantified using approved Standards;
- govern the market arrangements by which third-parties (buyers) can submit Bids for the rights to the Environmental Services or entire Projects;
- how competing offers and bids are settled to create binding deals
- how a Market Operator is appointed and required to manage the Market, including the operation of any buffer or risk pools and actions to remedy imbalances in credit supply versus credits issued (“Market Balancing”)
- The Rules also govern activities which may be managed by the Market Operator or by other organisations, including:
  - Monitoring and reporting of outcome performance,
  - Management of Registries for project details and credit transactions/ownership
  - Contracting and payment terms, including approaches to enforcement of non-compliance or dispute

# Nature-based Project Agreement

- Contract between Land Manager and Market Operator for supply of a Project, as specified prior to bidding into Market, for the price settled in the Market round
  - Habitat Management and Monitoring Plan (HMMP) is annexed to contract, to specify management requirements.
  - The BNG calculation associated with this HMMP is used to determine what BNG units are offered to Buyers
  - If a project is settled in the Market (ie it achieves the target price set by the Seller), but there are BNG units not allocated, then these unused units are registered to the Seller and are available for future sale.
  - If the value of bids from Buyers would lead to an exceedance of the target price required (ie there is a Surplus) then the Surplus is shared back between successful participants- the Seller receives a bonus on top of their target price, and the Buyers receive a discount on their offered price. The Market Operator does not receive any of the Surplus.
- Contract will require Land Manager to sign a s106 agreement with LPA (next slide) to put a charge on the land for duration of project i.e. 30 years
- Contract may also require a Performance Bond of 20% of Contract Value.
  - The cost of obtaining a bond of this type is typically 1-10% of payout, options for annual payment exist. This cost can be added by supplier to their Target Price.
- Payment structure to involve two lump sums – one paid at contract signing, second at delivery verification - followed by 10 annual payments.
  - Aim is to get balance between tax liabilities (upfront payments enable capital allowances to be used that reduce tax) and structures to incentivize long-term compliance (eg via long-term annual payments, which attract income tax).
- Options for handling various Project “failure” scenarios are explored at end of presentation.

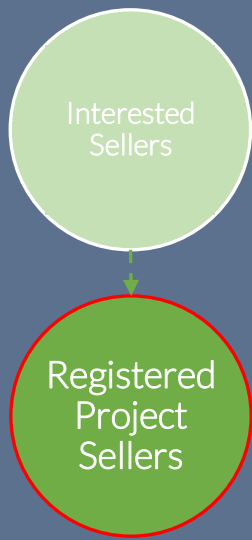
# Landowner LPA Agreements

- s106 agreement between landowner and the LPA to secure BNG project for 30 years irrespective of changes in land ownership.
- Land management requirements would mirror the Habitat Management and Monitoring Plan (HMMPs) used in the project supply agreement.
  - Defra templates for HMMPs expected by December 2023
- Template s106 agreements available on the PAS website from [Buckinghamshire](#).

Participants

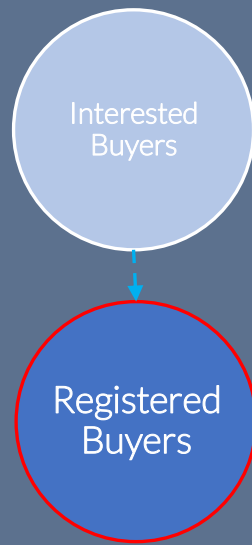
# Sellers

- Anyone with land management control that allows them to implement and manage an eligible nature-based project could be a Seller.
- Sellers enter the Market via a three-stage, sequential process:
  - Expression of Interest
  - Registration (of Seller and their Projects)
  - Submission of Bids
- Expression of Interest
  - Basic contact and land details are submitted via an online form
  - Market Operator carries out initial screening for eligibility and good potential locations
  - Sellers confirm which potential locations they would like to explore and proceed to gather basic project information
- Registration
  - Can occur once project baseline information is in place
  - Seller enters project details + other registration information (eg demonstration of Land control) and confirms acceptance of Market Rules
  - Market Operator confirms with Seller that Project is eligible and the likely Credits that will be generated
- Bidding
  - Market Operator communicates information on Bidding process, market size and template contracts
  - Sellers bid a price that they require to build and maintain the Project for its required duration
  - If their bid is accepted (ie the market can settle according to its Rules) then a contract is formed



# Buyers

- Credit Buyers may wish to buy specific services from projects represented as an Environmental Credit, the calculation and verification of the credit must meet certain standards or regulatory requirements.
  - GIGL will initially trade in BNG units, the required standard will be the Defra Biodiversity Metric
- Buyers enter the market in three stages, just as Sellers do;
  - Expression of Interest
  - Registration of Credits or Projects Needed
  - Submission of Bids
- The Expression of Interest stage is useful for gauging overall demand in the market
- Registration requires the Buyer to demonstrate to the Market Operator that they meet criteria for eligibility set out in the Market Rules
  - Examples of these criteria could be that a valid planning application requiring BNG units has been submitted: this avoids entrance to the market by speculative buyers



# Inheritance Tax and Supplier Contract Risks

# Inheritance Tax

- Not certain yet but looking OK.
- In June 2023, HMRC clarified that land used to generate Carbon Credits would be eligible for Business Property Relief, provided the land is part of a wider farming operation
- HMRC acknowledged that similar guidance is required for land used to generate BNG and Nutrient Credits
- Given the precedence for the Carbon situation, it could be that BPR will be available on the same terms.



Scenario	Issues	Potential provisions in Contracts/ Market Rules
<i>Force Majeure</i>	For example, where storm or drought wipes out habitat. Informal conversations with NE and Defra, in early 2023, suggested that this would be accepted as unavoidable with no liability/enforcement consequences, provided reasonable attempts were subsequently made to re-establish after the event.	<ul style="list-style-type: none"> <li>Clearly define events that constitute Force Majeure.</li> <li>Define (and agree with Defra/NE) what constitutes reasonable efforts – this may differ according to stage of establishment.</li> <li>If further action beyond “reasonable” was required, then use of Market retained buffers (funds or units) would be triggered.</li> </ul>
Unsanctioned removal/destruction of project	Would be clear breach of both Contract and s106 agreement.	<ul style="list-style-type: none"> <li>Require land manager to take out a Contract Performance bond (20% of contract value) in favour of the Market Operator that would trigger in this event.</li> <li>Seek damages through Courts.</li> <li>S106 agreement to be enforced to allow access to land to re-establish project using Bond payout/unspent annual funds OR Market retained buffers (unreleased BNG units) would be used.</li> </ul>
Insolvency	Requirement to fund a third party to complete work	<ul style="list-style-type: none"> <li>Specify that insolvency will be treated as a breach of contract</li> <li>Require land manager to take out a Contract Performance bond in favour of the Market Operator for this event</li> <li>Trigger contract /s106 provisions to allow step-in rights for ongoing maintenance.</li> </ul>
Inadequate compliance	Would be detected by project and contract compliance monitoring and normally rectified by contract notices.	<ul style="list-style-type: none"> <li>In event of refusal to rectify non-compliance, Contract and s106 will need to cover power to step-in to remedy and recover costs and/or rights to withhold/ use unspent annual payment fund.</li> <li>If not remedied, Performance Bond to be triggered</li> </ul>
Habitat quality failure, despite contract compliance	HMMP, part of contract, would specify how to deal with certain types of establishment failure,. However, land managers would wish to avoid open-ended remedy requirements.	<ul style="list-style-type: none"> <li>Contract would need to set a limit on the amount of remedial action required cf definition of “reasonable” under <i>Force Majeure</i></li> <li>If further remedial action was required, then use of Market retained buffers (funds or units) would be triggered</li> </ul>
Negotiated exit	Where landowner has option for better economic return, or is legally obliged (eg via CPO) to use the land for a different purpose, they may wish to negotiate an exit settlement.	<ul style="list-style-type: none"> <li>Require an equivalent level of BNG units, plus supplement (eg further 10%) to be secured prior to land use change. Would need Defra confirmation that this is acceptable.</li> <li>Set and apply an admin fee for processing the exit.</li> </ul>

Getting Involved

# Progress to date

- Phase 1 of the Supply side EOI:
  - 55 EOIs received from farms covering 77,000 Ha
  - Screening removed all fields outside the GLNP's Biodiversity Opportunity Mapping Areas or otherwise constrained (eg in SSSIs/on Grade 1 & 2 land)
  - 52 EOIs remained covering 43,000 Ha
- Phase 2 of the Supply Side EOI completed 23 July
  - 24 farms remained
  - 187 Fields prioritises covering >1,425 Ha
    - > 400 Ha of these have BNG baseline surveys, more underway
  - Typical project might expect three BNG Units per Ha
- Phase 1 of the Buyer Side EOI
  - 4 developers registered interest
  - 3 major corporates/infrastructure companies
  - Expected prices of £25k to £35k for "standard" units, up to £80k for bespoke/high distinctiveness units



# Ideal Timeline for 1st Market Round

Dec 23

- Agree Business Model for GIGL Ltd
- Agree Market Rules and Operating Procedures

Jan 24

- Register Projects that have completed BNG Baselines and agree outline Designs
- Issue a Market Opportunity Statement and final contract templates

Feb 24

- Open Market for Bids from Buyers and Sellers
- Settle Bids

Mar 24

- Issue Contracts and Manage Stage 1 Payments

# Ideal Timeline for 2nd Market Round – Land managers

Nov 23

- Landowners continue to Register Expressions of Interest (EOIs) for fields they would like to develop for BNG projects

<https://form.jotform.com/233094848751364>

Dec 23

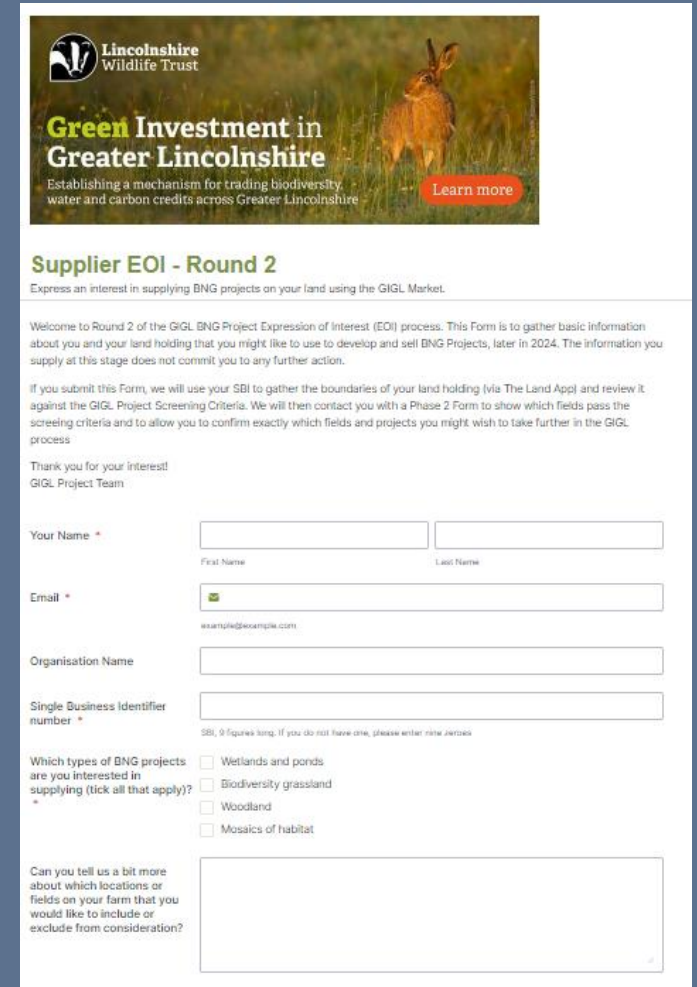
- GIGL Screening of EOIs against agreed, high integrity principles

Feb 24

- Agreement of priority fields to develop projects for Round 2 (including undeveloped projects from Round 1 EOI)

Spring 24

- Land managers carry out BNG baseline surveys



**Lincolnshire Wildlife Trust**

## Green Investment in Greater Lincolnshire

Establishing a mechanism for trading biodiversity, water and carbon credits across Greater Lincolnshire

[Learn more](#)

### Supplier EOI - Round 2

Express an interest in supplying BNG projects on your land using the GIGL Market.

Welcome to Round 2 of the GIGL BNG Project Expression of Interest (EOI) process. This Form is to gather basic information about you and your land holding that you might like to use to develop and sell BNG Projects, later in 2024. The information you supply at this stage does not commit you to any further action.

If you submit this Form, we will use your SBI to gather the boundaries of your land holding (via The Land App) and review it against the GIGL Project Screening Criteria. We will then contact you with a Phase 2 Form to show which fields pass the screening criteria and to allow you to confirm exactly which fields and projects you might wish to take further in the GIGL process.

Thank you for your interest!  
GIGL Project Team

Your Name \*

First Name

Last Name

Email \*

Organisation Name

Single Business Identifier number \*

SBI, 9 figures long. If you do not have one, please enter nine zeroes

Which types of BNG projects are you interested in supplying (tick all that apply)? \*

Wetlands and ponds

Biodiversity grassland

Woodland

Mosaics of habitat

Can you tell us a bit more about which locations or fields on your farm that you would like to include or exclude from consideration?

# Questions?

[David@BaxterEnvironmental.co.uk](mailto:David@BaxterEnvironmental.co.uk)

# Supplementary Annex: Bidding and market settlement process

# Seller bids

- Sellers make a single bid for each project in a Market round.
  - Can choose to split a site into multiple parcels and put forward each parcel as an individual project
- The bid value is the minimum price to supply the project according to HMMP submitted at Registration and in light of the requirements of the Nature-based Project Supply Agreement
- Sellers are incentivised to put forward their best price because:
  - In the Market, they are competing against one another to win the bids of Buyers: the lowest price bids win first.
  - Sellers are also competing against alternative sources of supply outside the Market – hence they know buyers can go elsewhere if they set prices too high.
  - If their bid wins (ie their minimum price is achieved), but there was technically more money available from Buyer bids (ie there is a Surplus) then that Surplus is shared among winning bids: Sellers get a Bonus, Buyers get a discount on what they bid
- The best price must nevertheless make the deal worthwhile ie all costs, risks and returns should be included: see next slide



# Factors affecting Sellers minimum bid price

- Pre-market costs e.g. legal and financial advice and project design
- Project implementation costs
  - Including cost of securing any permissions
- Project maintenance costs
- Financial Buffer to cover reinstatement/ re-establishment risks
- Performance Bond cost
- Loss of land value/agricultural income over 30 years
- Target Profit on deal
  - Set according to likely units to be sold and an assessment of what Buyers might be offering as reasonable price

# Buyer bids

- Buyers make a single bid for each registered credit need in a Market round.
  - Can choose to bundle or separate their needs as required
- The bid value is the maximum price to buy the credits, in light of requirements of the Credit Supply Agreement
  - The bid value should therefore include the costs of Market Operator fees, which are published before the Market round opens for bids
- Buyers are incentivised to put forward their best price because:
  - In the Market, they are competing against one another to win the credits from Seller projects: the highest price bids win first.
  - If their bid wins (ie their price is sufficient), but technically the bid offered more money than the Seller required (ie there is a Surplus), then that Surplus is shared among winning bids: Sellers get a Bonus, Buyers get a discount on what they bid
- The best price must nevertheless make the deal worthwhile ie it should be lower than what they think they would have to pay from other sources that meet their needs for cost, quality and timescale.

# Settlement Rules

- The rules for settling the Market are formalised in the Market Rules
- The Market settles when:
  - The Seller's price for at least one Project can be met by Buyer prices (net of Market fees) offered in one or more credit bids AND
  - the credits supplied by the Project(s) can meet the credit needs of these Buyer bids
- Where multiple combination of these conditions can be met, the preferred settlement will occur in a way that maximises the surplus created
- Any surpluses will be shared fairly amongst Buyers and Sellers according to the value of the surplus their bids created
- The payment rules for achieving this settlement will be based on the Shapley Value, a Nobel Prize winning approach, developed by economist Lloyd Shapley and utilised in the Bristol Avon and Somerset Catchment markets.