

Title: North East Carbon and Nature Marketplace – LINC funding
Report of: Rob Hamilton, Head of Strategy and Innovation
Portfolio: Environment, Coast and Rural

Report Summary

In May 2025 the North East Combined Authority (North East CA) will launch a North East Carbon & Nature Marketplace which will encourage increased investment in the region for projects which save carbon and deliver additional social benefits. This will be the first regional marketplace of its kind in the UK. The marketplace is being launched in a phased approach with Phase 1 being a limited marketplace to establish the concept and Phase 2 building a more comprehensive model.

The Low Carbon and Net Zero team were successful in their application to the Local Investment in Natural Capital (LINC) Pilot Project for grant assistance to develop the North East Carbon and Nature Marketplace.

The purpose of this report is to seek approval to receive a grant offer from LINC of £65,000 and to agree to expenditure equal to this amount to deliver Phase 1 of the North East Carbon and Nature Marketplace project.

Recommendations

In line with the Scheme of Delegations approved at the 7 May 2024 North East CA Cabinet meeting, the Director of Finance and Investment is recommended to:

- i. Accept the grant offer of £65,000 from LINC.
- ii. Deliver Phase One of the North East Carbon and Nature Marketplace equal to the amount of grant offered.

A. Summary of Investment Proposal (Context)

A funding bid was submitted to LINC to facilitate delivery of Phase One of the marketplace, given the overlap between North East CA priorities and the LINC. The LINC pilot programme is a Defra initiated programme, lead by the Environment Agency and delivered through Local Authorities. The aim is to develop a pipeline of investment-ready natural capital projects and associated finance mechanisms that will generate revenue and returns for investors, while also directing investment to local priorities for protecting and enhancing the domestic natural environment. The grant offer of £65,000 from LINC will fund Phase 1 - the establishment of the North East Carbon and Nature Marketplace.

1. Background

A growing number of companies are investing in carbon offsets to achieve their greenhouse gas emissions targets. In recent years the global voluntary carbon offset market, worth over \$2bn, has been rocked by high-profile scandals about the integrity of offsets. A regional Carbon and Nature Marketplace serves a clear demand for high integrity and local carbon offsets. It also offers an opportunity for companies with Social Value commitments to shop for investible opportunities in the North East. Anticipated regional benefits include:

- Increased investment in North East nature recovery
- Decreased regional carbon emissions
- Increased inward investment into the region for nature recovery and decarbonisation

The North East CA Mayor, Kim McGuinness, and the Environment Portfolio holder for North East CA, Cllr. Glenn Sanderson (Leader of Northumberland County Council) are both supportive of the North East Carbon and Nature Marketplace and are championing it at a regional level. The establishment of a marketplace is a key commitment in the "Home of the green energy revolution" chapter of North East CA's 2024-28 Corporate Plan.

Establishment of a North East Carbon and Nature Marketplace is a specific Mayoral Manifesto pledge and also specifically agreed with UK Government in the North East Deeper Devolution Deal 2024:

“The Government supports the North East region’s ambition to attract further investment into nature’s recovery and to help nature to adapt to climate change. Defra and the Environment Agency are already supporting Northumberland, Cumberland and Westmorland & Furness and local partners to develop a natural capital investment plan as one of four pioneering local areas within the Local Investment in Natural Capital programme. NEMCA will build on the learning gained from this pilot programme and work towards a comprehensive plan for natural capital investment across the North East of England.”

In July 2024 the North East Combined Authority Cabinet approved the Strategic Portfolio Plans, which included the Environment Coast and Rural portfolio to develop new solutions to natural environment, coastal and rural challenges. The North East Combined Authority Cabinet delegated authority to the Chief Executive to progress subsequent business cases and make investment decisions associated with the activity described within the Strategic Portfolio Plans. The North East Carbon and Nature Marketplace is part of the Environment Coast and Rural portfolio plan.

In November 2024 the North East Combined Authority Cabinet approved an indicative allocation of £7.25m for the Environment and Nature investment programmes. Local nature recovery is one of four strategic priorities, another is decarbonisation. North East CA Cabinet agreed the first phase of delivery should include developing and implementing high integrity carbon and nature markets that restore our nature, lock up carbon and secure inward investment into the region.

2. The Investment Proposal

In May 2025 the North East Combined Authority will launch a North East Carbon & Nature Marketplace. This will be the first regional marketplace of its kind in the UK. We are launching the marketplace in a phased approach with Phase 1 being a limited marketplace to establish the concept and Phase 2 building a more comprehensive model.

Phase 1 – in delivery (2024/25)– Establishing a Marketplace

In preparation for a marketplace launch in May 2025 we have:

- Tested and designed the regional marketplace concept in a week-long innovation sprint as part of Northumbrian Water Groups Innovation Festival in July 2024.
- Launched the plan via a mayoral announcement at the Net Zero North East England conference in November 2024, including providing a QR Code link and securing over 80 expressions of interest in either buying or selling on the platform.
- Engaged 1:1 with potential buyers and suppliers, and with supra-regional partners including NatureNorth
- Formed a Local Authority project advisory board with support from all 7 North East LA's
- Commissioned consultancy support to establish policies and guidance to ensure a high-integrity marketplace & secured the online marketplace platform via Gaia Technologies Ltd.

External funding is required to deliver Phase One of the marketplace and a funding bid was submitted to LINC to facilitate this, given the overlap between North East CA priorities and the LINC.

- 11 November 2024 an application was submitted to LINC for funding (£65,000) to deliver Phase 1 of the North East Carbon and Nature Marketplace
- 6 February 2025 £65,000 of LINC funding confirmed to deliver Phase 1 of the marketplace
- 6 February 2025, Grant Funding Agreement (GFA) issued by Borderlands/Northumberland County Council. GFA summary *“To develop a North East Carbon Marketplace, which will encourage increased investment in the region for projects which save carbon and deliver additional social benefits.”*
- Delegated Decision needed to accept the LINC grant funding and to deliver the project.
- The project is managed by the Low Carbon Growth Team

2.1 Outputs and Outcomes on LINC GFA

Output	2024/25
New website (Carbon & Nature Marketplace Platform)	1
Overview of concept development and assessment of risks and assumptions report	1

2.2 Timetable for Implementation

Milestone	Target Date
Consultants appointed for website development and overview of concept development and assessment of risks and assumptions	February 2025
Acceptance of LINC Grant Offer Letter	March 2025
Website Created	March 2025
Consultancy work completed	March 2025

2.3 Current status of delivery

Phase 1 delivery commenced in November 2024, which included the procurement of both website/platform development and specialist consultant support. The **£65,000** funding awarded by LINC has been allocated to this procurement:

Cost heading	Q1 24/25	Q2 24/25	Q3 24/25	Q4 24/25	Total
Website development				£25,000	£25,000
Specialist Advice				£40,000	£40,000
					£65,000

Following detailed discussions with Cornwall's LINC funded project, The Cornwall Natural Capital Exchange, we began discussions with Gaia Technologies Ltd in November 2024. Gaia have developed software that provides a white labelled online marketplace, which allows buyers of Carbon Credits, BNG units and other natural capital units (or those seeking to invest in nature-based projects) to use advanced filters and maps to find units or projects in a specific geographical region. The North East CA has commissioned Gaia to develop a marketplace for the North East, which will be licensed for an initial 12-month period, beginning in March 2025 (using our agreed procurement processes).

Specialist consultant support for Phase 1 of the project will be provided by Cundall, following a procurement exercise undertaken via Bloom. Cundall will deliver the following support ahead of the launch of the Carbon and Nature Marketplace:

- An **independent assessment of key risks and assumptions**
- Development of a **due diligence framework**, which removes the risk of greenwashing, ensuring delivery of high-integrity projects and suitable buyers
- Development of **guidance for project delivery organisations** to utilise
- Identification of considerations for a **business case for phase two** delivery

B. Potential Impact on North East Combined Authority Objectives

Activity outlined in the report will contribute to two of the four strategic priorities of the Environment and Nature investment programme approved by Cabinet in November 2024; local nature recovery and decarbonisation. North East CA Cabinet agreed the first phase of delivery should include developing and implementing high integrity carbon and nature markets that restore our nature, lock up carbon and secure

inward investment into the region. The Marketplace will ultimately accelerate the delivery of Net Zero projects and deliver real positive social and biodiversity change across the North East.

C. Key risks

The risks associated with the delivery of Phase One of the North East Carbon and Nature Marketplace are actively managed. Strategic risks associated with the delivery are managed through the Project Advisory Board. Risks at a project level are managed through the maintenance of a Risk Register and monitoring by the Low Carbon Growth Team.

D. Financial and other resources implications

There is no request for funding in addition to the acceptance of the grant offer of £65,000 from LINC.

E. Legal implications

The comments of the Monitoring Officer have been included in this report.

F. Consultation and engagement

Consultation associated with the acceptance of the grant offer and delivery of Phase One has taken place with Senior Leadership Team and the Procurement Team. We have also worked with Finance to set up appropriate cost codes to track expenditure.

G. Appendices

None.

H. Background papers

[Cabinet Decision Notice 26th November 2024](#)

I. Contact officers

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J. Glossary

LINC - Local Investment in Natural Capital
North East CA – North East Combined Authority

K. Consultees

Cabinet Member:	Director/Head of Service:	Director of Finance and Investment:	Monitoring Officer:
Yes	Yes	Yes	Yes