

Taxation of environmental land management and ecosystem service markets: Consultation and call for evidence on selected tax issues

Historic England welcomes the opportunity to respond to the Treasury's consultation regarding the taxation regimes of nature markets.

As the statutory body charged with the preservation of the historic environment, including Scheduled Monuments, Registered Parks and Gardens, Registered Battlefields, listed buildings and non-designated heritage features, Historic England has a high level of interaction with natural capital and ecosystem services from a delivery and policy development perspective.

The development of nature markets provides a useful opportunity for land and coastal managers to diversify the funding streams available to finance environmentally beneficial land management interventions.

Marketing these interventions, and the benefits which are derived from them, bolsters the potential scope of projects- opening capital and bolstering the potential outcomes that they can achieve- beyond that realised via public sector investment. Peatland carbon credits, woodland carbon credits, and biodiversity units are just some examples of how private investment can help drive environmental conservation, whilst diversifying incomes for land management businesses.

Historic England welcomes the Government's commitment to explore opportunities for the development of nature markets- especially taking into consideration the opportunity for private capital investment sitting alongside the development of the Environmental Land Management schemes. While the scope of the current consultation is focused around securing investment for the enhancement of nature on agricultural land, we would encourage the exploration of alternative capital models to encourage private capital projects for the preservation of the historic environment.

In order to do this, a holistic view of the environment, and the value it provides, must be adopted. Nature and heritage are co-dependent and therefore cannot be disaggregated without reducing the public good outcomes and efficiencies. Both elements are not mutually exclusive, and both provide opportunities for innovative nature market structures.

Our internal and commissioned research has demonstrated how the historic environment contributes to a wide array of ecosystem system service flows- delivering economic, cultural and environmental benefits to society (see [Powell et al., 2009](#); [Historic England, 2020](#));).

These benefits include but not limited to carbon sequestration, biodiversity, soil conservation, water management and landscape character. In addition, historic environment features provide vital services for the agricultural sector in the form of farm infrastructure, field boundaries, shelter for livestock and more. By managing heritage, we can deliver other government priorities such as climate change, nature recovery, water quality etc and achieve specific goals as set out in the Environmental Improvement Plan.

Thus, the historic environment is not only represented by built infrastructure- traditional buildings, Scheduled Monuments, designed landscapes- but also by the traditions, practices and cultural associations that flow from local heritage assets. While the economic value of physical assets- the value of bricks and mortar- can be determined, it is harder to quantify the market value of the cultural services and benefit flows that people and businesses derived from heritage stock.

A Culture and Heritage capital is a concept that provides an economic framework (albeit in active development) consolidated on a holistic valuation, putting the onus on the projected benefits flows of an asset over its lifetime- rather than just embodied valuation of capital assets at a single point in time (see [Dorpalen, B, ; Historic England, 2022; DCMS, 2021](#)).

Such a framework aims to articulate the value of the historic environment beyond tactile valuation. Agricultural land contains a wealth of heritage features and cultural assets- the majority of which are restored and maintained by state funded agri-environment schemes. The value of these assets cannot simply be assessed on market value principles and their value to society should be viewed in the round- taking the cultural benefits and service flows they provide into account.

Therefore, we believe the opportunities for the development of Culture and Heritage Capital should be explored further in relation to nature markets- assessing how alternative methodologies could be developed in order to bolster and incentivise further capital sources and private restoration schemes, specifically for the management of the historic environment.

This methodology could also provide a means of assessing the multifaceted valuations that need to be taken into consideration when developing agricultural land value frameworks. We agree we must look beyond market value to achieve accurate environmental valuations and would once again stress the importance of including the historic environment within those calculations.