

# Responsible Natural Capital and Carbon Management

This protocol is one of a series we have issued which sets out practical expectations to ensure that approaches to natural capital and carbon management recognise responsibilities, as well as rights, in relation to land.

Responsible landowners, managers and investors can and do support a wide range of private and public benefits through their approach to investing in, owning and managing natural capital. This might include carbon sequestration, emission reductions, biodiversity gains and habitat restoration, helping to deliver Scotland's economic, social and environmental outcomes.

This protocol outlines voluntary expectations and is based on the principles set out in the [Land Rights and Responsibilities Statement](#) (LRRS) published by Scottish Government. It supports implementation of the LRRS and the Scottish Government's [Interim Principles for Responsible Investment in Natural Capital](#). Actively implementing this protocol and the other [Land Rights and Responsibilities Protocols](#)

will help organisations provide reassurance for stakeholders that they act responsibly and will help to meet their environmental, social and governance (ESG) commitments.

Investment in carbon management to offset emissions should not be a replacement for other actions to avoid, reduce or mitigate emissions. It should always be made in addition to action to reduce emissions at source as close to zero as possible. This is in line with targets and transition plans in the Paris Agreement, a global, internationally legally binding deal to stop dangerous climate change. Carbon accounting should be both measurable and verifiable, such as through the government-backed [Woodland Carbon Code](#) and the [Peatland Code](#).



## Who this protocol applies to

This protocol applies to:

- **Landowners and managers** – Everyone who owns or controls the long-term use or management of land in Scotland, however constituted, including public, private, charity, community and faith organisations who own or manage land, and investors in land. We refer to them collectively in this protocol as ‘landowners and managers’.
- **Advisers** – People and organisations who work with and advise landowners and managers, including project developers, intermediaries, brokers and land agents, should also be aware of this protocol to be able to properly advise their clients.
- **Organisations** – It is recognised that many relevant organisations are already meeting these expectations, fully or partially, whereas other organisations will be less familiar with the expectations. This protocol should act as a reference point for all organisations to consider their practice and identify any actions they need to take to meet the expectations.

## Expectations

- Where we use the word **should**, we expect everyone involved to follow the approach described, unless it conflicts with their legal duties.
- Where we use the word **recommend**, it means this is good practice, but we recognise that other approaches may be equally effective.

### Community engagement and benefit

The Land Rights and Responsibilities Protocols ‘Community Engagement in Decisions Relating to Land,’ and ‘Transparency of Ownership and Land Use Decision-Making’ should be implemented alongside the following expectations in this protocol:

- a. Landowners and managers should engage communities in decisions relating to land that may impact on them in good time for them to be able to influence the decisions made.

- b. Land should be managed in ways that recognise the multiple benefits it can bring and not for a singular purpose. Land management should seek to sustainably balance social, economic and environmental considerations over the long term.
- c. Landowners and managers should work with the local community to identify opportunities to share the benefits from the management of natural capital and carbon with them and to support local priorities and aspirations. It is recommended that landowners and managers consider opportunities to contribute to community wealth through procurement, fair work, and inclusive ownership. It is recommended that the establishment of a community benefit fund to provide direct financial returns to local communities is considered.

### Ownership and tenure

The Land Rights and Responsibilities Protocol on ‘Diversification of Ownership and Tenure’ should be implemented alongside the following expectations in this protocol:

- d. Potential purchasers of land should consider a range of governance options to meet management objectives, and whether exclusive ownership of land is necessary for these. It is recommended that opportunities for collaboration or partnerships with landowners, tenants and local communities, that can deliver wider social, environmental and economic outcomes, are considered.
- e. Where rights in carbon or natural capital are transferred to a third party this should be openly and transparently recorded. Use of the UK Land Carbon Registry is recommended if appropriate.
- f. Landowners and managers should consider the impact of carbon management projects on any tenants and engage relevant parties early in discussions about how to manage risks and benefits. Landowners and managers should be aware of the relevant legislation and how this impacts on their capacity to develop natural capital and secure carbon credits.
- g. If a joint venture between landowners and tenants is proposed, appropriate sharing of risks, responsibilities, costs and incomes should be considered. If agreements are reached between tenants and landowners about activities, it is strongly recommended that the parties enter into a legal contract that binds both parties to respect the agreements made.

*Expectations continued*

## Environmental

The Land Rights and Responsibilities Protocol on '[Good Stewardship of Land](#)' should be implemented alongside the following expectations in this protocol:

- h. Net environmental and biodiversity gains should be sought through the management of natural capital and carbon. Existing natural capital should be protected and enhanced alongside the development of carbon management or other activities. It is recommended that surveys are conducted to establish baselines and monitoring systems are put in place to establish environmental and biodiversity gains.
- i. A coherent approach to delivering environmental benefit should be taken within single land-holdings and where possible across landscapes to deliver integrated land use. It is recommended that consideration is given to collaborating with other stakeholders, including neighbouring landholdings, to ensure there is a consistent approach to delivering environmental benefits across landscapes.

## Definitions

**Natural capital** is defined by the [Scottish Forum on Natural Capital](#) as “the stocks of natural assets which include geology, soil, air, water and all living things”. Humans derive a wide range of benefits from natural capital, often called ecosystem services, that make our life possible.

**Carbon management** is a process by which people seek to sequester carbon or reduce carbon emissions through natural or artificial processes. In this protocol we are referring to natural processes to sequester carbon (such as through tree and hedgerow planting, or saltmarsh restoration) or prevent the emissions of carbon (such as peatland restoration and improved soil management).

**Community wealth** refers to the wealth and benefits generated by jobs, services and income flows within a local economy that are retained by and directed back into that economy. A community wealth building approach places control and benefits of assets and resources into the hands of local people. It supports democratic and collective ownership of assets and of the local economy, taking a whole place collaborative approach and is a people-centred approach to local economic development.

**Land** includes buildings and other structures, land covered with water, and any right or interest in or over land, and can be in either an urban or a rural context.

When we refer to **public benefit** this means providing wider benefits to society such as the provision of food, timber, flood mitigation, clean air, recreational opportunities, environmental management and nature conservation, and provision of land for housing, commerce, and industry.

A **just transition** is reaching a nature-rich, net zero future and a climate-resilient economy in a way that delivers fairness and tackles inequality and injustice. It is both the outcome – a fairer, greener future for all – and the process that must be undertaken in partnership with those impacted by the transition to net zero.

## Background to this protocol

The Scottish Government is committed to reducing greenhouse emissions to net zero by 2045. A range of measures have been set out in Scottish Government's [Climate Change Plan](#) update in December 2020, including reducing greenhouse gas emissions and increasing nature-based carbon sinks in Scotland. The Scottish Government's policy is to reach emissions reduction targets, which are required by legislation, solely through efforts made in Scotland and without relying on the purchase of international offsetting credits. This target cannot be reached through public funding alone, and significant responsible private investment is needed to support public funding to reach Scotland's tree planting and peatland restoration targets which will help to deliver the transition to net zero.

This presents opportunities, as well as risks, for businesses globally who are using carbon sequestration (e.g. through forestry) and emission reductions (e.g. through peatland restoration) units to offset emissions. They do this either directly by purchasing land to manage carbon, or indirectly by purchasing carbon credits. Land ownership and use in Scotland are already being impacted upon by the voluntary carbon markets, such as verification and trading of carbon credits through the Woodland Carbon Code and the Peatland Code, and further development of natural capital markets are expected soon. There are several emerging codes for other natural assets at various stages of development, such as the UK Farm and Soil Carbon.

Scotland's rural land market is currently experiencing exceptionally high demand and a continued low supply, alongside substantial growth in the commercial forestry sector, which is driving land values up. To ensure the land market is working in the best interest for all there is a need to achieve balance in delivering the needs of society and the environment.

Investment and management decisions should publicly demonstrate consideration of positive and negative impacts across all four capitals – natural, social, economic and human. Making decisions about natural capital and carbon management that are informed by quality data, the needs and aspirations of local communities, and which balance public and private interests can make a substantial contribution to achieving a just transition in Scotland.

## Putting this protocol into practice

This protocol provides practical expectations for the ownership and management of natural capital. You should consider whether you are meeting these expectations and identify what further actions, if any, you need to take to implement the protocol. This can provide reassurance for you and your stakeholders that you are fulfilling your responsibilities and helps to improve accountability and transparency in land ownership and management.

Those who hold land rights have duties under legislation which are designed to protect both people and the environment. This protocol is intended to complement and not replace those duties.

You may wish to contact the [Scottish Land Commission](#) to discuss your approach, ask questions or share your experience of implementing the protocol. The Commission's Good Practice Advisers can provide support, signposting and additional resources to help you put this protocol into action.

## Telling us about your experience

If you have an enquiry about the protocols and how to use them, [please contact us](#). We can provide information and support or signpost you to another organisation.

We are keen to hear of and share positive examples of good practice in relation to natural capital and carbon management. These case studies can help tell other landowners and managers about good practice.

If you experience a situation which differs significantly from the expectations set out in this protocol, please contact us with details and supporting evidence where available. Where appropriate we will provide advice and work with you and the other parties involved, if applicable, to deal with any difficulties and help improve practice. We encourage you to speak to the

relevant landowner or community organisation to find a resolution first, but we know that this is not always possible. If there is a relevant regulator you should approach them. Knowing what is happening in practice also helps influence the future development of policy, protocols, and guidance.

**Get in touch with our Good Practice Team to share your stories, or to find out more on how you can improve your practices:**

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## Review

We have developed this protocol with the [Good Practice Advisory Group](#) members and other stakeholders.

This protocol is effective from the date of issue until it is withdrawn or revised by a notice published on our website. We will continue to work with the Good Practice Advisory Group to keep this protocol under review. Our future work programme and the recommendations we make to Scottish Ministers in relation to the LRRS will be guided by how this protocol is put into practice.

We may sometimes produce practice guidance and case study examples to help put this protocol into practice. We may publish these on our own website, or we may work with other organisations which represent the interests of a particular sector.

## Further Information

 **More information can be found at the following links:**

[Land Rights and Responsibilities Statement](#)

[www.gov.scot/policies/land-reform](http://www.gov.scot/policies/land-reform)

[www.landcommission.gov.scot/our-work/good-practice](http://www.landcommission.gov.scot/our-work/good-practice)

[FAQs on this protocol](#)