



COMMUNITY WEALTH BUILDING AND A JUST TRANSITION TO NET ZERO

EXECUTIVE SUMMARY

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FOREWORD

Community Land Scotland commissioned Laurie Macfarlane and Miriam Brett, renowned economists and researchers, to explore the connections between community land and asset ownership and the delivery of the Scottish Government's stated Community Wealth Building ambitions as part of a just transition.

As the market for Scottish land is being transformed amid the growth of carbon offsetting and other natural capital markets, it is important to understand how the concentration of land ownership will impact on Scotland's aspirations for a just transition to net zero. This report examines how the shift towards net zero is changing Scotland's rural land market, compares the varying green landowner business models against Community Wealth Building principles, and makes a series of recommendations for how a Community Wealth Building approach to land reform can help deliver a just transition to net zero, promote a wellbeing economy, and tackle the cost of living crisis. The full report can be found on Community Land Scotland's website.



AUTHOR BIOGRAPHIES

Laurie Macfarlane is an Edinburgh based economist and researcher. He is currently a research fellow at the UCL Institute for Innovation and Public Purpose (IIPP); a research fellow at The Democracy Collaborative and the Wellbeing Economy Alliance; a member of North Ayrshire Council's Community Wealth Building Expert Group; and a member of the Progressive Economy Forum council. Prior to this he was Senior Economist at the New Economics Foundation and Economics Editor at openDemocracy. Laurie is also the co-author of the critically acclaimed book 'Rethinking the Economics of Land and Housing'.

Miriam Brett is Director of Research and Advocacy at Common Wealth think tank, and a research fellow at the Democracy Collaborative and the Wellbeing Economy Alliance. She sits on the expert panel for the North Ayrshire Community Wealth Building strategy, and is a board member at Green New Deal Rising.

EXECUTIVE SUMMARY

The Scottish Government has set out bold ambitions to deliver a just transition to net zero emissions of all greenhouse gases by 2045, scale up Community Wealth Building, create a wellbeing economy, and deliver inclusive growth across Scotland. How Scotland's land is owned, used and managed will play a key role in determining whether this vision is achieved.

In this paper we explore how the ownership and governance of land in Scotland needs to evolve if the Scottish Government is to deliver on its stated policy objectives. We begin by examining how the shift towards net zero is transforming Scotland's rural land market, and find that the emerging value associated with carbon and natural capital is contributing to soaring demand for rural land in Scotland. This rising demand, together with high timber prices and subdued levels of supply, is putting significant upwards pressure on prices for all types of rural land. We also examine how future developments in carbon and other natural capital markets could impact Scotland's land market. Although there remains a considerable degree of uncertainty surrounding prices in the voluntary carbon market, we find that as it stands there is a broad consensus that prices will increase over the coming decades. As well as generating potentially large financial rewards for landowners from the generation of carbon credits, it is likely that, in the absence of policy intervention, this will also put further upwards pressure on land values. This could be further fuelled by the emergence of new natural capital markets, which could create additional revenue streams for landowners in Scotland and therefore put further upwards pressure on land prices.

Given the expected growth of carbon offsetting and other natural capital markets in Scotland, a key question relates to how the value generated from these activities will be captured and distributed. Under Scotland's existing legal framework, ownership of land confers the right to generate carbon credits and exploit natural capital opportunities – and to reap the associated financial



rewards. As a result, the question of who owns land in Scotland will play a vital role in determining how the value associated with Scotland’s natural capital potential will be captured and distributed.

Over the past year there has been much debate over the rise of so-called ‘Green Lairds’ in Scotland. The term ‘Green Laird’ has no formal definition, however it is typically used to describe individual and corporate investors that have purchased land in Scotland with the stated intention of delivering some kind of environmental benefit, often alongside other goals. In practice however, there are a wide range of actors in Scotland’s land market that aim to deliver some kind of environmental benefit, operating with many different motivations and business models. In order to move beyond the high-level debate surrounding ‘Green Lairds’, we develop a framework for examining the range of different business models being deployed by environmentally-oriented landowners in Scotland, and explore their primary motivations and activities with reference to a number of case studies.

We then consider the extent to which different landowner business models align with the principles and objectives of Community Wealth Building. We find that community ownership delivers the strongest alignment with Community Wealth Building due to the fact that it is rooted in place; encourages local, broad-based ownership; has the potential to generate large local multipliers and minimise economic leakage; embeds collaborative approaches to decision making; and delivers inclusive, well paid jobs. Community ownership therefore provides an effective means of ensuring that wealth that is created in Scotland is retained and redirected back into local communities. In contrast, we find that absentee corporate and individual ownership delivers the weakest alignment with Community Wealth Building.

We argue that scaling up a Community Wealth Building approach to land reform can help deliver on a number of the Scottish Government’s policy objectives, including delivering a just transition to net zero, promoting a wellbeing economy, and tackling the cost of living crisis. In order to achieve this however, we argue that fundamental reforms to the ownership and governance of land in Scotland are required. Our key policy recommendations are summarised in the table below.

SUMMARY OF POLICY RECOMMENDATIONS

Recommendation	Expected impact
A new statutory power to apply a public interest to all landholdings in Scotland above a certain scale and/or concentration should be introduced, backed up by the power to issue compulsory sale orders for existing landholdings that fail to meet the test’s criteria as a last resort.	Diversify Scotland’s highly concentrated pattern of land ownership and ensure that the governance of land in Scotland is aligned with Community Wealth Building and the principles set out in the Scottish Land Rights and Responsibilities Statement.



Recommendation	Expected impact
<p>Public acquisitions of land via Forestry and Land Scotland and Crown Estate Scotland should be significantly scaled up, and compulsory purchase powers should also be strengthened to enable public bodies to acquire land for the purposes of achieving sustainable development.</p>	<p>Enable more of the value of Scotland's natural capital potential to be captured for public benefit rather than it being extracted by absentee investors, and create opportunities to break up large estates into smaller sites, which can be transferred or sold to local communities in support of Community Wealth Building objectives.</p>
<p>Options for creating a mandatory system of certification for carbon credits should be explored to ensure much greater scrutiny of sellers and buyers. Additionally criteria for carbon credit generation should also be monitored on an ongoing basis.</p>	<p>Prevent 'greenwashing' by ensuring that suppliers of carbon credits are delivering carbon sequestration that is genuinely additional, and that purchasers of carbon credits are only offsetting emissions that are genuinely unavoidable.</p>
<p>All land should be brought onto the valuation roll, and non-domestic rates should be applied to all wooded land. Agricultural land should remain exempt from non-domestic rates for the time being, but this should be reviewed periodically. In addition, the rate of LBTT on rural land transactions should also be equalised with that paid on residential transactions, and a surcharge introduced on land holdings over a certain scale threshold.</p>	<p>Address longstanding distortions in Scotland's land market that reinforce a highly concentrated pattern of ownership; and raise revenue that can be used to scale up Community Wealth Building approaches to local development across Scotland.</p>
<p>The Scottish Government should set out a long-term ambition to replace non-domestic rates with a Land Value Tax, and lay the groundwork for this by making efforts to address the associated practical barriers during the current parliamentary term.</p>	<p>Enable more of the value of Scotland's natural capital potential to be captured for public benefit while incentivising the efficient use of land and generating revenue to support policy objectives, including those relating to Community Wealth Building.</p>
<p>Funding for community initiatives should be scaled up via the establishment of a new Community Wealth Fund. Communities should be invited to submit funding applications to the fund which would be assessed on the basis of Community Wealth Building criteria.</p>	<p>Provide new sources of funding for community initiatives to compliment the Scottish Land Fund, and scale up Community Wealth Building approaches to local development across Scotland.</p>
<p>The benefits of establishing a new National Wealth Fund should be explored, learning from international experience of sovereign wealth fund models</p>	<p>Ensure that a share of the value generated from Scotland's natural capital is invested for the long-term in the national interest, generating revenue that can be used to support public policy objectives including those relating to Community Wealth Building.</p>



Recommendation	Expected impact
The Scottish National Investment Bank should establish a dedicated fund to support community owned initiatives that would be tailored to the specific needs and context of the sector.	Address the challenges community initiatives face accessing finance, which acts as a significant barrier to scaling up Community Wealth Building approaches to local development across Scotland.
A cap on the amount of public grants that any single landowner or beneficiary can receive should be introduced, and eligibility criteria for grants relating to woodland creation and peatland restoration should be reviewed to ensure alignment with public policy objectives.	Ensure that public funds are being used effectively to promote policy objectives such as Fair Work, Community Wealth Building and the principles outlined in the Land Rights and Responsibilities Statement.
Community Right to Buy powers should be strengthened, including examining the scope to enable communities to purchase land at below market value under certain limited circumstances. In addition, Public Commons Partnerships (PCPs) should be explored as a potential model for pursuing partnership approaches to democratic land ownership.	Scale up land ownership models that are aligned with Community Wealth Building principles, and help diversify Scotland's highly concentrated pattern of land ownership.
The Scottish Government should explore new measures to enhance transparency in the land market and prevent off-market land sales happening under the guise of secrecy. It should also increase efforts to establish accurate, up to date data on land values, ownership and use across Scotland.	Provide local communities, policymakers and other key stakeholders with accurate information about Scotland's land market, which in turn will empower local communities and facilitate more informed policy decisions.



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