

Expansion of the UK Emissions Trading Scheme to turbocharge Net Zero trajectory and UK's position as Global Carbon Market Hub

- Boost carbon unit price by 67% and the investment incentives for UK tree planting, unlocking up to 26% of land considered appropriate for afforestation (woodland creation).
- Over 100,000 hectares of land across England, Wales and Scotland to become economically viable for afforestation, bringing UK closer to achieving Net Zero targets.
- Total carbon permanently sequestered in UK by forestry to increase by 30% to 19 million tonnes.

The UK is positioned to become a leader in the global carbon market should it admit the Woodland Carbon Code (WCC) into the UK Emissions Trading Scheme (UK-ETS).

A policy paper published today by King's College London in collaboration with Imperial College Business School and Foresight Sustainable Forestry Company Plc estimates the admission of the UK's WCC voluntary carbon credits into the UK-ETS would economically 'unlock' up to an additional 26% of land considered appropriate for woodland creation. This would take the UK much closer to achieving the government's national Net Zero by 2050 target.

Commercial afforestation has been shown as an effective method to mitigate against climate change, but relatively low prices for voluntary carbon credits, the units of carbon dioxide or equivalent additionally and permanently sequestered from the atmosphere by trees, and purchased by organisations to offset their unavoidable emissions, holds back national tree planting levels.

These low prices are the key economic reason why the UK is so far behind in achieving its national tree planting targets, with the UK achieving less than half of the annual 30,000-hectare tree planting target since the target was introduced in 2019.

At current voluntary carbon credit prices, less than 60% of land in the UK that is appropriate for commercial afforestation, is considered economically viable for woodland creation (i.e. where land's current afforestation value is higher than its agricultural value). There are significant variations by nation, with the situation in England and Wales, significantly worse versus Scotland. Without an enhanced commercial incentive to attract sufficient investment in woodland creation, the UK is likely to miss its national tree planting and Net Zero targets by 2050.

'The Carbon Credit Price and National Tree Planting Impact of Woodland Carbon Code Admittance to the UK-ETS' recommends admitting the existing Woodland Carbon Code into the UK's carbon emissions trading scheme, raising the price of individual forestry carbon credits by up to 67% and providing an immediately

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accessible and relatively liquid route to market for WCC credits. This it estimates would immediately take WCC issued carbon units to a price of £47, rising to £79 by 2030.

It's also estimated that the admittance of the WCC to the UK-ETS would economically unlock more than a quarter (26%) of total land suitable for commercial afforestation in the UK and permanently remove and store up to 19 million tonnes of carbon emissions.

Dr Raúl Rosales, Professor of Practice in Net Zero Asset Management at King's College London, and lead author on the paper said, "Afforestation has the power to be totally transformative when it comes to dealing with the current climate crisis, but its economic viability for investors is holding it back."

"Admittance of the Woodland Carbon Code into the UK's Emissions Trading Scheme would help resolve this issue almost overnight. Net Zero is one of the greatest challenges of the 21st century and to reach it, academia, industry and policy makers will need to reach across the aisle and make sure that doing good makes good business sense. This policy paper is part of that goal."

Richard Kelly, Co-Lead Manager of Foresight Sustainable Forestry Company Plc said, "There is no credible pathway for the UK to achieve Net Zero by 2050, without planting many more trees, which additionally and permanently lock up carbon dioxide from the atmosphere. Admitting the WCC into the UK-ETS would be a major win for the UK in its fight against climate change. It would quickly and materially improve the investment case for commercial woodland creation and result in a much-needed acceleration of capital funnelled towards woodland creation in appropriate places."

The full paper, "The Carbon Credit Price and National Tree Planting Impact of Woodland Carbon Code Admittance to the UK-ETS", can be found [here](#).

Note to editors

The research leveraged data from the UK Government and Intercontinental Exchange (ICE), encompassing UK-ETS allowances auctions' key details including date, volume, price, and revenue over 61 trading sessions from May 19, 2021 to October 4, 2023. To assess the impact on afforestation rates, Foresight Group's proprietary model from covering 800,000 hectares across Scotland, Wales, and Northern England, was utilised with afforestation potential mapped to estimated agricultural value.

Report Contributors

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Richard Kelly, Co-Founder and Co-Lead Manager of Foresight Sustainable Forestry Company Plc, the UK's first and only listed investment company investing into UK natural capital and woodland creation.