

<b>Document Name</b>	<b>Project Initiation Document</b>
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<b>Project</b>	<b>Woodland Carbon Task Force Project 2: Finances for woodland creation.</b>
<b>Master file</b>	<<file:///T:/Policy and Programmes Group/9 Climate Change/Woodland Carbon Taskforce/WCTF Governance/WCTF Constructing the Programme/Project 2 Finances

<b>Distribution</b>	<table> <tr> <td>Dominic Driver</td> <td>Programme Senior Responsible Officer</td> </tr> <tr> <td>Pat Snowdon</td> <td>Project Manager</td> </tr> <tr> <td>Nigel Hobday</td> <td>Project Support</td> </tr> <tr> <td>Mark Broadmeadow</td> <td>Technical advisor</td> </tr> <tr> <td>Mike Render</td> <td>Project team</td> </tr> </table>	Dominic Driver	Programme Senior Responsible Officer	Pat Snowdon	Project Manager	Nigel Hobday	Project Support	Mark Broadmeadow	Technical advisor	Mike Render	Project team
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### Change History

<b>Version</b>	<b>Date</b>	<b>Nature of revision</b>	<b>Author(s)</b>
1	05/05/10	First Outline	DD
1.1	26/05/10	Edited by NH	NH
2	01.06.10	Edited by DD	DD
3	04.06.10	Edited by PS	PS
4	20.07.10	Edited by PS	PS
5	28.07.10	Edited by PS	PS
6	20.09.11	Edited by PS	PS

## Woodland Carbon Task Force Project 2:- Finances for woodland creation

Project Start Date 12 May 2010

Project Completion Date 31 March 2013

### 1. **Project Purpose:**

Enable the creation of new woodlands by facilitating the development and communication of new and innovative business models and instruments for private and civic society investment.

### 2. **Background:**

#### **This is one of six projects within a programme being run by the Woodland Carbon Task Force**

The WCTF is a multi-disciplinary team to establish the conditions for significant private sector investment in woodland creation alongside increased supply and demand of woodfuel and greater uptake of sustainable forest management practice.

### 3. **Project mandate:**

The project has been agreed by the Programme Senior Responsible Officer with delegated authority from the Programme Sponsor.

### 4. **Project Outcomes:**

The outcomes of the project are to:

- develop new and innovative funding models and instruments for woodland creation to help meet UK targets on climate change abatement and the delivery of biodiversity and other co-benefits; and,
- enable private businesses and civic society to invest in forestry to deliver savings and cost-effectiveness for Government in meeting policy objectives.

### 5. **Critical success factors**

If the Programme is to be deemed a success it must have achieved the outcomes set out above and also have established:

- an understanding among organisations and individuals in the private, community and public sectors (including those with objectives related to investment, Corporate Social Responsibility and local community development) of the potential low carbon investment opportunities based on woodland creation in the UK.
- confidence in woodland creation in the UK as a viable, effective, distinctive and sustainable low carbon investment opportunity.
- the basis for a self-sustaining programme of investment in woodland creation in the UK.

## 6. **Project Scope**

Exploring a range of potential market segments, covering multinational and UK businesses (manufacturers, distributors, retailers etc), local authorities, local and community based projects. Different segments may have different motivations, e.g.: corporate social responsibility, financial investment, impact investment. Funding models could be developed “business to business” or “business to consumer” or “business to Government”. All types of forestry (species, management regimes) are potentially in scope.

Ensuring that RDPE and other public funding streams complement and support private finance by providing additional benefits that help to meet policy objectives.

7. Project Deliverables

**Comment [DD1]:** I think this needs work to clarify what the deliverables are – 1 and 3 seem to be part of the process.

Outcomes	Deliverable 1	Deliverable 2	
1. Develop new and innovative funding models and instruments for woodland creation to help meet UK targets on climate change abatement and the delivery of biodiversity and other co-benefits	Establish working networks with specialists in investment and carbon finance	<p>1. Bilateral meetings with businesses &amp; organisations with a potential role in woodland creation investment models</p> <p>2. Engagement with relevant networks, particularly those focused on innovation and the low carbon and green economy.</p> <p>3. Workshop in spring 2011 to bring together forestry, carbon and investment professionals</p> <p>4. Engagement with other Government Departments, agencies and working groups</p>	<p>List compiled of businesses and organisations – meetings underway</p> <p>Membership of Aldersgate Group</p> <p>Engagement with 2degrees</p> <p>Facilitated by the FC through Forum for the Future – took place in London in March 2011</p> <p>Treasury, BIS, DECC. Ongoing involvement of DEFRA</p>
	Understanding of market possibilities and funding options	1. Study to review existing knowledge and scope future work on developing business models for woodland creation.	Contract let to Enviromarkets evaluate potential investment mechanisms for woodland creation projects from an investor perspective. Includes a breakdown into market segments and the same evaluation applied to each.

		<p>2. Paper on forest carbon market segmentation &amp; investor demand, setting out the 'woodland creation offer' under the different segments (based on bilaterals in summer 2010 – under preparation)</p> <p>3. Comparison of financial returns based on carbon finance and other 'traditional' sources of funding</p> <p>4. Evaluation of taxation options, including direct and indirect effects on exchequer revenues</p>	<p>Understanding of what investors require for woodland creation projects to be attractive to them, including testing of proposed mechanisms; mostly one to one meetings, discussions &amp; presentations.</p>
<ul style="list-style-type: none"> <li>• Enable private businesses and civic society to invest in forestry to deliver savings and cost-effectiveness for Government in meeting policy objectives.</li> </ul>	<p>2. Establish viable business models and instruments that encourage private funding of woodland creation schemes, to complement RDPE and other public finance.</p>	<p>1. Further development and analysis of Forest Carbon Guarantee Scheme</p> <p>2. Analysis of other potential financial investment instruments based on private, third sector and public funding, either separately or in combination</p> <p>3. Identify opportunities for channelling funds into woodland</p>	<p>Work programme to establish viable business models to encourage private funding of woodland creation schemes, as outlined in the UK LCTP.</p> <p>Working with Defra, Department for Energy and Climate Change (DECC) and HM Treasury and testing with investors and landowners</p>

		creation (e.g. Community Infrastructure Levy*, 'Natural' Carbon Capture Levy)	

\* Take forward opportunity for all developments to contribute to Community Infrastructure Levy, and a fixed proportion made available to fund Carbon Sink Forestry programme.

## 8. Assumptions / Constraints

### 8.1 Financial

2010/11: £116k

2011/12: £111k (to be confirmed)

8.2 Time – earliest start date 1 April 2010, end date 31 March 2012

### 8.2 Resources

Staff: Pat Snowdon; internal analyst; Mike Render, Rural Development Advisor, FC England; expert on Rural Development Plan for England; Mark Broadmeadow.

External contract: market segmentation and appetite studies.

Call on Programme Office (give indication): analyst, communications

## 9. Interfaces

As for Programme Initiation Document.

## 10. Outline Business Case: why this project is needed?

There is a major potential to deliver greenhouse gas abatement, and environmental co-benefits, through the creation of new woodlands in the UK. The potential scale of woodland creation that is needed, as set out in the UK Low Carbon Transition Plan, and the need to maximise the benefits delivered through public funding, mean that significant investment is needed from the private business and civic society. There is evidence of considerable interest in forestry from potential private investors in forestry. The development of practical business models is needed that allow this in principle support to be translated into a new investment drive that results in increases in woodland creation.

Intervention is needed to facilitate the development of new markets and ways of working that provide opportunities for the private and third sectors to take a leading role in achieving woodland creation objectives. Such intervention will provide:

- the necessary research and information to increase awareness;
- bring together previously disparate businesses and organisations in order to pool expertise, increase co-operation and enable innovation to take place;
- enhance market confidence in woodland creation and enable perceived risks associated with these new approaches to be overcome.

It is expected that intervention will both bring forward the time needed to develop new business models and add to the scale of future investment in woodland creation.

## 11. Tolerances

As for Programme Initiation Document and:

Quality tolerance: private investors are confident that the business models presented are sound.

## **12. Stakeholders:**

As for Programme Initiation Document.

## **13. Communications Plan (tbd)**

As for Programme Initiation Document.

## **14. Project Plan**

There are three stages to the project:

- i. scoping and resourcing (April to October 2010);
- ii. designing mechanisms & delivery vehicles (October 2010 – March 2011);
- iii. road-testing (April 2011 – March 2012).

Stage 1 includes the following actions

- engagement – bilateral meetings with individuals, companies and organisations with relevant interest and expertise. These meetings are underway.
- short study to review and take stock of existing knowledge and evidence
- workshop to examine the findings of the study and agree actions going forward.

## **15. Project governance:**

15.1 **Project SRO** –Pat Snowdon – roles and responsibilities in Annex 3

### **15.2 Controls/Governance**

Team meetings to agree actions and review progress (see 8.2 – Staff resources)

3-monthly progress and monitoring report to programme manager

Ongoing review, particularly in early stages

## **16. Risks**

A summary of risks are detailed in the Risk Register - Annex 2

## **Annex 1 – Budget**

See spreadsheet in accompanying excel file

## Annex 2 - Risk Register Definitions.

### KEY

Impact	Score	Scores				
		5	10	15	20	25
Catastrophic	5	5	10	15	20	25
Major	4	4	8	12	16	20
Moderate	3	3	6	9	12	15
Minor	2	2	4	6	8	10
Insignificant	1	1	2	3	4	5
		1	2	3	4	5
		Remote	Unlikely	Possible	Probable	Highly probable
		Likelihood				

### RISK CATEGORY DEFINITIONS

Finance	Any Ecor
Policy	Any Polic
Fundamental	Any risks
Support Services	Risks rea
Emerging Issues	New risks
Reputational	Any risk th
Delivery	Any risk aff
Health and Safety	Any risk aff

Risk ID#	Risk category	What could go wrong	Likelihood	Impact	Risk level	Response and Control	Owner
1	Fundamental	Lack of stakeholder interest	2	5	10	Broaden engagement, review approach	PS
2	Finance	Inability to devise viable funding models and instruments	3	5	15	Review and redesign proposed models – or develop new models	PS
3							