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Dear Fiona,

**Disconnect between Biodiversity: draft planning guidance and the Peatland Code with regards to Additionality**

Scottish Renewables (SR) is the voice of Scotland's renewable energy industry, working to grow the sector and sustain its position at the forefront of the global clean energy transition. We represent over 360 organisations across the full range of renewable energy technologies in Scotland and around the world, ranging from energy suppliers, operators and manufacturers to small developers, installers and community groups, as well as companies throughout the supply chain.

We are writing to you to highlight an issue that has come to light regarding the differing use of the term 'additionality' within the recently published Biodiversity: draft planning guidance and the Peatland Code. The discrepancy in how additionality is being used is undermining the Scottish Government's peatland restoration and climate change ambitions and should be addressed with urgency.

**Peatland Code and Additionality**

The Peatland Code was launched in 2021 and, with over [200 projects registered in total across the UK](#), is proving to be successful as a market-based mechanism that attracts private finance into peatland restoration. This is essential to enable the achievement of peatland restoration targets, with a funding gap for peatland restoration in the UK estimated to be [£560 million over the period 2022-2032](#) (not including post-restoration maintenance costs).

To qualify for the Peatland Code, one of the requirements is that the project should be able to demonstrate 'additionality'. This is defined by the [Peatland Code Version 2](#) guidance (section 1.5) as:

- a) **Test 1 - Legal Compliance:** There shall be no legal requirement specifying that peatland within the project area must be restored.
- b) **Test 2 – Financial Feasibility:** Projects shall have a maximum level of non-carbon income of 85% of the project's restoration and management costs over the project duration. This non-carbon income could be public grant funding or other private income. The remaining minimum 15% shall come from carbon finance.

'Additionality' is an important concept, as it gives buyers of peatland carbon units confidence that the restoration works would not have happened in the absence of Peatland Code finance. This helps to prevent prices being eroded because of low confidence in 'additionality'.

#### **Biodiversity: draft planning guidance affecting peatland restoration**

NPF4 Policy 3b states that EIA developments will only be supported where significant biodiversity enhancements are provided.

With regard to peatland habitats, this requirement has been clarified through NatureScot's July 2023 (updated November 2023) guidance ([Advising on peatland, carbon-rich soils and priority peatland habitats in development management | NatureScot](#)). This guidance explains that an agreed ratio should be used for compensation and 10% of the baseline habitat area be used for enhancement (in addition to compensation).

To date, it is common practice for wind farm developers to go beyond this minimum requirement and in recognition of this, the [Onshore Wind Policy Statement 2022 \(www.gov.scot\)](#) states that '*the Scottish Government wants to see the onshore wind sector continuing to contribute to peatland restoration as part of development and expects the sector to step up to the challenge of biodiversity loss by showcasing considered schemes that will not just mitigate impact but also improve and enhance our natural environment*' (Para 3.3.9).

Leasing land to developers for wind farm projects is a valuable source of income for many Scottish landowners. Since its launch in 2021, the Peatland Code has created an additional

income stream for landowners through selling carbon credits generated by peatland restoration undertaken on their land.

As peatland restoration associated with a wind farm is made a legal requirement via planning conditions, 'additionality' (with respect to the Peatland Code – see 'Test 1' above) cannot currently be claimed for any compensation or enhancement that goes beyond the requirements of NatureScot's guidance when it is part of a wind farm development.

If a landowner allows a wind farm developer to do more peatland restoration than is required by planning conditions, they lose the income they could have generated from selling carbon credits had the peatland restoration been undertaken via another route. The key issue is that the most common alternative route for funding peatland restoration to generate carbon credits is via government grants.

**As a result of a discrepancy in how the term 'additionality' is being used, policy is cutting off a long-established and valuable source of private finance for peatland restoration and putting greater strain of the already over-strained government funds used for peatland restoration. This is entirely at odds with the Scottish Government's recognition that public funds will be inadequate to meet their peatland restoration ambitions and that securing private finance is essential to the restoration of Scotland's peatlands.**

#### **Negative impact on peatland restoration and onshore wind targets**

The Peatland Code (and the Peatland Action Grant to an extent) has significantly increased the land value of degraded peatland sites due to the value of peatland carbon units ([see Peatland Code Field Protocol V2 March 23](#)) and the minimal cost to landowners of developing schemes due to the Peatland Action Grant.

An unintended consequence of this action to increase peatland restoration has been to change landowner financial incentives and therefore behaviours in relation to onshore wind. This negative impact on the delivery of onshore wind projects and associated peatland restoration takes the following forms:

1. **Landowners dissuaded from progressing wind farm development:** In some instances, due to the attractive forecast value of a Peatland Code scheme, fully funded restoration via Peatland Action Grants, high certainty of that value being realised, and the view that Peatland Code is mutually exclusive from wind farm

development, landowners are deciding not to progress with the development of wind farm projects.

This is more likely to occur on highly degraded sites (which attract higher Peatland Code values) that are potentially more suitable for the integration of wind farm development. These sites can often be much riskier to restore and would benefit from the 30-year certainty a wind farm project would give, as this would cover the follow up remedial works likely to be required which would not be covered by grant payments.

2. **Landowners dissuaded from allowing developers to access peatland restoration opportunities:** Landowners may seek the financial benefit of a wind farm and aim to maintain the future Peatland Code value of the land. The consequence of this is that developers may not be able to access restoration opportunities within the wind farm site or that areas agreed for restoration are heavily restricted. This limits developer led restoration (see point 3).
3. **Developers hindered from undertaking more extensive peatland restoration:** The greater lease payments demanded by landowners to compensate them for the perceived loss of potential carbon value arising from future peatland restoration projects discourages developers from undertaking more extensive restoration than required by planning conditions. These costs are likely to become greater in the future as 'stacking' of new credits are included– e.g. biodiversity, woodland, water code, etc. (see p.10 of [Peatland Code Version 2 Guidance](#)). Due to the significant impact on project economics, developers are therefore hindered from restoring more peatland than is strictly necessary under planning policy and guidance.

Establishing markets for ecosystem services where they have previously not existed can have unintended consequences (Rode et al, 2015)<sup>1</sup>. In this case, the establishment of a carbon price for peatland has unintentionally 'crowded out' many developers' intrinsic motivation<sup>2</sup> to deliver significant enhancement as desired by the Onshore Wind Policy Statement. The scale of the potentially lost benefit here can be seen from the size of some historic habitat management plans as detailed in the document Wind Power and Peatlands ([Scottish Renewables, 2020](#)) and [Annex 1 of the Onshore Wind Policy Statement](#). This

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<sup>1</sup>[Rode, J. Gómez-Baggethun, E. Krause, T \(2015\) Motivation crowding by economic incentives in conservation policy: A review of the empirical evidence. Ecological Economics. Volume 117. Pages 270-282.](#)

<sup>2</sup> Largely related to developers seeking to build a strong environmentally responsible reputation in line with their ESG obligations and to support them through the planning process.

unintended consequence of creating a carbon market for peatlands can be rectified by defining additionality appropriately in the Biodiversity: draft planning guidance.

### **Amending Policy to rectify this issue**

The [draft Scottish Government Biodiversity: draft planning guidance](#) defines 'additionality' as, 'Within a plan-led system, ensure enhancement delivered is additional to any measures which would have been likely to happen in the absence of the development'. However, this does not go far enough as additionality also needs to be defined in terms of measures additional to planning policy and guidance.

'Additionality' could potentially be claimed for peatland restoration in excess of the NatureScot guidance criteria *if* this was recognised by the Scottish Government via planning guidance (i.e. although restoration works may be secured ultimately by a planning condition certain elements could be acknowledged as in excess to requirements and therefore would meet the additionality criteria). A more appropriate definition which could be used in the Scottish Government's guidance is:

***“Within a plan-led system, ensure enhancement measures are in accordance with the appropriate guidance and would not have happened in the absence of the development. Enhancement measures over and above that defined by appropriate guidance, should be recognised as additional to any planning policy or guidance requirement.”***

This would not be a novel approach: biodiversity enhancement in excess to planning policy and guidance requirements has been made possible in England where additional biodiversity enhancements over and above planning requirements is recognised ([selling excess significant on-site gains](#)). This allows developers to use this as planning-gain for the development, allocate the biodiversity units to another project as 'offsite units', or sell the units to another developer.

### **Benefit to onshore wind, peatland restoration and climate targets if developers could demonstrate additionality and access Peatland Code finance**

There would be a public benefit of clarifying to the renewables industry when 'additionality' from a Peatland Code perspective can be claimed as part of development. By allowing renewables developers and landowners to access finance that arises out of the Peatland Code for peatland restoration over and above compensation and enhancement required

under NPF4, it would re-enable the onshore wind industry and landowners to work together to develop extensive peatland restoration schemes that are over and above guidance requirements.

Renewables developers have a proven [track record](#) of delivering large-scale peatland restoration schemes and would be able to work in partnership with landowners to deliver both more ambitious schemes quickly and potentially risky peatland schemes that may not otherwise progress due to lack of support for maintenance payments. Importantly, this would help the Scottish Government meet, or potentially exceed, their climate and peatland targets.

Yours Sincerely,

*Megan Amundson*

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