

# OPTIMISING CARBON SEQUESTRATION IN ARGYLL & BUTE

Implementation Plan

Pilot 3: Integrated Community Carbon Management  
for  
Highlands and Islands Enterprise

October 2022



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# 1 INTRODUCTION

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## INTRODUCTION AND BACKGROUND

1.1 Carbon sequestration is the process of capturing, securing and storing carbon dioxide from the atmosphere. The idea is to stabilise carbon in solid and dissolved forms so that it doesn't cause the atmosphere to warm. The process shows tremendous promise for reducing the human "carbon footprint."

1.2 ekosgen was commissioned by Highlands and Islands Enterprise (HIE) to research and develop an Implementation Plan for an Integrated Carbon Management Plan for communities, in the form of a potential plan for a community group or enterprise. This work forms a strand of Work Package 6 which aims to develop three pilot projects to progress the carbon sequestration in the area.

1.3 The other two pilots have their own Implementation Plans and cover:

- Options for a facilitation-style agency for supporting the development of carbon farming and carbon trade in the region including the potential to aggregate demand and supply (Pilot 1);
- Enabling local landowners to participate in carbon farming to serve a local market (Pilot 2).

1.4 The work across the preceding five packages clearly demonstrates that carbon sequestration and carbon farming/trade is a nascent sector and the anticipated approach in Argyll and Bute is also relatively new and innovative. The aim in Argyll and Bute is to catalyse and support a local market in order to deliver social and economic benefits and deliver against community wealth building (CWB) objectives. Essentially it is about capturing the value of this potentially transformative industry for local landowners, businesses and communities. Through earlier Work Packages (notably work packages 1 and 3), the decision has been made to focus on land-based sequestration rather than marine.

1.5 Work package 4 identified very major potential economic and wider benefits arising from carbon sequestration, although this was predicated on a number of assumptions, including the ability to change land uses in Argyll and Bute. Work package 5 explored specific business models, including the merits for (and the very real need for) facilitation in order to bring demand for buying carbon (via credits) with those able to supply carbon (including a wide range of landowners).

## THE PILOT

1.6 The original scope of work to develop the Implementation Plan for Pilot 3: Integrated Community Carbon Management was as follows:

- Co-develop a suite of plausible and implementable scenarios with a community (currently envisaged that this would be Islay) that could integrate carbon sequestration with existing and potentially new economic activities.
- Identify the relevant and applicable parameters of the project, including the nature of the trade, requisite land management (stipulated in the woodland and peatland codes), geographic boundary, number of land holders and associated areas. This may include value added opportunities, such as the carbon offset opportunities for distilleries.
- Co-develop an implementation plan with stakeholders for establishing the project.
- Develop consensus on adoption of the plan and identify the first steps to initiate the work programme.

1.7 In reality, during the process of researching and developing the Implementation Plan for Pilot 3, it became clear that there were limited opportunities to identify a community that a project could be developed with (certainly not co-produced with) within the timescales of this commission. Instead, the scope has altered to look at what communities may need by way of a route-map or implementation plan,

rather than to develop strong proposals around a specific community. Islay was highlighted in the initial scope, and this geographic area remains the most advanced in relation to the development of project activity and in terms of their thinking around carbon sequestration. Even here, however, with work ongoing on a number of fronts across a number of stakeholders, developing a specific project around a community is at an early stage. Nevertheless, through the delivery of this commission and other workstreams, the Optimising Carbon Sequestration in Argyll & Bute project has been able to provide technical assistance and co-produce material that will support a future project.

1.8 The work of Pilot 1 (in developing a facilitation agency) will be relevant to how communities are supported to be active in the nascent carbon market. Also relevant is the scope of WP 7.2 which is a study has been procured by HIE which, in summary, will:

- Identify barriers (farmers, tenants, community organisations, commercial actors) in engaging in carbon trading
- Provide examples of Special Purpose Vehicles (SPVs) in carbon or nature-based context and draw out the learning for HIE
- Identify operational and governance of an SPV that could source and fund turn-key activities including: R&D to catalyse the carbon market; market A&B's trading potential; provide a conduit for green investments; provide a hub for investments; blend public and private finance to achieve the carbon market goals.

1.9 The pilot Implementation Plan will focus on the short term (1-2 years) activities that are required to stimulate active interest amongst the supply side of the carbon credit market i.e. landowners in A&B, and the demand side, i.e. commercial organisations who may wish to purchase carbon credits and achieve net zero objectives.

1.10 The broad conclusion is that there is some distance between where landowners, communities and some other stakeholders are at now, and the point where they are ready to co-develop an implementation plan and reach consensus on it and the next steps to initiate it. This is particularly in relation to this Pilot here (and also to Pilot 2).

1.11 As a result of the nascent stage of the local market, the level of readiness, and WP 7.2, this Integrated Community Implementation Plan focuses on the short term requirements to build models relevant to communities and how they can become involved in a pilot local carbon markets.

## DEVELOPING THE IMPLEMENTATION PLAN

1.12 Preparing all three Implementation Plans has been an iterative process, working closely and collaboratively with Imani Development and HIE. The development of this Implementation Plan is based on the findings of research and consultations with key informants, landowners (and representatives) and commercial actors (and intermediaries). The emerging findings and issues for a local carbon market were explored at a stakeholder workshop. This, combined with the consultations and desk research, were used to develop an evidence-based assessment of the current knowledge, activities, and readiness of actors on both the supply and demand sides of the carbon market.

## 2 CONTEXT AND OBJECTIVES

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### CONTEXT FOR THE PLAN

2.1 Research undertaken as part of several Work Packages, and Work Package 4 in particular, has highlighted the opportunity for carbon sequestration activities in Argyll & Bute. This is due to the scale of Argyll & Bute's natural carbon assets, with a significant proportion of the region covered by existing farmland, forestation and peatland. Around 76,000ha of Argyll & Bute is identified as preferred land for future forestation and almost 49,500ha of people is considered degraded and in need of restoration.

2.2 There is scope for carbon revenue generation at a considerable level across Argyll & Bute. However, this is dependent on sequestration mode and the rate of carbon units per hectare that can be achieved. Market rates for carbon credits are predicted to continue increasing in price, which can in theory lead to significant revenue generation.

2.3 In the short term, the most feasible approaches to carbon sequestration in the region are terrestrial biological – that is, through forestation (including silvopasture) and peatland restoration. However, it is worth noting that the extent of Argyll & Bute's marine carbon assets mean that marine-based sequestration opportunities may be realised in future, as market mechanisms and regulatory frameworks for this develop.

2.4 As well as presenting economic opportunities to Argyll & Bute, carbon sequestration activities can also secure wider community wealth building and environmental benefits. Achieving these benefits could transform the region's economy and help to reverse the trends of a declining, ageing and sparsely located population.

2.5 These wider benefits that can also be realised include: improved biodiversity and habitat creation; flood mitigation; improved water and air quality; better soil and nutrient management and reduced erosion; shelter for livestock; sustainable timber production; creation of skilled jobs; physical and mental health improvements; social wellbeing; and increased community engagement and community wealth building.

2.6 This underlying context presents an opportunity for landowners (suppliers) and businesses (purchasers) to capitalise on and create a range of economic, community and environmental benefits from. However, in order to facilitate this opportunity for landowners and businesses in Argyll & Bute, there is a requirement first to generate interest and readiness amongst both groups and in doing so, encourage and support them to be able to participate in a pilot local carbon market.

2.7 Liaison with the relevant groups and stakeholders is therefore important to understand the current carbon sequestration position and readiness. Implementation Plan 2 as part of Work Package 6 explores the mechanisms in which local landowners can be supported to participate in carbon farming to serve a local market. Implementation Plan 3 examines routes to potential carbon credit purchasers/community organisations as part of an integrated carbon management approach.

2.8 Short term actions required in order to develop interest and readiness among landowners and businesses were raised during a stakeholder workshop held in Dunbeg, Oban on 4<sup>th</sup> October 2022. The stakeholders that were present came from a wide range of sectors and organisations, including: community trusts; landowners; private farmers; policymakers and both local and national levels; service suppliers; land use consultants; carbon brokers; and analysts.

2.9 Through discussion at the workshops, several themes and key issues for consideration were raised. Attendees noted that any framework designed to facilitate the delivery of carbon sequestration projects should factor in how this support will be different across varied land types (i.e. slopes, flat land). It will be important for a facilitating organisation or group to understand these differences as well as the

specific needs of local landowners or farmers and how this might impact on generating interest and readiness.

**2.10** A further issue raised at the workshop was around the need to understand the importance of the economy as a whole when developing any carbon sequestration activity and framing it within a low-carbon economy context rather than looking purely at impacts on land use. Various models that factor in a whole-economy approach and that are currently in operation were explored, including Landscape Enterprise Networks (LENs) and Plan Vivo, where there is an emphasis on bringing together private, public and third sectors with regional communities to identify common interests and deliver activities benefiting the environment, communities and businesses. Both of these models, among others, are explored in more detail in the next section of the Plan.

**2.11** Another key discussion area was around the specific model that is to be adopted and it was acknowledged that models which work for some places may not work for others, with the best approach often varying greatly by area. Geographical catchments as an organising mechanism were cited as useful for considering regions such as Orkney and other islands but may be less appropriate to adopt in areas of mainland where supply chains, markets and economic activity are more sensitive to global considerations. Other organisational mechanisms for carbon sequestration that were discussed include industry groupings and community groupings. When generating interest and readiness, these are important factors to consider in order to ensure the most effective model is explored with landowners and businesses in different areas.

**2.12** A further concern was flagged around considering a community organisational mechanism, with less engagement in community organisations and projects often a challenge. This has an impact on understanding where and how to distribute benefits and is something a facilitating body will have to consider, with industry input. This could be informed by a replicable pilot developed by landowners eager to work on carbon sequestration that can effectively demonstrate community benefits arising from sequestration and then be scaled up for wider community benefits to be realised.

**2.13** Workshop attendees also considered insetting versus offsetting carbon. Offsetting was loosely defined as any sequestration activity delivered outside of an organisation's region or externally from their operational activity, whereas insetting relates to any sequestration activity in some way directly related to the landowner's operations or operational area. With high-end natural capital available in Argyll & Bute, workshop attendees suggested certain stakeholders (such as local businesses) would take "pride" in sequestering carbon in the region and that carbon credits promoted as a premium product should be prioritised for local business owners. A facilitating organisation will have to consider this, first at a local level, before considering regional, national or international scales.

**2.14** The concept of the Integrated Community Carbon Management Implementation Plan arose from the work on WP3 in particular. The planned outputs from WP3 were for an expert view on establishing viable options for carbon sequestration were related directly to the objectives set out in the brief. There were two specific outputs planned in the form of a comprehensive technical report to detail:

- The identification of priority carbon trade opportunities within existing woodland and peatland code trade systems; and
- The identification of needs and opportunities for additional trading codes in intact and transformed ecosystems, including terrestrial, marine, freshwater, estuarine and agricultural system.

**2.15** The WP3 outcomes were detailed in Chapter 3 of the SAMS report Optimising carbon sequestration opportunities in Argyll and Bute (Work package 1 & 3) 04158\_0001, Issue 03, 06/05/2022. This provides analysis for both terrestrial and marine carbon trading opportunities, in a similar way to the terrestrial/ marine split for WP1.

2.16 The report outcomes incorporate sections on both market development and implementation strategy, for both terrestrial and marine. Market development for the terrestrial sector considers community ownership, community wealth being, blended ownership models and the potential for an Argyll and Bute Community Wealth Fund. The report recognises that *“without capacity to develop a pipeline of projects and deliver them on the ground, there is limited scope for market growth”*.

2.17 In terms of an implementation strategy, the outcome of the work was to suggest two pilot projects (which became the subject to Implementation Plan pilots in Work Package 6):

- The expansion of woodland on farmland (sheep) (Pilot 2); and
- The restoration of peatland on Islay (the genesis of Pilot 3).

## AIMS AND OBJECTIVES

2.18 The Readiness Assessment that has been delivered under WP 7.1 shows that there is substantial work required to develop the local supply needed for an Argyll and Bute carbon market that delivers community wealth building. There is also a great deal of facilitation and input required to establish a market for carbon amongst local organisations.

2.19 Based on the readiness assessment and the overall ambitions for carbon sequestration in Argyll and Bute, the aim of this Implementation Plan is to provide a route map and set of activities to support communities in Argyll and Bute to integrate carbon sequestration with their existing/ planned activities and to help the overall creation of a sustainable carbon market that deliver benefits to local communities, employers and landowners.

2.20 Flowing from this aim, the Implementation Plan has the following objectives:

- Communities in Argyll and Bute:
  - understand the opportunities and benefits of participating in the carbon market and the specific benefits of this being local to Argyll and Bute;
  - understand their role in the carbon market, as landowners, as communities directly benefiting from carbon trading and/or as indirect beneficiaries of carbon trading;
  - are able to make an informed decision to plan and implement carbon sequestration and – where possible - to trade locally themselves;
  - to participate in carbon consortia (with appropriate governance and where appropriate) as part of the aggregated supply of carbon credits into the market;
  - understand how to maximise the benefits of carbon trading for the local supply chain (and ultimately to strengthen communities).
- That communities are aware of the benefits of local carbon trading through other parties and are aware of how to become the beneficiaries of local carbon trading (e.g. how to receive and disburse carbon trading monies);
- That communities have the information, networks and mechanisms they need to trade carbon credits locally
- The learning is captured to repeat and apply the process in other parts of the Highlands and Islands.



## 3 WHAT COMMUNITIES NEED

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### INTRODUCTION

3.1 The Readiness Assessment that has been delivered under WP 7.1 shows that there is substantial work required to develop the local supply needed for an Argyll and Bute carbon market that delivers community wealth building. There is also a great deal of facilitation and input required to establish a market for carbon amongst local organisations.

3.2 This part of the Plan reflects on the different starting points and circumstances of communities across Argyll and Bute. It also articulates what communities may need by way of support in being active in the carbon market.

### A RANGE OF ARGYLL AND BUTE COMMUNITIES

3.3 Argyll and Bute has a wide and varied array of community organisations (as does the Highlands and Islands) with different legal structures, size and scale, level of resource and capacity and remit and responsibilities. Many are landowners or are constituted to be able to be landowners, others are not. Some undertake a broad range of social and economic activities, others are focused on a single issue or benefit specific interest groups.

3.4 A full analysis of the potential for Argyll and Bute community groups to be involved in carbon sequestration has not been undertaken and is beyond the scope and timeframes for this commission. Islay was suggested as an appropriate community to explore scenarios and how carbon sequestration can be integrated with new economic activities.

3.5 Communities can be grouped in a variety of ways:

- **Those with strong community infrastructure and assets** that have a wide range of active community groups and representation, including those with considerable revenue generating community assets (e.g., community benefit funds from windfarms) and community infrastructure (e.g. Development Trusts). Argyll and Bute has a number of such communities, including Islay, Mull and Kintyre, amongst others.
- **Larger communities with active community groups but without substantial revenue generating assets** (e.g., Oban, Rothesay, Dunoon). These may have some organisations that are able to hold and develop assets, but these capabilities may be limited – Oban, Rothesay/Bute and Dunoon each has a Business Improvement District for example, but they may not have land ownership powers (e.g., the Isle of Bute BID).
- **Small communities with major local industries/ employers** – some communities have major industries that be either major employers locally or major investors or potential investors. Islay is an example of this, with local distilleries major potential investors.
- **Small communities with no revenue generating assets and limited community infrastructure** – this applies to many smaller Argyll and Bute communities, particularly those on the mainland that are not direct beneficiaries of community revenue generating projects.

3.6 Those with revenue generating assets and well-established Development Trusts are the ones most likely to be capable of engage with carbon trading i.e. ,there is an established vehicle for receiving funds (see below). Many Development Trusts are now well established in Argyll and Bute (and there are many well-established Trusts across the Highlands and Islands) with associated capacity and capabilities including project management and delivery.

3.7 In addition, some communities will have landholdings (Community Forests or Woodlands). These include Mull, Bute and Cowal (e.g. Kilfinan Community Forest). This can be relevant in terms of potential carbon sequestration, although many are existing sitka spruce plantations, and replacement



woodlands are not eligible for carbon credits under the Woodland Code (and so there is little/ no current scope for afforestation).

3.8 Communities will also vary in terms of the proximity to natural capital/ carbon sequestration opportunities. Some communities have major (potential) local assets in the form of peatlands and in the form of woodlands. All the communities in Argyll and Bute benefit from the area's high natural amenity, however some will be particularly close to areas of outstanding natural capital.

## DIFFERENT PROJECT SCENARIOS

3.9 As wide and varied as communities are, there are also a wide range of potential projects and project arrangements:

1. Projects where the **communities are the beneficiaries of carbon trading receipts** – in these examples, the communities are not the landowners, they are the beneficiaries of carbon offsetting or carbon credits bought by industry. For example, in Islay (see Chapter 4), the community may be the beneficiary of payments by those (distilleries) paying to restore peatlands in the local area. The payments to the community are likely to be via an established community organisation (e.g. a Development Trust).
2. Projects where the **communities are landowners and involved in carbon sequestration projects** – in these examples, the communities may require support to engage with buyers. Here, the community organisation that is the landholder (e.g. Community Woodland/ Forest) benefits from the carbon trading receipts.
3. Projects where there are a range of **different landowner interests involved in carbon sequestration and the community benefits indirectly** – here, the community is not the direct beneficiary of the carbon receipt, rather there are a range of other benefits that may accrue to the community indirectly (e.g. landowner beneficiary spend on local suppliers).

3.10 In all three project examples, the natural capital of the area will be important. The higher the natural capital (and Argyll and Bute has some of the highest integrity natural capital in the UK), the higher the premium that buyers may be prepared to pay. If set up and managed well (perhaps through appropriate facilitation agency or agencies), this has the potential to add to the receipts accruing to local communities.

## COMMUNITY SUPPORT REQUIREMENTS

3.11 The support requirements for communities will vary according to which of the three project types above which is being implemented. The broad community support requirements are as follows:

- 1) Projects where the **communities are the beneficiaries of carbon trading receipts**

3.12 In these projects, the community support requirements may be relatively low. The community infrastructure organisation (e.g. the Development Trust) will most likely be established in a way that it has a strategy and mechanism for distributing monies according to local priorities. Community benefit funds linked to onshore renewables are an example of this, with Development Trusts often the recipient of the Funds tasked with disbursing monies in line with community objectives.

3.13 It is possible that – especially where a buyer is paying to restore peatland or undertaking woodland planting and is paying a higher premium in order to bring additional community benefit – that the buyer may want some input into the ways in which monies are spent. However, this is not typical in the arrangements for windfarm community benefits, where the community (through the Development Trust or similar) decides on priority projects.

3.14 Where the community will need help and support is where it is required to have an input into establishing the carbon trading project in the first place. For some projects (as is the case in Islay), there

is in effect a facilitator that has been heavily involved in development the project. If this is not the case, then **the community (Development Trust) will need substantial support in order to help develop and operationalise projects**. This will currently be beyond the capability of Argyll and Bute community organisations. Rather a facilitator will be required to build projects from which can then communities benefit (see Pilot 1). In the case of Islay (see Chapter 4), the Argyll and Isles Coasts and Communities Trust (ACT) has been providing this facilitation role, with the future expectation that the community (via the Development Trust) will be the beneficiary.

2) **Projects where the communities are landowners and involved in carbon sequestration projects**

3.15 In these projects, the communities will need the support of a facilitation agency or similar to help them both negotiate the process of finding a buyer and the process of identifying what they have by way of supply. On the supply side, carrying out the necessary baseline land/soil audits required for complying the Woodland Code, for example, can be time consuming, expensive and requires the right skilled inputs. The community organisation in many cases may be a small charitable organisation with limited capacity and/or financial resources – and their need for facilitation agency type support will be significant.

3.16 On the buying side, again the facilitation agency can play a constructive role in helping the community organisation market (as appropriate) to identify buyers (including those willing to pay a premium and/or to negotiate with local buyers).

3) **Projects where there are a range of different landowner interests involved in carbon sequestration and the community benefits indirectly**

3.17 Again, a facilitation agency can be helpful in brokering projects between buyers and sellers, where the community is not directly involved. Here, for the community to benefit indirectly, the facilitation agency (or similar) needs to be an advocate for the communities' interests, including the use of local suppliers to undertake, say, planting afforestation works or in the supply chain for peatland restoration. This can be a role for the facilitation agency in both project types 1) and 2) i.e. identifying indirect benefits for the community from carbon trading activities.

## TYPES OF CARBON TRADING AND SERVICES

3.18 It is worth highlighting there are many different approaches to carbon trading and carbon services can take many different forms. Work across the 7 Work Packages clearly indicates that the market is nascent and developing. The Pilot 1 Implementation Plan describes the most relevant approaches which include:

- Select Carbon is an environmental services company based in Australia<sup>1</sup>. Operating since 2010, the company specialises in developing, supporting and managing carbon farming projects throughout Australia. Support services include farm management, scientific R&D, project management, finance and trading support for carbon credit selling, as well as help with method selection, soil carbon projects and environmental planting, forestry and plantation projects;
- Cultivating Carbon, based in South Africa, facilitates the entire on-farm carbon revenue process to let farmers focus on farming. It is very much focused on farming and as such is of less direct relevance to communities, although some of the support mechanisms (monitoring, verification) will be relevant to communities that are also landowners);
- Highland Carbon<sup>2</sup>, which uses expertise to shape and vet carbon offsetting projects undertaken throughout the UK, with expertise in recruiting and supporting Corporate Social

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<sup>1</sup> <https://www.selectcarbon.com/>

<sup>2</sup> <https://www.highlandcarbon.com/>

Responsibility partners in the UK and US. Highland Carbon forestry and peatland restoration projects aim to bring significant community economic development benefits to the UK's remotest communities. Services provided include:

- helping company clients to achieve engaging content for Environmental Social Governance (ESG) and Sustainable Development Goal (SDG) reporting.
  - supporting clients' communications by producing content that can be made available for public relations, investor relations, employee engagement, customer engagement, and digital campaigns.
  - operating within the official frameworks of the Woodland Carbon Code and Peatland Code.
  - Helping organisations achieve educational, health and wellbeing outcomes via partnerships with Highland Outdoor & Wilderness Learning (HOWL) and EarthSelf;
  - selling quality projects with authentic impacts whilst achieving a strong unit price for landowners. The organisation has significant experience in biodiversity and landscape conservation and supports company buyers with stacked Sustainable Development Goal outputs and communications content.
  - offering a full service from project conception to design, implementation and brokerage service. Alternatively, they can offer a brokerage service alone.
- Landscape Enterprise Networks (LENs) - established by 3Keel and Nestlé, and developed in partnership with a range of organisations such as Diageo, LENs is a system for organising the buying and selling of nature-based solutions, which are land management measures that deliver ecosystem functions, such as water quality management, flood risk management, resilient supply of crops, carbon, or biodiversity outcomes<sup>3</sup>.  
LENs systematically brings a diversity of private and public sector organisations together around a common interest in funding nature-based solutions within a given geography. It then brokers negotiations, and eventually transactions, between these buyers and groups of landowners who are able to deliver them on the ground. It is a new but proven system, with millions of pounds worth of live transactions set to repeat and grow in advanced trading locations.
  - Plan Vivo was developed from a desire to support communities and smallholders plant trees and generate carbon credits<sup>4</sup>. A charitable organisation registered in Scotland, Plan Vivo aims to empower communities to make the best use of their resources in their own way. It engages with a range of organisations and groups through different interventions to ensure community needs and priorities are met. Projects that are delivered by the Plan Vivo Foundation are held to the Plan Vivo Standard, which ensures that benefits are provided to both communities and the environment

3.19 The Pilot 1 Implementation Plan provides more information on each of the above, and there is relevant learning from each approach. It is perhaps the Plan Vivo one that is most relevant to communities. The Plan Vivo Standard provides assurances to buyers of Plan Vivo certifications that emissions reductions are real, additional and verifiable environmental benefits, and that there are wider community benefits realised through projects.

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<sup>3</sup> <https://landscapeenterprisenetworks.com/>

<sup>4</sup> <https://www.planvivo.org/>

## 4 MOVING TOWARDS A PLAN FOR ISLAY

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### WHY ISLAY?

4.1 There are many reasons why Islay is a good choice as a pilot community. It has strong community organisations (The Islay Development Initiative – IDI), major local employers with an interest in carbon sequestration (notably the distilleries) and historic involvement in certain sequestration activities (notably around EU-funded peatland restoration).

4.2 Argyll and the Isles Coast and Countryside Trust (ACT) has led an INTERREG funded project for peatland restoration and are a knowledgeable and credible (Argyll and Bute-wide) intermediary, with two local Islay officers and a track record of bringing forward community-based activities and solutions.

### EXISTING AND CURRENT WORK IN ISLAY

4.3 For the past five years ACT have led on the INTERREG funded Collaborative Action for Natura Network (CANN) project on Islay for peatland restoration (focusing on two key issues of rhododendron control and deer management). They also recently applied for, and were successful in their application to the Esmee Fairburn Foundation for circa £225,000 for a 3-year follow on pilot project to:

*“improve uptake of peatland restoration by smaller landowners in the rural communities. ACT also intends to provide training to local contractors in restoration techniques, and conduct engagement events within the community, helping people to connect with the land and heritage around them”.*

4.4 The new project proposal is Islay-wide and seeking to funding to facilitate a service that provides information and advice to small scale landholders considering Peatland ACTION and the quickly growing world of peatland carbon credits.

4.5 The Esmee Fairburn project envisages that:

*“Peatland ACTION resources would be utilised to fund the practical peatland restoration works, along with a contribution from the main industry on Islay: whisky distilleries. This private investment would provide the 15% up-front investment needed for local landholders to enter into the Peatland Code scheme. This would allow landholders to retain the entirety of carbon credits to be achieved from the scheme to sell on their own terms. ACT would initially employ a two-person team to deliver the project, with the ambition to employ a trainee in the final year.... Landholder engagement would be initiated at events such as the local National Farmers Union meetings, the annual agricultural show and cattle and sheep sales, connecting with our target audience and promoting this new project.....*

*We feel it is important to share our project model and lessons learned as the project progresses with other organisations and communities in similar situations to ours; remote areas with smaller landholders struggling to keep afloat in the swiftly changing tides of nature restoration and carbon credit schemes”.*

4.6 The three-year project is in the early stages of development, however there is a clear opportunity for small landowners to benefit from carbon trading.

### Argyll and the Isles Coast and Countryside Trust (ACT)

4.7 ACT would be well placed to be a delivery vehicle for carbon sequestration at an Argyll and Bute geography. ACT could potentially report into a Highlands & Islands-wide (or Scotland wide) unit/umbrella organisation/ service. The work of ACT on Islay with small scale landholders could

contribute to the learning in Pilot 2 Implementation Plan, although the timescales are likely to be beyond the current commission here.

4.8 It is also possible that the current work (which is largely around Peatland Restoration) can be broadened to include carbon sequestration through tree planting and other mechanisms would be put in place to facilitate and fund trade (peatland and woodland). This is intrinsically linked to the work of Pilot 1 in terms of a facilitated process for demand aggregation. There certainly seems mileage in the notion of **carbon credits plus** i.e., a premium added to carbon credits which goes directly to local communities.

4.9 ACT, given their knowledge, understanding and credibility would be well placed to help work up projects with communities in other parts of Argyll and Bute. Part 5 of this plan sets out priority actions, which includes raising awareness with communities and undertaking capacity and capability audits to develop a pipeline of projects in communities. Again, ACT would be well-placed to play a role in delivering such activity, if these priorities are agreed, and if supported to do so.

4.10 In addition, there is the possibility for one of the Islay distilleries to further financially contribute to carbon sequestration, and there is a proposal for two PhD distillery funded baseline assessment projects (in conjunction with UHI) to explore carbon sequestration more fully, including benefits to the community. One PhD baseline assessment would focus on biodiversity, the other on connecting peatland and people through small-scale restoration.

4.11 Most recently, ACT were awarded £10,000 via HIE to undertake an audit of existing carbon sequestration and wider activities in Islay, with a view to understanding the range of work being undertaken by other stakeholders, such as RSPB who are active in habitat restoration. This will provide ACT with further evidence on which to make informed decisions on the future of supporting carbon trading and other forms of harnessing the natural capital asset of Islay.

## **BUILDING ON THE WORK TO DATE**

4.12 As detailed in Chapter 3, existing community organisations (here, the Islay Development Initiative) may be appropriate vehicles for disbursing benefits from carbon sequestration. With IDI (and similar organisations elsewhere in Argyll and Bute and the wider Highlands and Islands), there are already mechanisms in place for determining how funds are best used to benefit local communities.

## 5 TOWARDS INTEGRATED CARBON MANAGEMENT PLANS

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### INTRODUCTION

5.1 In developing Integrated Carbon Management Plans there are priorities for communities that are at an earlier stage of development and priorities for the pilot project in Islay. These are articulated below in following text and table, under three priority headings:

- Priority 1: Developing the Readiness and Buy-in of Communities;
- Priority 2: Developing Pilot Projects, including the one in Islay;
- Priority 3: Maximising Community Benefits.

5.2 The priorities are very much in line with the aspirations from the Carbon Farming facilitation Pilot 1, recognising the further development work required with communities. Table 5.1 identifies:

- The rationale for the proposed priority action(s);
- A description of the proposed actions;
- Outputs;
- Priority and timeframe;
- The stakeholder involved in delivering the outputs; and
- Resourcing requirements.

5.3 Inevitably, given the state of the market and the formative nature of support for communities, some of the actions are relatively high level, although the implementation plan strives to be as specific as possible within current constraints about next step requirements.

### PRIORITY 1: DEVELOPING THE READINESS AND BUY-IN OF COMMUNITIES

5.4 Priority 1 is sub-divided into two sub-priorities.

- Priority 1a: Information and Awareness Raising
- Priority 1b: Community capacity and capability audits

5.5 These are focused on support required *by* communities, not actions that communities are being asked to undertake. However, in the case of community capacity and capability audits, communities may be able to initiate the process (and indeed lead and commission activity) with the appropriate level of support

### PRIORITY 2: DEVELOPING PILOT PROJECTS

5.6 Priority 2 is sub-divided into two sub-priorities:

- Priority 2a: The pilot project in Islay
- Priority 2b: Developing subsequent pilot projects

5.7 The Priority recognises that Islay is particularly advanced in terms of project activity and that there are tangible next steps to be taken. There is the potential for other pilot projects to be developed, albeit each reflecting the particular set of circumstances pertinent to that community.

## **PRIORITY 3: MAXIMISING COMMUNITY BENEFITS**

5.8 Priority 3 recognises that there are many ways in which communities can benefit, not just from carbon sequestration but from the wider high integrity natural capital of Argyll and Bute. The priority sets out ways in which communities can derive benefits throughout local supply chains, for example in delivering carbon sequestration activities and developing local skilled jobs, for which there is a known demand. Again, the priority actions are those that can be undertaken by communities, with the appropriate level of support and knowledge.



**Table 5.1: Integrated Community Carbon Implementation Plan**

Rationale	Proposed actions	Outputs	Priority and timeframe	Stakeholders	Resourcing
<b>Priority 1: Developing the readiness and buy-in of communities</b>					
<b>Priority 1a: Information and Awareness-Raising</b>					
Communities are at different stages of their understanding of carbon trading and the actions they undertake. Whilst community understanding may vary, the vast majority of communities will have very limited understanding of carbon markets	A wide range of information and awareness raising activities through a variety of media, including sessions held in communities themselves	Webinars, roadshows, workshops written materials social media engagement	High – Short-term - next 1-2 years	HIE and other local 'expert' facilitators, including ACT	Staff time  Travel and expenses  Promotional materials/literature
<b>Priority 1b: Community Capacity &amp; Capability Audit</b>					
The specific capabilities of communities to be involved in carbon trading will vary – this may depend on issues such as land ownership and, where land is owned, soil conditions. Understanding some of these issues requires specialist input. Community capacity will also vary (e.g. existence of Development Trust or similar)	Audits of communities in terms of their potential to be involved in carbon trading projects. This will include the extent to which communities are: a) Directly involved in developing projects; b) Indirectly involved in terms of benefiting from projects.	Audits to establish the capacity and capability of communities to be involved in carbon trading projects	High – Short-term - next 1-2 years	'expert' facilitators, for example ACT, under overall responsibility of HIE	Staff time  Development of carbon audit materials  Travel and expenses

Rationale	Proposed actions	Outputs	Priority and timeframe	Stakeholders	Resourcing
<b>Priority 2: Developing Pilot Projects</b>					
<b>Priority 2a: The Pilot Project in Islay</b>					
<p>Islay has many advantages in terms of a pilot project for an integrated carbon management plan to benefit communities. This includes presence of peatland in need of restoration, potential buyers in the form of distilleries and community infrastructure to administer receipts (Islay Development Trust).</p> <p>There has also been considerable existing work in Islay to date on which to build.</p> <p>There is a need to maximise the benefits for communities</p>	<p>Build on the results of the HIE-supported audit of existing activities currently underway</p> <p>Undertake the work set out in the Esmee Fairburn funding application</p> <p>Finalise the details of the buying mechanism (price, quantity etc.)</p> <p>Develop arrangements to disburse receipts into community priority projects (via Islay Development Trust)</p> <p>Identify further ways in which the communities can become involved in the project delivery activity (e.g. supply chain)</p>	<p>Audit of existing activity completed</p> <p>Esmee Fairburn funded activity completed</p> <p>Contractual arrangements with buyers finalised</p> <p>Agreement that Islay Development Trust administers proceeds for the benefit of the community</p> <p>Plan developed for local contractor involvement in project delivery</p>	<p>High – short-term priorities around legal contractual agreement with buyers</p>	<p>HIE oversight and input</p> <p>ACT as lead project facilitator</p> <p>Distilleries as buyers</p> <p>Islay Development Trust as beneficiary on behalf of community</p>	<p>HIE input to review of existing activities</p> <p>Charitable funding</p> <p>Distillery purchase investment</p> <p>Staff time via ACT as facilitator</p> <p>Staff time of Islay Development Trust as beneficiary</p>
<b>Priority 2b: Developing Future Pilot Projects</b>					
<p>There are other communities that may be in a position to develop a pilot project but these will need some lead-in/development time.</p> <p>Some pilot projects may be identified arising from priority 1b capacity and capability audits which may act as a pipeline feed of potential project</p>	<p>To identify criteria by which further potential pilot projects can be identified, including:</p> <ul style="list-style-type: none"> <li>Community capacity and capability (from 1b)</li> <li>Land ownership / ability to act as a supplier</li> <li>Community infrastructure (e.g. ability to receive and administer funds).</li> </ul> <p>Identify first tranche of potential community-based projects to market to buyers</p>	<p>A short list of potential pilot projects to be taken forward</p> <p>Initial development work on further pilots</p>	<p>High Short-medium term identification of future pilots</p> <p>Medium-term – pilot projects commence</p>	<p>HIE oversight and input</p> <p>ACT or similar as lead project facilitator</p> <p>Potential buyers</p> <p>Community landowners and Trusts</p>	<p>Staff time – HIE and 'expert' facilitator time (e.g. ACT)</p> <p>Community landowners and Trusts</p>

Rationale	Proposed actions	Outputs	Priority and timeframe	Stakeholders	Resourcing
<b>Priority 3: Maximising Community Benefits</b>					
<p>There are a variety of ways in which communities can benefit from carbon trading activities either directly (as above) and indirectly.</p> <p>Indirect benefits may arise from other carbon trading projects (e.g. those led by farmers).</p>	<p>For all carbon trading projects, a review of how local supply chains can help to deliver project activities</p> <p>A skills audit/ skills development pipeline of existing A&amp;B contractors available to deliver carbon trading projects</p> <p>Investment in skills development to increase local capacity to deliver carbon trading projects</p>	<p>List of potential supply chain contractors to deliver carbon trading projects</p> <p>List of projects requiring delivery support</p> <p>Programme of skills and capacity development</p>	<p>Short-Medium term</p> <p>Skills development pipeline</p>	<p>HIE</p> <p>Expert facilitators e.g ACT</p> <p>Skills Development Scotland/ SAC</p> <p>Landowners</p> <p>Local contractors delivering carbon trading projects</p>	<p>Staff time</p>