

Huw Irranca-Davies AS/MS
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid
Hinsawdd a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate
Change & Rural Affairs



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: HIDCC/PO/0259/24

Llŷr Gruffydd MS
Chair
Climate Change, Environment and Infrastructure Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

26 September 2024

Dear Llŷr,

I am writing to provide the committee with further information following my predecessor's letter of the 1 March. In that letter, the Government committed to provide you with an update on recommendations 21, 43, 45 and 49 of your report on your Scrutiny of the Welsh Government Draft Budget 2024-25. Please find this below.

Recommendation 21

Within six months of the publication of this report, the Minister should report to the Committee on progress made towards developing an innovative and sustainable finance model to deliver nature recovery. This should include the draft guiding principles for responsible private investment to support nature recovery.

Response: Accept

Sustainable Investment Principles

On 10 September 2024 we launched the consultation period of our Sustainable Investment Principles. These principles set out the traits we seek when considering projects and engaging with investors and developers. The consultation documents are available at the following links:

- [Egwyddorion Buddsoddi Cynaliadwy drafft | LLYW.CYMRU](#)
- [Draft Sustainable Investment Principles | GOV.WALES](#)

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

These principles form part of our new approach to sustainable finance for nature recovery, as recommended by the Finance Earth report on developing nature markets in Wales. The Principles were co-developed with the sustainable finance Task and Finish group which comprises of eNGOs and other organisations including RSPB, Wildlife Trusts Wales, WWF and Marine Conservation Society, Dwr Cymru and Natural Resources Wales. These Principles aim to increase and diversify the available funding to effectively tackle the nature emergency and the pressures that drive biodiversity loss – including climate change, pollution, and unsustainable management of natural resources. These Principles will help ensure that any funding is of high integrity, benefits and engages local communities and avoids inappropriate land use change and greenwashing.

Welsh Government is proposing the following four principles to guide its approach towards private investment in nature.

1. Support integrated land use and the equitable sharing of the benefits
 - This principle is to ensure that those seeking to invest in natural capital markets do so in partnership with the landowners and managers. Under this principle, investments and projects should strive to deliver supplementary outcomes, such as biodiversity improvements in addition to carbon sequestration.
2. Deliver public, private, community and cultural well-being benefits
 - This sets out that investment and management decisions must account for the local conditions and suitability while showing consideration of the four capital resources (natural, social, economic and cultural).
3. Demonstrate best practice engagement and collaboration
 - Under this investors and land managers must collaborate openly with the wider public and public bodies to develop a coherent approach to delivering their projects.
4. Demonstrate values-led and high integrity
 - This principle considers additionality, data robustness, transparency of assessment techniques and methodology and the duration of derived benefits.

Support for Nature Market Development

Sustainable finance, payments for ecosystem services, and natural capital markets are still a relatively new sector. In order to begin building Wales' capacity and knowledge base Welsh Government has funded two pathfinder pilots (see below for further information) and is considering further pilots.

Marine Cymru Fund

Welsh Government has recently provided £85,000 of funding to the WCVA to recruit a Fund Development Manager for the Marine Cymru Fund. The Marine Cymru Fund seeks to invest in programmes and projects that enable, maintain and enhance the resilience of marine and coastal ecosystems for the long term, facilitating the delivery of wider benefits to individuals, communities and businesses. The Fund Development Manager will draft a strategic framework to guide project funding and will work to attract seed funding from investors.

Bannau Brycheiniog National Park Authority

Welsh Government has provided Brecon Beacons National Park Authority (Y Bannau) with £119,000 of funding for a Head of Natural Capital Development position to accelerate the realisation of benefits from private finance nature investment. This role will help scale up nature recovery funding by exploring and implementing high-integrity ecosystem service markets and disseminating this knowledge across our other national park authorities.

UK Government engagement

We continue to engage with Defra and the British Standards Institute (BSI) on developing a Nature Investment Standards Programme, which will provide a benchmark for industry codes and markets recognised as sufficiently robust and credible. Our engagement ensures that our Welsh values are reflected within these new standards. BSI concluded their consultation on the Overarching Principles at the beginning of the summer and are preparing to consult on their Biodiversity and Carbon standards early this fall.

I also discussed some of these issues with the Secretary of State for Environment and Rural Affairs and Ministers from Scotland and Northern Ireland at the IMG meeting in September.

Recommendation 43

Within six months of the publication of this report, the Minister should report back to the Committee on progress towards the development of new statutory recycling targets.

Response: Accept in principle

The new, increased 70% recycling target has only just come into effect this financial year. We have begun the engagement with Local Authorities and given a clear steer that, in working towards zero waste by 2050, it will mean staying in line with the transition rate needed to reach that level.

As a first key step we have been developing an update to the Blueprint on which we are actively engaging with Local Authorities so that there is clear guidance on the steps need for Local Authorities to go beyond 70%.

We are also exploring with UK Government, working together on a circular economy strategy. This work is likely to inform our future approach to new targets, and the road to meeting them.

Recommendation 45

Within six months of the publication of this report, the Minister should report back to the Committee on progress towards the introduction of the Deposit Return Scheme. This should include whether the DRS remains on track to go live in October 2025.

Response: Accept

We continue to work closely with the three other nations on the development of the Deposit Return Scheme. Timelines are being reviewed following the impact of the UK Internal Market Act decision which halted the DRS scheme from going live in Scotland and which has had a knock-on effect on the interoperability of the schemes across the four nations.

I will report to the Committee on progress and the impact on the go live date when plans are confirmed.

Recommendation 49

The Minister should update the Committee within the next six months on progress towards restructuring NRW's funding model regarding timber income.

Response: Accept

The Welsh Government continues to work with Natural Resource Wales (NRW) in exploring opportunities to develop and implement alternative funding frameworks in order to provide NRW with additional flexibility to support its work.

For this financial year (2024-2025), the Welsh Government has established a new funding model to support NRW's management of the Welsh Government's Woodland Estate. These new arrangements provide NRW with a dedicated annual assured budget, netted against the timber income received, with any shortfall being absorbed by the Welsh Government. These arrangements help mitigate against the impact of volatile wood prices and buoyancy of the timber market and allows NRW to operate on a stable financial footing in relation to its management of the Woodland Estate.

Welsh Government will continue to monitor these arrangements moving forward and will make adjustments where appropriate in partnership with NRW.

Yours sincerely,

A handwritten signature in black ink, consisting of several fluid, overlapping strokes that form a stylized representation of the name 'Huw Irranca-Davies'.

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