

Community Land Scotland Position Paper on 'Green Finance'
June 2023

Community Land Scotland (CLS) is taking a keen interest in the development of 'green finance' in Scotland because of the implications for long-term land ownership and use and for future community ownership.

CLS recognises and strongly supports the pressing need for action to address both the climate emergency and linked biodiversity crises. CLS shares community, national and international concerns at the threat climate change brings and shares a commitment to see action to reduce CO2 emissions and other greenhouse gases and reverse biodiversity collapse.

CLS' primary concern is to encourage and join in actions to achieve a zero-carbon future but in some human activities this may prove elusive. In the shorter-term sequestering carbon may be seen as an essential contribution to climate management and, longer-term, genuinely residual emissions may need to be sequestered in offsetting arrangements.

CLS considers, and evidence suggests, that the principle of emissions offsetting is likely to become increasingly contested if it is seen to permit or contribute to blunting effort to achieve a zero-carbon future. What might seem today as a mainstream policy approach may become more and more discredited in the face of a continuing rise in global emissions or a pace of reduction that is not meeting our needs.

CLS is concerned that in an unregulated market environment short-term action and any rush for private investment hold the danger of simply commodifying natural heritage and natural capital in a way that principally serves the private financial interests of wealthy investors. Further, it has the potential to condition land ownership and use for periods of time of 100 years or more, without the benefit of informed public debate and the exploration of all the options for progress.

CLS is concerned that a rush for a share of the carbon credit market is accentuating rising land values, taking more land out of reach of communities and individuals.

CLS senses a potential incompatibility between inviting external private capital into an unregulated land market, and the stated Scottish government policy toward the inter-linked goals of achieving land reform and greater diversity in land ownership, a more inclusive economy, greater social and economic justice, community empowerment, the building of community wealth within a well-being economy, and a just transition to net zero.

Private finance investment, through the returns it will demand, is likely to be extractive of wealth from localities and Scotland, wealth that might otherwise be retained within different funding models. It holds the potential to limit the scope for future community ownership of land, the further diversification of landownership, and deprive future opportunities for community led and climate responsible land use.

Capturing a significant element of long-term land-based earnings potential through the short-term deployment of private finance investment has the potential to concentrate wealth and power in few hands, potentially acting against achieving a just transition to net-zero.

CLS is also concerned that a rush to private finance arrangements in which local communities have no obvious or assured part in decision making or possess agency, but which will significantly determine land





use for periods of 100 years or more and the environment within which they and their successors may live, does not serve the goal of greater community empowerment.

CLS views Scotland's carbon sequestration potential as a shared community and public asset requiring strategic management, not principally a private commodity to be traded in a largely unregulated marketplace. Participation in carbon credit trading should be regulated to secure the public interest:

- Government support for peatland restoration and forest planting from which carbon credits will be traded should only be permitted through Scottish Government approved trading schemes that ensure sequestration of carbon does not allow a continuation of business as usual in causing emissions
- Preference in approved schemes should be given to those that prioritise the needs of the Scottish economy and public services and the potential need to offset residual emissions from Scotland's own economic activity
- Carbon traders in Scotland should require to be licensed by the Scottish Government
- Being licenced to trade in carbon credits will require a) evidence of how communities in the area of land impacted by the trading will share significantly in the benefits of carbon credits traded and, b) that the principles of free, prior and informed consent are observed

CLS is not persuaded by the analysis of the Green Finance Institute which seeks to demonstrate Scotland has a financing 'gap' of £20 billion to meet committed or planned investment in nature.

CLS believes that a community ownership-based model of landownership combined with a more distributed pattern of actors in land ownership and management could better serve the interests of the nation in meeting its emissions challenges in combination with the wider inter-related policy goals set out above. This would foster wealth retention and sharing and create more resilient, green circular economies.

CLS understands that the Scottish Government and NatureScot have made public commitments to at least some form of initial private finance initiatives to address the climate and biodiversity crises. Within that context we want to consider whether and how the public, third and private sectors can work together to address some of the inherent challenges in the 'green finance' approach. CLS feel there is an opportunity to ensure:

- Models of ownership and benefit sharing can emerge which help advance community ownership of land and address a range of policy objectives for Scottish Government and NatureScot including addressing the biodiversity and climate crises; community wealth building; a Just Transition to Net Zero and a more diversified pattern of land ownership.
- The many significant levers that the Scottish Government already has within its powers, can be used to give support to these policy objectives. However, the time to do this is short, and significant focus needs to be given now to designing interventions that achieve policy convergence.

CLS will continue to keep the issues under review and will refine its position considering evolving circumstances, engagement, and debate.

CLS recognises that its members may wish to explore carbon trading as part of their local wealth building activity or may be invited to consider taking part in financial opportunities presented by 'green finance'. We have updated our guidance on 'Communities and Carbon Codes' to reflect the practical and ethical considerations facing community landowners.



Community Land Scotland will continue to advocate for community-led action on the climate emergency and biodiversity loss, as evidenced by rural and urban community landowners in Scotland, in ways which support the sustainable development of individual communities and of Scotland as a whole.

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