

**Guidance on demonstrating financial additionality  
using the WCC Cashflow Spreadsheet**

**Version 2.1**

**Vicky West**

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## 1. Introduction

The WCC Cashflow Spreadsheet can help you to understand the costs of involvement in the Woodland Carbon Code and the potential carbon income for your project (if you are planning to sell carbon units) or the cost savings of buying carbon elsewhere (if you are generating your own carbon units rather than planning to sell them). It can also help you to demonstrate financial additionality.

Additionality is considered differently depending upon whether you already own land and are changing the landuse to woodland, or you are investing in new land to create woodland.

**If you already own land and are changing landuse**, then compare two scenarios:

- **Baseline Scenario:** Net Present Value (NPV) of the current (non-woodland) landuse
- **Woodland Scenario:** Net Present Value of woodland creation

If the NPV of woodland creation is negative without carbon funding, or the NPV of woodland creation is less than the NPV of the current landuse without carbon

funding, then your project is additional. *In this case you are showing that woodland creation could be profitable but less so than grazing or other non-woodland landuse.*

**If you are investing in land to create woodland** then just look at the one scenario:

- **Woodland Scenario:** Net Present Value of woodland creation

If the NPV of woodland creation is negative without carbon funding, then your project is additional. *In this case you are showing that woodland creation is not profitable at all on this site.*

The remainder of the document explains how to complete the Cashflow Spreadsheet. There are three tabs to consider:

- 1) Carbon Cost and Income
- 2) Baseline/Current Landuse Scenario
- 3) Woodland Scenario

When completing the sheets remember that:

- Costs and income should be set out for the duration of the carbon project (if you are claiming the carbon sequestration over 100 years, then for 100 years).
- Costs and income should be entered in the year(s) in which they will likely occur.
- Costs and income should be in current prices (so don't add inflation for later years)

## 2. Carbon Cost & Income sheet

This tab calculates the carbon income from your project, and the costs of involvement in the Woodland Carbon Code. These will feed automatically into your Woodland Scenario cashflow sheet.

- 1) Copy and paste the relevant 'PIU table' from your WCC Carbon Calculation Spreadsheet into the 'Carbon Cost & Income' tab of the WCC Cashflow Sheet (Paste into columns B-G – Use 'Paste Special' and only copy in as text).
- 2) Answer the questions at the top (Row 2):
  1. A) Whether you are applying for the [Woodland Carbon Guarantee](#) (in England), and if so, B) whether you're wanting to verify/claim every 5 or every 10 years.
  2. Your expected price per carbon unit/tCO<sub>2e</sub>. *If you plan to sell carbon units, enter the price you hope to achieve. If you plan to use the carbon units against your own business' emissions in the future, enter the price you would otherwise have to pay to buy carbon units on the open market.*
  3. Whether you are planning to sell your carbon upfront or over time/once verified.
  4. Your anticipated costs for validation, survey work and verification.
  5. The project duration (the length of time you'll claim & monitor carbon sequestration).

- 3) The spreadsheet shows:
- a. Gross expected carbon income by vintage (time period) over the lifetime of the project (Columns J & K)
  - b. Expected costs of involvement in the Woodland Carbon Code (Columns N-S)
  - c. Net expected carbon income by vintage over the lifetime of the project (Columns V-X)

This summary carbon cost/income sheet can help you to decide the duration of your project/how long you wish to claim carbon for. You may wish to stop claiming carbon income at the point that the growth of your trees slows down, and paying for further verifications becomes uneconomical.

### 3. Current Landuse Scenario sheet

***For projects where you already own the land and are changing the landuse to woodland,*** this tab calculates the Net Present Value of the current landuse to compare with the Net Present Value of woodland creation.

#### **Basic details:**

Enter basic details (e.g. the project name, current landuse, start year and gross area) in cells D1-6.

#### **Costs: (Rows 18-37):**

Enter all costs associated with the current landuse; enter the type of cost in column B and the amount of cost in the relevant year over the duration of your carbon project.

#### **Income: (Rows 41 to 50):**

**Grant income** (rows 41-45): Enter any grants (such as Basic Payment Scheme) that you currently receive under the current landuse scenario.

**Other income** (rows 46-50): Enter any other income that you receive (such as from the sale of products).

**Note:** If you only have a 'net income' figure available, put this in an 'Income' row and label clearly. If you only have an annual average income figure, put the same figure in each year if you think you would continue to receive this income if not planting woodland.

#### **Net Present Value of current landuse:**

The Net Present Value of the current landuse is shown in cell M4.

Use the 'Further Details' tab to note any assumptions you have made. You will need to copy the Net Present Value of the Current Landuse into your Project Design Document.

#### 4. Woodland Scenario sheet

This tab will calculate the Net Present Value of the woodland creation scenario, with and without the carbon income/costs. This tab should be used for all projects to work out the net income from woodland creation.

***For applicants who purchased land to create woodland only***, include the Land Purchase Price in year 0 in costs, and include a Residual Land Value in 'income' in the final year of the project.

#### **Planting, establishment & ongoing management costs (Rows 18-34):**

Include the direct costs of planting and establishing the woodland. This can include:

- Woodland planting, establishment and management in the first 10 years
- Any forest operations, site maintenance and monitoring after year 10.

If you have the costs individually, then enter them as such, but if an agent charges a fixed fee for a number of costs, then enter this figure and adjust the description.

#### **Woodland Carbon Code costs (Rows 37-38):**

These are automatically completed from the 'Carbon Costs & Income tab' and include:

- Unit issuance fees (PIU issuance and conversion to WCUs)
- Validation and Verification
- Survey work

Optionally, add any other 'project developer' fees if your agent charges a fee to help you with registration, validation and verification (row 39).

#### **Other costs (Rows 41-48):**

Include any other costs associated with the woodland project, including:

- Land Purchase Price (*where the landowner is purchasing land to create a woodland. If the land is purchased for more than one purpose/use then the relevant proportion of the acquisition cost should be included.*)
- Lease or rent where applicable (if you are renting the land)
- Insurance
- Ongoing Management fees
- Thinning or clearfelling operational costs
- Visitor facilities & access management, etc...

#### **Income, grants (Rows 53-57):**

Enter any government grants and subsidies that you will receive if creating woodland (including any planning and capital grants as well as maintenance payments).

#### **Income, carbon (Row 59):**

This is entered automatically from the 'Carbon Costs & Income' tab.

#### **Other income (Rows 60-63):**

Enter any other income, including:

- Thinning or clearfelling income

- Other non-timber product sales
- Other non-government sources (e.g. lottery funds)
- Residual value of standing timber at the end of the project (*Normally only for commercial timber crops*)
- Residual value of the land (*Only if you purchased the land to create woodland and you entered a Land Purchase price*)

### **Net Present Value of the Woodland Scenario:**

The Net Present Value of the Woodland Scenario is shown in:

- Cell M7 for NPV Excluding Carbon
- Cell M8 for NPV Including Carbon

## **5. Does your project pass the investment test?**

If you already own the land and are comparing the current landuse and woodland scenarios, the NPV for woodland creation (excluding carbon) should be less than the NPV for the current landuse, or should be negative, to demonstrate additionality.

If you are purchasing land in order to create woodland, then the NPV for woodland creation (excluding carbon) should be negative to demonstrate additionality.

Use the 'README and Further Details' tab to note any assumptions you have made. You will need to copy the Net Present Value of the Woodland Scenario (excluding and including carbon) into your Project Design Document.

## **6. Contribution of carbon finance test**

For the woodland scenario, the expected carbon income over the project lifetime should equate to at least 15% of the project's planting and establishment costs up to and including year 10.

<b>Test 2</b>	
% Carbon Finance:	19%

Look at the figure in cell M2 of the Woodland Scenario sheet. If this is  $\geq 15\%$ , then the test is passed. You will need to copy this figure into your Project Design Document.

## **6. Future updates to guidance**

In the near future we will provide further guidance to help project developers:

- Assess the starting valuation/purchase price
- Assess the end valuation (where land was purchased)
- Assess the value of the standing timber crop
- Assess the net present value of the current non-woodland landuse