Next Generation Budgets

How Scotland Is Mobilizing Finance for Nature

Scotland, United Kingdom

Population:
5,546,900 (2024)

GDP:
£209,559 billion (2024)

Targets

- Net zero emissions of all greenhouse gases by 2045
- "Nature Positive" by 2030
- Restore and regenerate biodiversity across the country by 2045

The Challenge: Unlocking investment at scale

- We're all reliant on the air, water, soil, plants and living things that make up our natural capital. We need to recognise the value of this natural capital which makes a significant contribution to our economy and our work to restore and improve our natural environment. This is a public and private responsibility.
- Investment in restoring and protecting Scotland's natural environment is essential if we are to address the nature and climate emergencies at the pace and scale required. We cannot rely on public funding alone. It's vital that we unlock private investment to help us restore our natural capital and direct it towards nature-based solutions. The Scottish Government is committed to ensuring that public and private investment in natural capital is responsible, contributes to a just transition, benefits communities and achieves robust environmental outcomes.

At present, most private investment in Scotland's natural capital flows through the UK's Scottish Government endorsed Peatland Code (PC) and Woodland Carbon Code (WCC). These provide sustainable frameworks to land managers seeking to generate and sell carbon credits from woodland creation and peatland restoration projects. Since its launch in 2011, the Woodland Carbon Code has helped to create nearly 36,535 hectares of new woodland across Scotland, with a planned carbon dioxide removal of 14.8 million tonnes. Whereas the Peatland Code's 313 Scottish projects are predicted to prevent 8.36 million tonnes of CO_2e emissions over their lifetimes.

However, there are many habitats in Scotland that currently do not have a market mechanism for attracting high-integrity private investment. Access to a broader range of codes and standards – beyond ecosystem or habitat specific carbon codes – will be important for supporting delivery of the Scottish Biodiversity Strategy's vision of a nature positive future across all of Scotland's land, rivers and seas.

> Scotland's natural environment is central to our identity, economy, and communities. Working together with partners, we're creating **high-integrity opportunities for private investment** in nature restoration – building on **Scotland's pioneering track record** of promoting responsible, values-led investment in our natural capital.

Gillian Martin, Cabinet Secretary for Climate Action and Energy, Scottish Government

What are biodiversity credits (also known as 'nature credits')?

Biodiversity credits are tradeable units that represent measurable, independently verified improvements to nature - such as healthier species, ecosystems or habitats - generated over a defined period. They enable organisations to invest in positive biodiversity outcomes, much like carbon credits allow companies to offset emissions. As demand grows, these credits can help unlock significant private capital for nature-positive action. To find out more, take a look at the full World Economic Forum definition.

The solution: A new ecosystem restoration code to unlock private investment

In January 2025, the Scottish government launched a project to develop an Ecosystem Restoration Code (ERC) - a mechanism for issuing high-integrity 'nature credits'. Developed by the Scottish Government and NatureScot, Scotland's nature agency, the new code will:

- Issue biodiversity credits based on verified improvements of ecosystems through land restoration programmes. Ultimately, these credits could be sold to private companies or individuals to meet their own biodiversity targets, therefore meeting demand from corporates seeking to manage their biodiversity risks, offset development impacts, or deliver supply chain resilience.
- Be applicable to many of Scotland's habitat and land system contexts beyond woodland and peatland.

The Government is considering next steps for developing the ERC in 2026.

Why it matters: potential impact

The economic value of Scotland's nature capital is significant – it's estimated that around £40bn of annual economic value and roughly 255,000 jobs are provided by industries dependent on natural capital. The ERC is likely to be most applicable to larger nature restoration programmes and projects that support the conservation and restoration of ecosystem functions at scale.

It's estimated that ERC projects will work across different ecosystems and populations of wild species. The threshold for "large scale" projects is currently anticipated to be those that are more than 200 hectares in size. Such projects could reach the necessary scale on their own or by working together in a coordinated programme of neighbouring projects with shared ecological management goals.

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