



Natural Capital and Land: Recommendations for a Just Transition

Natural capital is the renewable and non-renewable stocks of natural assets, including geology, soil, air, water, and plants and animals that combine to provide benefit to people.

Scotland has an opportunity to attract significant investment into its land and natural capital. Doing this in a fair and effective way is key to making a just transition to net zero.

Our [research](#) shows that carbon and natural capital are an increasing influence in Scotland's rural land market, driving new motivations for land purchases and contributing to rising land values.

To ensure this investment and value in Scotland's land is managed responsibly and provides benefit for all, communities need to be able to engage, influence and participate in the market and the financial and wider benefits need to be shared fairly.

If action is not taken to actively shape the market, we risk greater concentration of the ownership and benefits of land. Individuals, local businesses, farmers and communities will find it harder to take part in the land market, decision making and sharing in the benefits.

The Scottish Land Commission has made recommendations to shape the land market and emerging natural capital markets in the public interest. The recommendations set out regulatory reforms alongside changes in culture, practice and policy to ensure the long-term benefits of natural capital are shared fairly.

This can be done in three ways:

- **Making the markets work better** – Shaping market frameworks and putting in place regulatory steps to help the land and natural capital markets work better
- **Realising the opportunities on the ground** – New models of governance and leadership to realise the opportunities for participation and engagement
- **Influencing behaviours** – Using fiscal and tax policy to influence behaviour within the markets.



Making the markets work better

To create the conditions for the land and natural capital markets to function well, we recommend:

Recommendation 1

Addressing the effects of concentrated land ownership by implementing the measures proposed in the Commission's earlier [advice](#):

- Introducing a public interest test at the point of large-scale land transactions
- An obligation to prepare and engage on a management plan for large land holdings
- Strengthening implementation of the Land Rights and Responsibilities Statement through increased statutory weight and a review mechanism.

Recommendation 2

A requirement for prior notification of intended sales for land holdings above a size threshold with good practice guidance to support voluntary prior notification where appropriate.

Recommendation 3

Regular land market reporting that brings together quantitative data with market insight.

Recommendation 4

In establishing market design for carbon and other natural capital markets consideration is given to:

- Standardisation and transparency in measurement, accreditation and pricing
- Buyer verification to ensure land is not used to offset avoidable emissions
- Embedding community benefit requirements as a condition of market participation
- Independent oversight to monitor compliance and keep the risks and benefits under review.



Realising the opportunities on the ground

Using new models of governance and leadership to realise the opportunities for participation and engagement, we recommend:

Recommendation 5

Supporting collaborative ownership and governance structures for land and investment in natural capital by:

- The public estate developing collaborative governance models within the public land holding
- The Commission and Crown Estate Scotland collaborate to pilot community-led land acquisition that brings together aspiring community owners, finance sources and Crown Estate Scotland's land acquisition capability to explore governance options
- Re-establishing the Community Land Ownership Leadership Group to develop the opportunities for more strategic alignment in financing community and collaborative land acquisition.

Recommendation 6

Giving traction to the Land Use Strategy and the forthcoming just transition plan for agriculture and land by empowering Regional Land Use Partnerships to align land use priorities.



Influencing behaviours

To influence behaviours through fiscal and tax policy, we recommend:

Recommendation 7

The targeting of public finance for land use is kept under review to maximise public value by:

- Adjusting the way public grants are targeted
- Setting increased expectations for responsible practice expected in return for public finance.

Recommendation 8

Consideration is given to the role of taxation in securing public value from the emerging financial value associated with carbon and natural capital. The Commission has published more specific [advice](#) on taxation and land reform.

Our recommendations set out ways to shape both Scotland's land and natural capital markets that help deliver on the Scottish Government's land reform programme and its commitment to establishing high integrity, values-led natural capital markets.

The new influence of carbon and natural capital has shone a fresh light on the underlying pattern of land ownership and governance in Scotland. Our recommendations address not just the risks and opportunities of the immediate changes but how the ways we own and manage Scotland's land can adapt to other new influences, investment and value in future.



Read the full 'Natural Capital and Land: Recommendations for a Just Transition' [here](#).