# Warwick District Council NZC DPD Examination Matter 6: Carbon offsetting

Warwick District Council
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# 1 Question 6.1

## How does Policy NZC2(C) - Carbon Offsetting relate to the adopted Warwick Local Plan and its relevant policies?

1.1 As outlined through Matter 2 (paragraphs 5.1-5.3) the Local Plan includes Objective B to address climate change and a strategic policy DS3 to deliver a low carbon economy, lifestyles and environmental sustainability.

1.2 The two preceding policies; NZC2(A) and NZC2(B) require carbon reductions that are to be delivered onsite and therefore relate to specific Local Plan policies as discussed in Matters 4 and 5.

1.3 If offsetting is required under NZC2(C) then the development proposal will firstly need to demonstrate that net zero carbon (regulated operational energy) cannot be delivered onsite. The offsetting mechanism of NZC2(C) is a contribution to the District Council’s carbon offset fund, or delivery of verified local off-site offsetting scheme. Offsetting would then deliver carbon reductions elsewhere in Warwickshire and Coventry, and such support the objectives of the Warwick Local Plan its relevant policies.

1.4 In conclusion, The Council consider that NZC2(C) as a suite of policies with NZC2(A) and NZC2(B), under NZC1 further delivers the Warwick Local Plan objectives, and policies to address and mitigate for climate change.

# 2 Question 6.2

## Is the approach of Policy NZC2(C) reasonable, justified and effective and is it soundly based on robust evidence?

2.1 It is clear in the supporting text to NZC2(C) (DPD paragraph 8.1) that offsetting is considered a final resort in delivering net zero carbon development in the District. The offsetting mechanism as a way to deliver a reduction of carbon emissions correlates to the DPD's overall goal. The approach is therefore considered reasonable in relation to the objectives of the NZC DPD in delivering net zero carbon emissions (regulated operational energy).

2.2 The Warwick DC Zero Carbon DPD Energy and Sustainability Policy Review (SUB5, page 14) provides examples of local authorities which have included offsetting payments as part of Local Development Plan policies to reduce overall carbon emissions from new development. The evidence justifies the approach of Policy NZC2(C) having regard to matters of calculation and scope of offsetting contributions, pricing and collection and spending before making a reasonable and justified policy recommendation.

2.3 Policy NZC3 is informed by this evidence and together with the supporting text is clear and effective with regard the matters identified:

- **Calculation and scope** - this relates to regulated operational energy, consistent with the definition of net zero carbon DPD paragraph 4.1.1, and as calculated according to the SAP or SBEM carbon emissions in the energy statement. This is to be calculated for a period of 30 years, which is a time period consistent with Local Plan precedents identified (the London Plan and Reading Local Plan 2019). This is to be calculated in the energy statement at submission of a planning application and the calculation updated at completion and pre-occupation.

- **Pricing** - the carbon offset pricing is the nationally recognised nontraded valuation of carbon updated annually as part of the Treasury Green Book data by BEIS. This reflects the evidence and London Plan precedent identifying that the costs of different types of offsetting projects will vary and adopting a nationally recognised carbon pricing mechanism is therefore justified to allow for a variety of offset schemes to be delivered.

- **Collection and spending** - collection is identified through S106 agreements to the Council's offsetting fund and will be required to be paid prior to occupation of the development. Spending will be monitored and reported on through the Authority's Monitoring Report. At the Council's discretion a verified local offsite offsetting scheme may be used instead of a payment to the Council's offsetting fund.

2.4 As has been demonstrated through the evidence base referred to in earlier paragraphs, the cost and effectiveness of carbon offsetting under NZC2(C) has been robustly calculated and such is considered sound.

2.5 NZC2(C) can also be considered justified in relation to the feasibility and viability of delivering net zero carbon development. Firstly, it offers an alternative compliance route for developments where it is not feasible or viable to deliver the sought carbon reductions on site. Secondly, where the offsetting itself is not fully viable, then residual carbon emissions are to be offset to the greatest extent viable.

2.6 In conclusion, whilst offsetting should be considered a last resort it is demonstrated that the NZC2(C) is reasonable, justified and effective in relation to the objectives of the NZC DPD and is based on robust evidence to ensure it is sound.

# 3 Question 6.3

## Does Policy NZC2(C) and its requirements accord with national policy?

3.1 The overarching policy NZC1, with offsetting as a component under policy NZC3, accords with the NPPF requirement to deliver "*radical reductions in greenhouse gas emissions … in line with the objectives and provisions of the Climate Change Act 2008*" (paragraph 152 and footnote 53), and the plan's legal duty to mitigate climate change as per the Planning and Compulsory Purchase Act 2004 Section 19.

3.2 In respect of the mechanism to collect carbon offsetting funds (through Section 106) these meet the tests for planning obligations under paragraph 57 of the NPPF, in that they are:

- **Necessary to make the development acceptable in planning terms -** offsetting may be necessary to deliver net zero regulated operational carbon emissions in accordance with the DPD policies.
- **Directly related to the development** - offsetting will relate to residual carbon only resulting from the development.
- **Fairly and reasonably related to scale and kind to the development** - the scale of offsetting contributions will be fairly related in scale and kind through the amount of residual carbon to be offset as calculated through the Energy Statement.

3.3 Furthermore, the cost per tonne of carbon directly reflects the nationally determined 'cost of abatement' per tonne of carbon that will need to be abated for the UK to hit its legislated carbon target.

3.4 It is therefore considered that NZC2(C) accords with national policy.

# 4 Question 6.4

## How and when will a ‘carbon offset fund’, or equivalent, be in place?

4.1 The Council is working jointly with Warwickshire County Council to set up a carbon offsetting fund through the Warwickshire Ecosystem Services Trading Protocol (WESTP) (see further the Council’s response under question 6.5).

4.2 The ability to purchase Warwickshire carbon credits through the WESTP to offset residual impacts will be ready by December 2023 through the creation of woodland on Warwickshire County Council and Warwick District Council landholding (subject to Woodland Carbon Code accreditation).

# 5 Question 6.5

## How and when will appropriate guidance be provided on the detail, management and application of such an ‘offsetting fund’?

5.1 The production of appropriate guidance has already commenced through the Warwickshire Ecosystem Services Trading Protocol (WESTP), which includes the mechanism for carbon offsetting and trading. Evidence to support the development of this protocol relating to the setting of carbon trading, is included in the Natural Environment Investment Readiness Fund Report – Warwickshire Carbon and Environmental Markets [EXAM 5]. This research commenced in October 2021 and was completed with the production of the report in March 2022.

5.2 The WESTP will be prepared for initial consultation in April 2023. It will be an annex to the Warwickshire, Coventry and Solihull Green Infrastructure Strategy (WCSGIS) that is currently being refreshed since its original publication in 2013.

5.3 The WCSGIS is an evidence base document that underwent consultation in accordance with Warwickshire County County’s statement of community involvement protocols and procedures and was subsequently adopted by all Local Planning Authorities (LPAs) within the sub-region. The strategy is governed by the LPAs and endorsed by the Local Nature Partnership. The WCSGIS covers biodiversity, landscape and accessibility concerns within the subregion including Biodiversity Net Gain (aka Biodiversity Offsetting).

5.4 The WESTP will detail how nature based solutions will be made available to compensate for developmental and other impacts within local authority regulatory functions. It will include principles and rules for the creation and enhancement of habitat by landowners in order to be traded as compensation units.

5.5 The WESTP utilises 10 years' knowledge and experience Warwickshire County Council has gathered in establishing and regulating the Warwickshire, Solihull and Coventry Biodiversity Net Gain market.

5.6 A Warwickshire Carbon Market will mirror this BNG Market where habitat creation is secured and monitored through section 39 Wildlife and Countryside Act legal agreements and/or, in the future, Conservation Covenants. In addition, nature based compensation will be secured and monitored through planning conditions and/or obligations.

5.7 The WESTP will mandate that all compensation sites will need to be registered through the Woodland Carbon Code (or other future government accredited codes) with additional local requirements as outlined within the Natural Environment Investment Readiness Fund Report – Warwickshire Carbon and Environmental Markets (NEIRF Report) [EXAM 5]. These include the need for woodland creation schemes to adhere to the appropriate

Landscape Character Guidelines; cover the creation and maintenance of woodlands for a period of 100 years; and that development contributions must cover at least 90% of the creation and maintenance costs for this 100 years period. It is the LPA's intention that all compensation activity with the sub-region will need to be made available on an online platform to aid transparency.

5.8 In conclusion, guidance on the offsetting fund is forthcoming in the upcoming Warwickshire Ecosystem Services Trading Protocol (WESTP). The WESTP is supported by evidence on the feasibility and viability of a carbon ecosystem service market as outlined in the NEIRF, and based on the Council's experience on delivering the biodiversity offsetting within the county. The offsetting fund is therefore established on the same principles and mechanisms in existence and can be delivered concurrently to the NZC DPD.

5.9 In the event that developers choose to offset residual carbon emissions through a verified scheme, NZC2(C) makes clear that these schemes would need to meet the WESTP.

# 6 Question 6.6.

## What will be the relationship between the 'carbon offsetting fund' and any existing CIL Funding mechanism that is in place?

6.1 Contribution to the offsetting scheme will be secured through Section 106 Agreement. Any CIL charge applicable to development is separate to the contribution made to the offsetting fund, this is because NZC2(C) requires offsetting to ensure that new development accords with NZC1 and is net zero carbon in operation.

6.2 For the avoidance of doubt, S106 is the legal mechanism to address matters necessary to make a development acceptable in planning terms, and this is why it would create a separate fund to any CIL contributions from the development.

# 7 Question 6.7

## Does Policy NZC2(C) and its requirements have any unacceptable impacts on development delivery, including housing?

7.1 Policy NZC2(C) will not have any unacceptable impact on development delivery. The use of the offsetting mechanism will enable development that cannot achieve net zero carbon emissions (regulated operational energy) on site to be delivered while complying with the net zero carbon target via an offsetting contribution. This has precedent in several Local Plans as identified in the evidence base [SUB 5, page 14]. It should be noted that the flexibility offered by this offsetting mechanism, albeit only applicable where it is demonstrated that a development cannot demonstrate that it is net zero carbon, is considered to improve the overall impact of the DPD on viability and therefore on housing delivery, especially given that cost impact estimations (made to inform the viability assessment) indicate that the cost of offsetting residual regulated carbon to zero (taking into account grid carbon reductions in a development's 30-year lifespan) is currently lower than the cost of adding additional solar panels to achieve that same carbon reduction. This cost uplift, in combination with that of NZC1, NZC2(A) and NZC2(B), has been viability tested and found not to have unacceptable impacts on housing delivery (see response to Matter 3).

7.2 The offsetting mechanism and calculation is clear and transparent with the contributions collected through a S106 agreement. Major development schemes will likely already be subject to a S106 agreement and a template unilateral agreement is expected to be prepared for minor development schemes. The policy also allows for situations where offsetting to net zero is not viable, requiring offsetting to the greatest extent viable.