

Briefing Paper: Woodland Water Code

Lunchtime seminar: *Water Series Session: Developing a Woodland Water Code, what do buyers and investors want from water credits?*

8th February 2024, 1200 – 1300

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Project overview

Woodlands provide a wide range of environmental and societal benefits, including several related to water. Prominent among these are the improvement of water quality, reduction in flood flows, and 'water cooling'. Forest Research has led a range of projects to increase knowledge about the water-related benefits of woodlands and to evaluate the costs and benefits of associated investments, including the Payments for Ecosystem Services (Forests for Water) [COST Action](#), commonly referred to as PESFOR-W. This was an international research network that reviewed evidence on the ability of woodland creation to improve the freshwater environment, and on the governance and cost-effectiveness of woodlands for water payments for ecosystem services schemes.

The development of a Woodland Water Code (WWC) as a crediting mechanism to encourage private investment in trees for the improvement of the freshwater environment is a key action under the [England Trees Action Plan \(ETAP\)](#). This project aims to develop a novel WWC that is applicable across the UK. The work will initially focus on the water quality elements of the Code, to help tackle the intractable issue of diffuse pollution (specifically nitrogen, phosphorus, sediment, pesticides, and faecal indicator organisms). Attention will then turn to developing credits for flood alleviation and water-cooling benefits provided by woodland creation. This project is working closely with the well-established Woodland Carbon Code. A concept note for integrating the WWC with the Woodland Carbon Code was [approved by the WCC Executive Board in January 2023](#). It is intended to be a targeted voluntary code, with the potential to combine water, carbon and other benefits. The areas that will benefit from woodlands for water will be identified through a series of target maps.

Project objectives

The objective of the project is to research, develop, and undertake desk-based pilot testing of a UK-wide WWC for one or more water services by March 2025. This is primarily a development project, drawing on a sound understanding of woodland water benefits. However, work will also address related research questions to inform the approach, including:

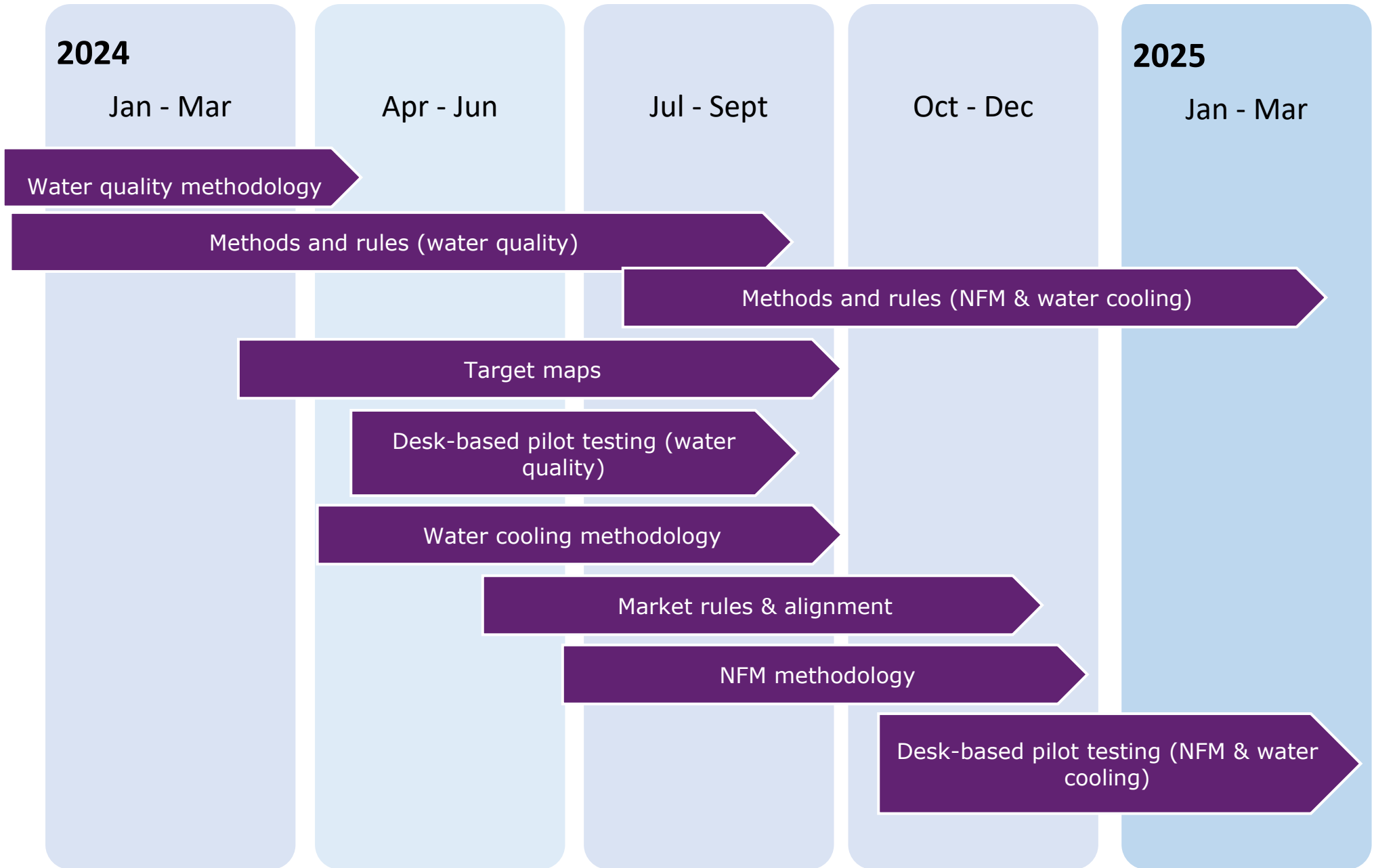
- How can the WWC and any associated new finance mechanisms be developed in a way that maximises additional private investment in woodland creation?
- What are the strengths, weaknesses, opportunities and threats of alternative approaches to assessing the different water benefits?
- How to account for woodland buffer design and management factors?
- How do existing nutrient trading schemes treat woodland and what is the preferred option for designing credits for other water quality benefits?
- Is there any evidence of significant 'leakage' of water-related benefits of tree planting and how should we best account for this?

Lunchtime seminar - what do buyers and investors want from water credits?

To support the development of the WWC, the team at Forest Research are looking to engage with a wide range of potential UK-based buyers/ investors. During this seminar, a presentation will be given on the planned WWC, followed by a discussion on the key drivers and barriers for investing in woodlands for water.

To provide robust, high-quality water credits the WWC is developing a methodology framework that aligns with the principles of the Woodland Water Code. This includes issues related to permanence, leakage, additionality, and verification. In addition, through quantifying the range of environmental benefits that a woodland provides, a more holistic approach to nature recovery can be targeted. A range of outstanding discussion questions have been identified to support the development of the WWC:

- Which **water metrics** are of interest (water quality, natural flood management, water cooling) and over what time period?
- What are the **main motivations** for purchasing ecosystem services? E.g., environmental, social, and governance (ESG); customer demand; offsetting; supply chain dependence on the ecosystem service.
- **What makes a particular credit or product more attractive?** Are high-integrity products more attractive, or those that provide multiple benefits? Or are buyers simply interested in buying any products that they can make claims against? What are the benefits to them?
- What are the **main barriers and constraints** to purchasing ecosystem services? E.g., confidence in integrity of the units / permanence; price; availability; contractual constraints and other market-related risks.
- What **types of units** are buyers most interested in purchasing? E.g., bundled or stacked units, ex-ante or ex-post?
- How do buyers perceive **risks associated with their purchases** if they are delivered over time? E.g., if the project is not fulfilled.
- What **conditions would need to be met** in order for buyers to have **confidence in the project** and purchase ecosystem service products? E.g., Standards with global accreditation; geographical restrictions; monitoring, reporting and verification (MRV).
- How do buyers intend to **use the units within their nature/climate impact reporting** E.g., where would the units sit within their mitigation hierarchy and sustainable strategic aims?
- How do buyers envisage the **market developing** in the coming years?



NFM = Natural flood management, WWC = Woodland Water Code