



Environmental Farmers Group – Central England

The major questions posed to Environmental Farmers Group (EFG) from Members and prospective Members are set out below. If you do not find the answer you need, please contact us on: efg@gwct.org.uk.

The document is in four sections:

Section 1: About EFG

Section 2: About EFG Central England

Section 3: Joining EFG

Section 4: About Natural Capital Markets



Section 1: About EFG

1. What is Environmental Farmers Group (EFG)?

EFG is a company set up by farmers for farmers to work together to improve our farmed environment and trade confidently and transparently with business and commercial organisations in the natural capital markets.

Our mission is to harness scale and member cooperation to secure the best environmental results and financial returns for a wide range of natural capital goods and services.

Our desired environmental outcomes are Biodiversity & Species Recovery by 2030, Clean Water and Carbon Net Zero by 2040.

Our objectives are to:

- Provide a fair financial return for the farmers delivering environmental goods and services.
- Have baseline environmental data produced and owned by farmers.
- Be a highly credible brand and trusted trading partner with an excellent public image.

2. Who is in the group and what stage is it at now?

As of January 2024, EFG has over 315 farmer Members and Expressions of interest covering around 158,000ha. The EFG started in the Hampshire Avon catchment in the South of England, launched May 2022 just over 18 months old we now have 5 new trading catchments extending from North Lincs to Isle of Wight and another 6 that are expressing an interest. The group has completed its first natural capital trade (worth £1m) in 2023 with a pipeline of over 20 further trading opportunities coming.

Since early 2023, the model has received a lot of attention from industry, government, and farmers across the country. The EFG Board made a decision that it wanted to replicate the model in other areas of the UK to maximise the opportunity for its members and other farmers.

3. How did EFG start?

In the context of £37m being lost annually in the Hampshire Avon river catchment alone through loss of BPS, Teresa Dent (CEO, GWCT) and a number of Farmer Cluster lead farmers came together to discuss how the farmers could build on the success of local Farmer Clusters. The idea was to put farmers in a stronger position to deliver



environmental goods and services at scale and be fairly rewarded for delivering these.

This grew into a Scoping Group to look at the opportunities available for such a group through natural capital markets with support from GWCT.

4. Why was the group created?

The original objective of the scoping group was to consider how, collectively at considerable scale, the farmers could collaborate to make the most of the post-Brexit income streams likely to become available in terms of natural capital, carbon accounting, environmental offsetting, and credit trading.

As the buyers of these products (water companies, environmental banks, district councils, commercial companies, house builders) required scale, a single point of contact and professional environmental advice it was decided some form of organisation was required with scientific credibility and robust back-office functions.

Farmers within the group voiced an opinion that they would like to control their own income and what happens on their land, especially as these projects may be longer-term and require some continuity. It was therefore decided that farmers should build their own organisation with the support of Game & Wildlife Conservation Trust (GWCT).

5. Who else is involved?

EFG was set up by its founding farmers together with GWCT. The founding farmers who have put their time into creating EFG, needed support to run and administer the business. It was decided that GWCT (which can offer administrative functions such as accounting, finance, communications) would set up a wholly owned subsidiary – Natural Capital Advisory (NCA) - to be able to complete this function.

EFG itself does not currently employ any people. There is however an unpaid farmer Board of Directors who provide a decision-making function and direction to the organisation. Rob Shepherd is the Chair of the Board (and one of EFG's founding Members). More information about the Board can be found on EFG's website: [Board and Advisors – Environmental Farmers Group](#). EFG is set up as a company limited by guarantee, but it does not aim to make a profit – all excess income is either spent on growth of the group, or in a windfall situation, redistributed to Members.

EFG contracts the resource of Natural Capital Advisory (NCA) to complete the executive function on behalf of EFG (including accounting, administration, business planning, communications etc). NCA is a wholly owned subsidiary of the Game and Wildlife Conservation Trust (GWCT) and was set up specifically to manage EFG and its sister organisations. NCA charges a fixed, quarterly fee to EFG for its services. Additionally, NCA provides brokering services to EFG Members and charges a fee for



this service. This fee is shared with any other retained agent. Any profits made by NCA go to back into GWCT charity.

GWCT also provide their own expert resource to support EFG. Teresa Dent CBE (CEO, GWCT) has been instrumental in leading the growth of EFG locally and across the country. Teresa leads on this convening function, supporting groups of farmers to build momentum in their area. GWCT are also spearheading the farmer-led Catchment Conservation Plan which is a key part of the EFG model to attract finance and buyers. The work completed by GWCT is funded through the charity's own charitable funds as well as any grant funding opportunities.

GWCT and NCA also conduct policy and lobbying work to help convey the interests of Members in the natural capital markets to both government and industry.

6. How does the EFG model work?

EFG is a company Limited by Guarantee under a cooperative structure i.e. owned by members, benefiting members. Having that legal structure allows income to flow to members (more difficult in a charitable company) and ensures a democratic governance (important if there are a lot of members and a membership of small as well as large farms & estates).

Farmers join EFG by signing a Membership Agreement and paying an annual subscription of £1.25 per hectare. This entitles them to all the opportunities and obligations of being a member of the group as outlined in the '*Members Agreement Q&A*'.

Each Member will belong to an 'Equalisation Cell' based on the location of their farm. These are generally based on Water Management Catchments. Each Equalisation Cell has its own Steering Group of farmers who volunteer their time to provide leads for trading and direction for local environmental priorities. EFG Members will:

- Be eligible for trading opportunities arising from EFG's activities locally and nationally.
- Have access to EFG for advice on trading opportunities.
- Have access to market intelligence gathered by EFG.
- Be supported by EFG to make the best of every trading opportunity.
- Have guidance and instructions on baselining and approaching natural capital markets.
- Have guidance and support on delivering natural capital environmental projects.
- Be included in the EFG 'Catchment Conservation Plan' to attract inward investment (see below).
- Have support on meeting and beating environmental targets such as net zero, biodiversity and species recovery and clean water.



- Have access to multiple natural capital resources and information sources.
- Have access to any grant funding or collaboration opportunities achieved.

Steering Groups provide direction for activities in the local Equalisation Cells. In this manner, Steering Group members will meet periodically to provide steering to NCA and any contracted local resource to follow up on opportunities in the area. This might be to organise prospective Member meetings to attract new Members, to communicate with Members locally, to facilitate environmental and collaboration projects or to follow up on potential trading opportunities with local developers, business leaders or Local Authorities.

NCA and local contracted resource will take the steerage and connections of the Steering Group and complete the necessary work to bring prospective opportunities to fruition. Whether that is a trading opportunity with a developer, an environmental project which is seeking funding or a collaboration project with a local or national organisation. NCA will match farmers with opportunities as well as providing guidance, support, and instructions on engaging with natural capital markets.

GWCT will build a farmer-led 'Catchment Conservation Plan' for the equalisation cell. The Catchment Conservation Plan will extrapolate national environmental targets for the local area to provide targets for farmers within the equalisation cell as a collective. With support of Members, the Steering Group and service providers, GWCT will complete an environmental baseline of the catchment which will then be tracked over time to demonstrate progress against the local targets.

The Catchment Conservation Plan will be key to delivering an 'investible proposition' to buyers of natural capital products – it demonstrates good governance and landscape-scale environmental change whilst ensuring farmers choose which elements, they can contribute appropriate to their business and situation. It is expected that the Catchment Conservation Plan will attract funding from ESG markets as well as providing trading opportunities with long term partners.

In summary, EFG will act as a trusted navigator and will ensure that Members have access to all the resources they require to make informed decisions on the natural capital sector. EFG will help bring forward and deliver trading opportunities as well as providing updates and advice on the sector.

7. How is the EFG model funded?

EFG earns income through Membership subscriptions, sponsorship, grant funding and from a 3% commission on each trade. Any excess income made by EFG that is not required for bettering the group will be reinvested in the group's growth or redistributed to Members.



8. Is this all about rewilding?

A key value for EFG is to encourage good environmental delivery alongside food production. How individual farmers decide to balance those two objectives moving forward will be up to them.

Section 2: About EFG Central England

9. What is EFG Central England?

A number of farmers in Central England heard of the EFG model and approached EFG to look at delivering the model in the area in Spring 2023. After an initial meeting with a small group of farmers and several expressions of interest, it was agreed that some would form a steering group to explore building the model in this area.

10. Who is on the EFG, Central England Steering Group?

	Steering Committee	Farm
1	Johnny Wake (Chair)	Courteenhall Farms
2	Frazer Jolly	Great Oakley Farm
3	Andrew Pitts	Moat Farm
4	Dan Richmond-Watson	Wakefield Farm
5	Charlie Reynolds	Geddington Farms
6	Fred Krefting	Showsley Farm
7	Chris Stoate	GWCT Allerton Project /Halstead Hill Farm
8	Will Oliver	Osbaston House Farm
9	Chris Sparrow	Natural Capital Advisory
10	Teresa Dent	Game & Wildlife Conservation Trust

11. What are the local priorities?

EFG Central England has its own local priorities as well as the broader EFG desired outcomes of clean water, net carbon zero farming and biodiversity and species recovery. These local priorities include:

- Clean water in the area's rivers and groundwater
- Enhancing biodiversity whilst retaining productive agriculture
- Incorporating priority habitats into the landscape
- Providing habitat connectivity across the area

In terms of charismatic species the farmers on the Steering Committee are reporting colonies of butterflies like marbled white, brown hairstreaks, purple emperor and wood whites; rare moth species and good moth abundance; many bumblebees which share their habitat with brown hairstreak and wood white butterflies. Many farmers seem to have a good number of grey partridge; some farms have hedgehogs and water voles. Other birds of interest include marsh tit, barn owls and hopefully turtle doves.

12. What is the area within scope?

EFG Central England is currently targeting the area outlined on the map below. One of the main learnings from the EFG is that building a strong contiguous area holds greater value. This is because those buying natural capital services want to invest in connected landscape-scale projects which can be easily measured and monitored. The steering group are likely to define this area further once it has gained further support locally.

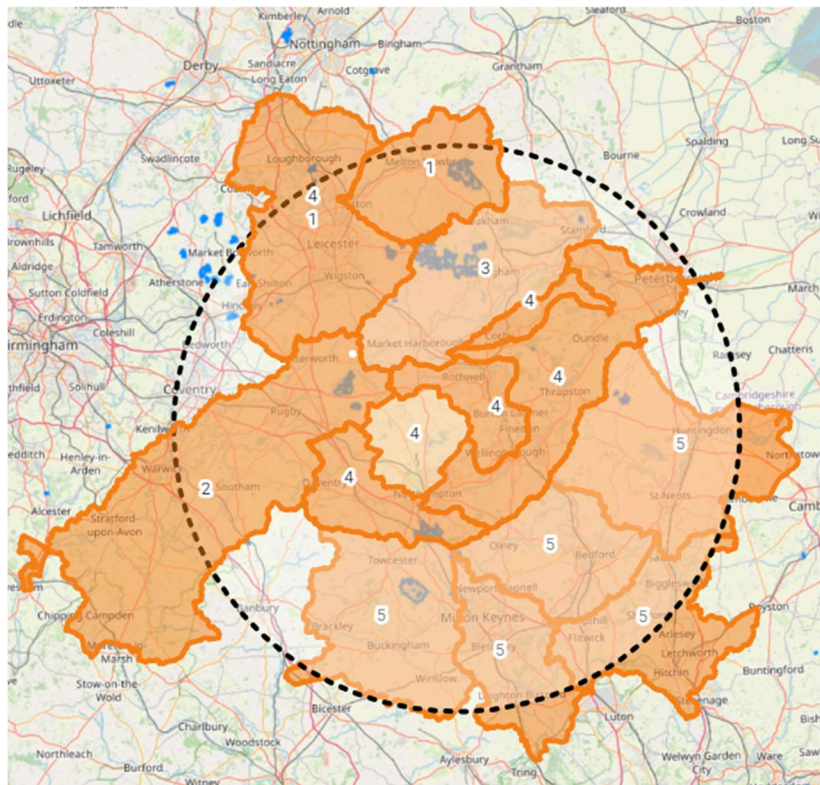
Central England Map

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- 1 – Soar
- 2 – Avon Warwickshire
- 3 – Welland
- 4 – Nene
- 5 – Ouse Upper and Bedford

13. How does EFG Central England link to EFG?

EFG Central England will use the branding and all the resources of the EFG to be able to operate in the area, with a local Steering Group providing local direction to meet local objectives. EFG Central England will build its own dedicated local resource to be able to





administer the group and deliver on environmental trading opportunities. EFG Central England will not become a formal entity in its own right but will stay under the umbrella of the EFG.

EFG Central England will become the sixth EFG 'Equalisation Cell'. As an Equalisation Cell, all revenue that is equalised from trading occurring locally will be returned to farmer Members within the Equalisation Cell and not with other EFG farmers around the country. The benefit of this Equalisation Cell model is that local cells can drive forward local opportunities without having to reinvent logos, websites, legal documents etc.

The other five are Hampshire Avon, Test & Itchen, Dorset Stour, Piddle & Frome, and North Lincolnshire.

14. What am I joining? EFG or Central England?

If you join, you will become a Member of EFG. The terms of Membership will be the same as any other farmer joining as an EFG Member elsewhere in the UK and you will have access to all the same resources. The main difference is that you will be in the Central England 'Equalisation Cell'. You will only ever share income with other farmers within that cell.

15. What are the local opportunities and challenges for EFG Central England?

EFG estimates that around £125m will be lost annually from BPS payments in the Central England area. This creates a challenge for farmers looking to deliver positive environmental change over the land they manage. EFG has identified some local opportunities which could kick-start natural capital trading in Central England:

Opportunities:

- Biodiversity offsetting for new homes and industrial warehousing (with effect 1st Jan).
- Carbon sequestration for regional industrial emissions.
- Working closely with local Green Investment opportunities.
- Cleaning groundwater and rivers through initiatives with Anglian Water.
- Providing natural flood prevention measures at risk locations.

16. Who else is working in this space in Central England and what is EFG's approach?

As of Summer 2023, there are a few key organisations who are active in the natural capital sector within the Central England area. This includes:



Local Rivers Trusts
Local Wildlife Trusts

Wherever possible, EFG will work collaboratively with these organisations and align with the environmental priorities for the local area. These organisations are key to connecting any EFG Members in Central England with potential buyers. EFG thinks this will work well alongside its model which will support farmers in these marketplaces.

EFG also works very closely with local land agents and other service providers such as agronomists, farm environmental advisors and farm accountants. EFG wants to support these local and national rural organisations prosper from these markets.

Section 3: Joining EFG

17. How do I join EFG?

There is a three-step onboarding process for new EFG Members:

- 1) **Expression of Interest** – To express an interest in joining EFG Central England, farmers should fill in an Expression of Interest form on EFG's website: [Joining EFG – Environmental Farmers Group](#). This does not commit you to EFG but allows us to build a picture of interest in the area and keeps you in the loop with meetings and news.
- 2) **Membership Application** – Once EFG Central England has secured funding, it will invite Expressions of Interest to become full EFG Members. Expressions of Interest will be sent a Membership Application Form as well as a full Membership Pack, including a Draft Members Agreement.
- 3) **Membership Agreement** – On returning a Membership Application, you will be sent a Membership Agreement to sign and an invoice for the annual subscription. At this point you will be able to trade through the group and have access to all EFG's knowledge and opportunities.

18. Who can join EFG?

Any individual farmer can express an interest in joining EFG if you have day-to-day control of the land as a tenant or a landlord. If you are a tenant or a landlord, EFG suggests you have permission of you landlord/tenant before becoming a member. Tenants will require an AHA tenancy or a Farm Business Tenancy with 10 or more years remaining. Full information on eligibility criteria can be found in the Members Agreement.

19. What are the main obligations of joining EFG?



Those wishing to become EFG Members sign a Membership Agreement (full information on this agreement is provided to those wishing to join. The obligations of Membership are:

- A subscription fee of £1.25 /ha per annum – this is to help the co-operative grow in the early years and is likely to be reduced in time (if the group is successful) to a nominal sum. Members can earn a return on investment if there are trades through the equalisation mechanism.
- Trading must be done through EFG – to ensure the co-operative model is not undermined, EFG requires Members to trade through EFG. This has many benefits for Members more widely.

20. What are the benefits of joining EFG?

There are some clear benefits of the EFG model, including:

- ✓ You are in control of what happens on your land and can engage with environmental projects as you see fit for your farming operation.
- ✓ Scale in numbers helps build selling power when negotiating with buyers – EFG have already demonstrated the power of working as a co-operative group in its first trade.
- ✓ Scale also means that individual farmers can more easily access opportunities that would otherwise not be available.
- ✓ You will have access to some of the most up to date information available in the industry with an organisation that has influence in the sector.
- ✓ Knowledge sharing of successful environmental practices and commercial arrangements.
- ✓ The equalisation mechanism means that you might still receive a return on the investment of subscription fees without participating in an environmental trade.
- ✓ Clear mechanisms to achieving environmental targets and measuring the benefit of environmental change in the area.

21. How do I leave EFG?

EFG recognises that the EFG model might not work for some farmers and so it has made it as simple as possible to exit the group without undermining the group's integrity. Members can leave at any point subject to a 12-24 month notice period.

22. Why don't I wait until trades are happening before joining?



The EFG model has been designed to favour farmers who join early. Not only do Members get ahead through knowledge and intelligence gained by the group, but the equalisation mechanism means that farmers will only receive income from trade deals completed in their joining year and thereafter.

23. I am already involved in a natural capital trade, can I join?

Simply, yes. If you have already completed a trade and join EFG, the income from that trade will not be held under the EFG Members Agreement and therefore will not be equalised across EFG's Membership. You will be able to join EFG and participate in any other trades that might become available and of course benefit from all the other advantages of the group.

Alternatively, if you are in negotiations on a trade, many farmers turn to EFG to help negotiate a fair price for the environmental services they are delivering. Farmers can join EFG to help negotiate a fairer price thanks to the buying power afforded through its Membership. The trade will be eligible to be equalised across EFG's Membership.

Section 4: About Natural Capital Markets

24. What is natural capital?

Natural capital is a concept that the environmental services delivered over land have economic value. As such, those delivering environmental benefits are delivering new value and therefore should be able to find revenue streams for delivering this, whether from private markets, public grants, or other sources.

25. Who is buying natural capital now?

Currently, there are three main markets providing potential trading opportunities:

- Biodiversity Net Gain offsets for housing developers – Housing developers from November 2023 are required to offset any impact they have on biodiversity. This is measured using Natural England's Biodiversity Metric 4.0.
- Nutrient Neutrality offsets for housing developers – in certain parts of England, housing developers currently must offset the nutrient impact they have on water courses. This is measured by catchment-specific nutrient budget calculators provided by Natural England.
- Industry and corporates are buying voluntary carbon offsets for their emissions – in the UK, these are generally measured using the Woodland Carbon Code, Peatland Carbon Code or one of the many Soil Carbon Codes



26. Who will buy natural capital in the future?

EFG anticipates many potential future buyers of natural capital services. These could include:

- Retailers and food processors who would like to reduce carbon emissions or the impact of their supply chain on local environments.
- Water companies who are required to reduce sewage spills into water courses, upgrade their sewage infrastructure, manage flood risk, and water supply.
- Industry, corporates, and companies who require direct offsets for the impact their organisation has on the environment (water, biodiversity, and carbon) for both compliance and to boost their ESG rating (Environmental, Social, Governance).
- Industry, corporates, and companies who are looking to be 'nature positive' to boost their ESG rating and company image to increase sales or improve their investibility prospects.
- Investors looking for natural capital credits to resell at a profit or to boost the ESG rating of otherwise strongly performing funds.

27. How will they buy natural capital?

Farmers can provide natural solutions to many of the above requirements, including improving the condition of existing environmental assets, creating new environmental assets, and changing farm practices to be more environmentally friendly.

The above improvements are measured using certified metrics/methodologies which are then verified. These will provide a 'baseline' of the current environmental status of a certain parcel of land and the potential future status based on a management plan.

Farmers will enter into agreements with buyers for the exchange of natural capital credits based on these management practices. This provides assurance to the buyer that the environmental credits are of high quality and provides farmers with a mechanism to earn income for delivering environmental improvements.

EFG will support farmers in deciding which metrics/methodologies are of the highest environmental quality as well as providing the potential for best economic return. A key part of EFG's strategy is the development of a farmer-led Catchment-Scale Conservation Plan which will help farmers demonstrate the environmental improvements that they are delivering.



28. How do natural capital markets work with ELMs and grants?

The government's ELMs is split into three main parts: Sustainable Farming Incentive, Countryside Stewardship and Landscape Recovery. Being a Member of EFG will not prevent farmers entering these schemes and EFG encourages Members to engage in these opportunities where suitable.

DEFRA are looking for private markets to provide over £1bn of investment annually by 2030 into natural capital markets. In this way, it is aiming to design grant schemes which interact with private markets. They have recently announced that farmers will be able to exit SFI on an annual basis (to be able to take private opportunities) and can 'stack' certain natural capital services over the same piece of land.

EFG might be able to support Landscape Recovery projects on a case-by-case basis but at present is not involved in leading any projects. Most projects need to find private funding income over the duration of the project.

29. How will tax work in natural capital markets?

The government has not yet legislated on taxation in the natural capital markets. As of Summer 2023, it has just closed its consultation on ecosystem services which can be found here: [Taxation of environmental land management and ecosystem service markets - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/taxation-of-environmental-land-management-and-ecosystem-service-markets). EFG submitted a response which can be provided on request.

The main factors being debated on tax are eligibility for Agricultural Property Relief and whether revenue from natural capital sales is treated as income or capital from a taxation perspective.

30. How do tenants and landlords interact with natural capital markets?

The landlord-tenant relationship is based on individual circumstances. EFG recommends that landlords and tenants have a conversation and agree how future natural capital income can be fairly distributed. For tenants on shorter term tenancies there might be issues in providing some natural capital services where land is tied up for long periods of time, however EFG thinks there will be scope for all farmers to participate.

For any further questions and information, please visit EFG's website at: www.environmentalfarmersgroup.co.uk or email efg@gwct.org.uk.



ENVIRONMENTAL
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Central England

To express an interest in joining EFG, please complete an expression of interest form on our website using the link below: www.environmentalfarmersgroup.co.uk/join