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Summary policy position on voluntary carbon and nature markets

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Introduction

Community Land Scotland (CLS) recognise the climate and biodiversity emergencies as the key existential crises facing our planet. As such our collective response to them requires considerable public leadership and equally significant public policy development. Many CLS members are already active in addressing the issues and more communities should have the opportunity to be leaders in climate and biodiversity action.

CLS have serious concerns that the Scottish Government's response to these crises has been distracted by voluntary carbon and biodiversity markets. This has taken up valuable human and financial resource, political capital and energy, rather than encouraging a more concerted Government attempt to pursue proven and robust methods of achieving land use change such as greater regulation of land use and private investment, more strategic public investment and targeted taxation.

A focus on voluntary markets has resulted in too much responsibility and agency being handed to the private sector, as the governments look for convenient and politically expedient ways of trying to mitigate climate and biodiversity collapse without grasping the more politically challenging direct state intervention that will be required.

Despite the effort put into making these voluntary markets a viable tool for addressing the nature crises, there is little evidence that they are well placed to solve these crises.[1] Instead, they risk being an unhelpful distraction at best and at worst avoiding tackling the central issues whilst reinforcing existing inequalities and mis-using our land at a time when its ownership and management could not be more important.

Community Land Scotland recognise that private finance may have a role to play in fighting these crises, but there is a need to clearly define its place, and realistic scale. Importantly private finance should not be synonymous with voluntary carbon and biodiversity credits. These credits are a sub-set of private finance in natural capital, and are a financial instrument created to increase private investment through generating a profit motive for necessary land use change. As this briefing sets out, the creation of that market has not been straightforward and has many negative consequences.

This updated policy position sets out Community Land Scotland's reflection on the current state of the voluntary markets since 2023, when a private finance pilot was announced by NatureScot[1] and subsequent attempts by government and the private sector to 'scale' these markets. We highlight why

[1] annual global transaction values for the voluntary carbon market (VCM) reached a high of around $2 billion in 2021/2022, however the market dramatically fell in 2023 and 2024 with annual transactions value of $754.5 million and $535.1 million respectively. The global biodiversity credit market is almost non-existent with a total value of no more than $10 million. See the full policy position for further details.

these markets need to be critiqued due to their impact on communities, land reform and our response to the crises. We then analyse why these markets have failed to 'scale' and as a result why alternative policy solutions to the nature crises now need to be focused on as a matter of urgency by government, communities, landowners, civil society and the private sector.

This summary is supported by a longer and more detailed policy position which sets out the data and expands our arguments:

Why this matters for Community Land Scotland

Community Land Scotland has taken an active interest in natural capital financing, and in particular private investment in natural capital through voluntary carbon or biodiversity offset markets, due to the numerous impacts it has upon communities and the wider land reform agenda in Scotland.

- Private investment in voluntary markets based in Scotland can reduce community autonomy and threaten existing land rights and further land reform. These speculative market products unnecessarily limit opportunities for communities and land reform through land value inflation and long-term 'locking up' of the land to secure the permanence of carbon and biodiversity claims. These fundamentally limit alternative sustainable land uses in a way that is different from renewable energy, agriculture or forestry uses.

- Currently 'high integrity' private investment (embedding community agency and benefit sharing) which the Scottish Government is seeking does not seem compatible with the financial realities, and as such has not happened at any scale. Even if such investment could appear, the scale at which projects operate and the increase in the value of carbon/biodiversity credits would see land values rise further and fundamentally undermine land reform and reduce opportunities for communities to acquire land.

- Many Community Land Scotland members are undertaking climate and nature projects using a variety of financial mechanisms to enable delivery and would like increased funding to scale this work. However, uncertainty and scepticism over the volatility, long-term prospects, and validity of offset markets has meant most community landowners have not engaged with these financial instruments.

- Nature-based carbon and biodiversity offsets may exacerbate the climate and biodiversity crises if they are used for 'greenwashing'. Misallocation of global carbon budgets makes credible 1.5-degree pathways more marginal, with communities facing the impacts of climate breakdown.

- Land is a finite resource and foundational to Scotland's climate and biodiversity action (not least in-setting Scotland's own unavoidable emissions), and it should not be allowed to be squandered by speculators or those with the deepest pockets to offset activities or land/resource use that should be avoided or changed.

- The inequity of global carbon budgets is especially true for communities in the Global South and raises valid questions around climate reparations. Research suggests that the Global North has exhausted its fair share of carbon budgets (after disproportionately causing climate breakdown and benefiting from a carbon-heavy development) whilst communities in the

Global South deal with the unjust impacts of climate breakdown and a history of underdevelopment by the Global North.

Challenges for scaling and effectiveness of natural capital offset markets

Voluntary offset markets have been favourably viewed by the Scottish Government as a scalable solution to leveraging private capital to deliver meaningful action in tackling the climate and nature emergency. We believe the optimism in these market solutions is misplaced and evidence to date supports this. There are several key structural issues that undermine their ability to scale or deliver real, positive outcomes for climate, nature, and communities:

- **Difficulty in demonstrating that claimed environmental benefits are genuine.** Robust monitoring, reporting, and verification frameworks are necessary to demonstrate additionality (benefits are real and greater than what would have happened without financing), prevent leakage (displacing environmental damage), and secure permanence (enduring benefits e.g., long-term carbon removal and storage, intact and regenerating ecosystems). These technical issues affect both carbon and biodiversity products; however biodiversity markets face additional challenges due to the inherent complexity of biodiversity and ecosystems, and the difficulties associated with reducing these to standardised, tradeable units.

- **Offset markets have not delivered the profitability required to be scaled.** Higher costs associated with implementing high-integrity natural capital frameworks, difficulties in standardising Nature as tradeable units, risk profiles of nature-based solutions (i.e., permanence risk e.g., wildfire), and the complexity and regeneration timescales of the natural environment do not align well with liquidity and the expected return on investment of private capital.

- **There is little to no demand drivers for voluntary natural capital offset credits.** Based on global annual transaction value, these markets have not scaled as initially projected. The annual value of nature-based offsets in the voluntary carbon market decreased from a 2021 peak of $1.4B to $241-347M in 2024. By the end of 2025 the voluntary biodiversity market had a cumulative value of $10M. Mandatory compliance frameworks drive the additional value of global carbon and biodiversity investment as reported in the UN's 2026 State of Nature Report.

- **Additional finance is required to avert climate and nature breakdown but offset markets are not an effective means of achieving this.** The **l**ow global transaction value for offset credits could mean that investment is being redirected into decarbonising operations or supply chains and mitigating impacts on biodiversity. This is to be welcomed and demonstrates the important work that needs to be done in decarbonisation and mitigation which is not part of the offset market.

- **Compliance frameworks (i.e. compulsory offsets) could drive demand.** However, without robust and rigorous regulation and appropriate pricing mechanisms this risks misallocation and misuse of finite offset resources for activities or sectors that could more easily decarbonise and minimise environmental impacts. There is a real risk of exacerbating the climate and nature breakdown if strict criteria are not enforced in defining truly hard-to-avoid activities

and legitimate offset use to align with projected residuals in 1.5-degree net zero pathways and planetary boundary constraints.

Given these issues, CLS does not think that voluntary carbon and biodiversity markets provide a credible, scalable solution to the climate and nature emergency. These market mechanisms are highly inefficient at channelling private finance into nature and climate and continued focus on them distracts from pursuing more effective solutions. It is imperative that human and financial resource is put into alternative policy solutions.

Where private finance could work for climate and nature

The question for policy makers in Scotland is not whether in principle private finance may have a role to play, but to clearly define its place, and realistic scale. It is important to determine how it interacts with public finance and to measure outcomes against wider public policy goals, ensuring public interest safeguards are present against exploitation, land concentration, excessive returns, and the leakage of wealth from communities and Scotland as a whole.

While we are critical of the scale of the role that voluntary private finance can play in tackling the climate and nature emergency, most particularly through the offset markets, we recognise that some forms of private finance can play an important if more limited role. There are already examples of organisations and individuals motivated by a desire to meaningfully invest in climate, nature, and communities as part of environmental, social, governance, or climate and nature strategies, foregoing short to medium term profit maximisation. This is to be welcomed and encouraged.

A great deal of experience and expertise in nature restoration and climate orientated projects and products has been developed in Scotland across public, community, private, and third sectors. This has included developments in rigorous and robust monitoring approaches, multi-stakeholder partnership working, and identifying best practice for community benefit, participation, and decision-making. It is critical to build on this learning and incorporate it into effective delivery mechanisms going forward whether ESG, philanthropic, or charitable giving or even non-offset based payment for ecosystem service models.

Community landowners represent a unique and attractive partner for impactful values-led nature-based investment. Community landownership involves greater democratic participation in land use decision making and benefit flows. It is rooted in community control and agency over land and provides long term, place based, values-led, environmental stewardship. This offers a key opportunity for innovative joint ventures between community, public, private, and third sectors to deliver positive, lasting outcomes for nature, climate, and communities.

Community Land Scotland's Natural Capital Community Partnerships team has been establishing good examples of this type of partnership work, implementing best practice principles and developing new guidance for successful implementation. Further details and guidance for communities and landowners is forthcoming and will be published on our website.

We have recently produced case studies on two of our members who are exemplars of what community ownership can deliver in terms of community-led nature restoration and wider social benefit.

Case Study: Assynt Foundation - Community Ownership Driving Nature Recovery

The Assynt Foundation demonstrates how community-owned land can attract private investment while retaining local control and delivering public benefit. Since 2019, the Foundation has developed woodland creation and peatland restoration projects through partnerships with organisations including the Woodland Trust, Forest Carbon and private investors.

Key outcomes include:

- Community ownership and democratic oversight remain central to decision-making.
- 2,000-2,500 acres of native woodland are being established as part of a 30-year landscape recovery programme.
- Peatland restoration projects are helping reduce emissions while improving biodiversity and water quality. One project alone is expected to avoid around 11,900 tonnes of carbon emissions over its lifetime.
- Revenue generated through natural capital projects is supporting long-term community resilience, local employment and future investment in housing and infrastructure.

Why it matters: Assynt demonstrates that where communities retain ownership and control, natural capital investment can support climate and nature goals while ensuring benefits remain local. The model highlights the importance of strong governance, equitable partnerships and community decision-making.

Case Study: Tarras Valley Nature Reserve - Community-Led Landscape Restoration

Tarras Valley Nature Reserve demonstrates how community ownership can deliver large-scale nature recovery while ensuring local people remain at the heart of decision-making. Following a community buyout completed in 2021 and 2022, over 4000 hectares of land have been brought into community ownership and managed to deliver environmental, social and economic outcomes.

Key outcomes include:

- Community-led governance and extensive engagement, including attendance at more than 50 local events to develop a community-backed five-year action plan.
- Restoration of degraded peatlands, rivers, wetlands and native woodland habitats to improve ecosystem resilience, biodiversity and climate outcomes.
- Development of a blended finance model combining grants, donations, public funding, agricultural support, biodiversity enhancement funding and limited use of carbon finance.
- Investment in local jobs, contractors and skills development, with around £100,000 per year reinvested in local businesses and service providers through contracted work.
- Provision of volunteering, education and housing opportunities that support community wealth building and strengthen connections between people and the land.

Why it matters: Tarras Valley illustrates how community ownership can enable long-term landscape restoration while balancing ecological, social and economic objectives. It shows that natural capital investment can support nature recovery without relying solely on carbon markets, instead using a range of funding mechanisms aligned with community priorities and local benefit

Alternative policy solutions to address the nature crises

The uncertainty about voluntary off-set markets, the true scale of any 'funding gap' in nature restoration and the potential associated costs and contingent liabilities on public finances in derisking the private finance model means that alternative complementary policy approaches need to be considered to meaningfully tackle the climate and nature crises.

Below are some of our headline proposals which we will continue to develop with key partners and stakeholders across relevant sectors. It is not an exhaustive list but shows the breadth of policy, fiscal and legislative levers which could deliver meaningful action on climate and nature without significant public expenditure or private finance.

Land use regulation and compliance:

- The regulation of emissions, biodiversity loss, and ecosystem function from land use and land use change
- Alignment of Scottish Government strategies relating to land to ensure coherent priorities that are not undermined by one another e.g., Scottish Biodiversity Strategy and Delivery Plan, Land Use Strategy, Rural Support Plan, Forestry Strategy
- Compliance frameworks for new developments delivering biodiversity net gain in Scotland, building on NPF4 guidance
- Modernisation of Scotland's land data systems. A National Land Information Service should be established to systematically collect and manage data on landownership and land use, this will help to evaluate impact and nature policy outcomes
- An enhanced role for local authorities in the identification and zoning of land for nature restoration – continued delivery and support for Nature Networks, Nature 30, and other Scottish Diversity Strategy targets is needed
- Substantially reducing deer numbers as the one of the biggest measures needed to restore biodiversity in line with Scotland's National Deer Management Plan
- Manage grazing stock to sustainable levels through alternative approaches such as regenerative grazing
- A national programme for the management and removal of Invasive Non-Native Species (INNS)

Fiscal measures:

- The progressive re-alignment of agricultural support to deliver ever more nature friendly practises – with enhanced support for community-owned, smaller-scale, and crofting producers
- Re-alignment of forestry grants toward activities associated with more sustainable management of forests such as continuous cover forestry, including support for smaller-scale mixed productive woods, reforestation by natural regeneration and targeted planting for biodiversity and climate mitigation
- The significant reduction of subsidies for large-scale clear-fell commercial coniferous forestry in favour of enhanced subsidy support for smaller scale, mixed productive woods using continuous cover silvicultural practices, for local utilisation

- A refocussing of Scottish National Investment Bank priorities to tackle the climate and nature emergency and help enable a just transition for rural and urban Scotland
- The encouragement of increased government (UK and Scottish) led direct green investment with the public taking any return from investments
- Incorporating all sectors into a rigorous cap and trade UK/Scotland Emission Trading Scheme with a proportion of proceeds invested into nature restoration
- The scope for a Biodiversity Bond Issue to raise peoples' investment in nature
- Requirement for public grants for nature projects to deliver community benefits and consider community wealth building opportunities
- An increased role for the Scottish Government, its agencies, and local authorities in the ownership and management of land for nature and for the insetting of national carbon budget needs
- Land valuation and taxation reform – to deliver both land reform and nature outcomes

Ownership and joint ventures:

- An encouragement of new forms of joint venture between communities, public agencies, and the private sector for investment purposes
- Expansion of public and community ownership of natural assets – which in turn can allow for more democratic control of land use change and ensure that income and returns from investments are recirculated rather than extracted
- Support for the targeting of philanthropic giving into Scotland for nature

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