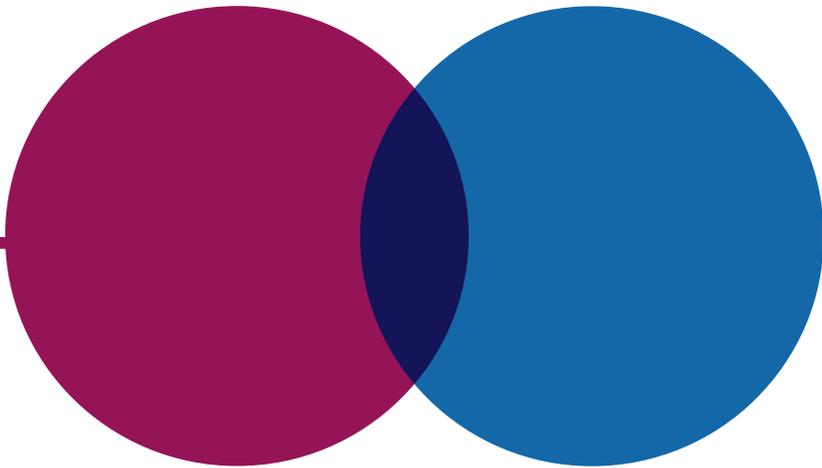




National Audit Office



REPORT

The Nature for Climate Fund

Department for Environment, Food & Rural Affairs

SESSION 2024–2026
23 MARCH 2026
HC 1743

Key facts

14.9%

of land area in England is covered by trees, of which 10.2% is woodland – this is one of the lowest in Europe

80%

of peatland in England is in dry or degraded condition – this results in greenhouse gas emissions, currently estimated to be about 2% of England's total annual emissions

The government wants to increase the amount of land covered by trees and improve the condition of peatland, to support its ambitions for net zero and environmental improvement. To support this, the Department for Environment, Food & Rural Affairs (Defra) set up the Nature for Climate Fund Programme (the Programme).

From 2020-21 to 2024-25, the Programme delivered:

6,324 hectares of tree planting directly funded by the Programme in 2024-25 – this was the highest annual total directly funded by the Programme (84% of the 7,500 hectares of new tree planting a year by 2024-25 target). Overall total planting in England that year was 7,162 hectares (95% of the target).

15,268 hectares of tree planting directly funded by the Programme – this was 53% of the Programme's cumulative target of 28,728 hectares for tree planting for the period. Total tree planting in England was 21,186 hectares (74% of the target).

23,526 hectares of restored peatland – this was 67% of the Programme's cumulative target of 35,000 hectares for peatland restoration for the period. Total peatland restoration in England was 26,426 hectares (76% of the target).

The Programme:

spent £707 million, an underspend of 24% against its allocated funding of £924 million from 2020-21 to 2024-25.

was expected, in its 2021 business case, to achieve benefits equivalent to £5.10 for every £1 spent from 2020-21 to 2024-25, which Defra categorised as very high value for money. Defra does not yet know if this has been achieved for the full period with a final evaluation due in 2026. It is working to improve its monitoring of key benefits such as carbon capture and emissions reduction, improved air quality, biodiversity and wellbeing for people.

was extended by one year for 2025-26 while Defra decided how to fund and deliver future tree planting and peatland restoration activities. Defra provided a further extension for the Nature for Climate Peatland Grant Scheme for 2026-27 and is currently developing plans for tree planting to 2030.

Summary

- 1** Healthy trees and peatland reduce greenhouse gas emissions to the atmosphere by capturing and storing gases, such as carbon dioxide. This makes them important contributors to achieving the government's statutory target of net zero greenhouse gas emissions by 2050. Trees and peatland also provide other environmental and social benefits, such as – increased biodiversity, soil conservation, flood risk alleviation, recreational opportunities that support mental and physical wellbeing, and economic opportunities.
- 2** In 2022 (the latest data available), tree canopy covered 14.9% of England's land area. For woodland only, the figure is 10.2%, much lower than other countries in Europe such as France (32%), Germany (33%), Italy (33%) and Spain (37%). Peaty soils covered around 8.5% of England's land area. Natural England has estimated that around 80% of these peatlands are in dry and degraded states, resulting in them emitting greenhouse gases into the atmosphere, currently estimated to be about 2% of England's total annual emissions.
- 3** The government's Environment Improvement Plan 2023, and update in December 2025, set out the government's long-term targets for tree planting and peatland restoration established under the Environment Act 2021. These are to, by 2050, increase tree canopy and woodland cover to at least 16.5% of total land area, and restore approximately 280,000 hectares of peatland.
- 4** The Department for Environment, Food & Rural Affairs (Defra) has overall responsibility for forestry and peatland policy in England. Defra announced the Nature for Climate Fund Programme (the Programme) in March 2020 to provide funding for tree planting and management, and for peatland restoration, in England. The Programme's senior delivery partners are the Forestry Commission, which is responsible for protecting, expanding and promoting sustainable management of woodlands, and Natural England, which delivers the Nature for Climate Peatland Grant Scheme.

5 As well as its senior delivery partners, the Programme's activities rely on participation from a range of other delivery partners and stakeholders including:

- community forests (which work with local communities, landowners and businesses to create woodland and plant trees near towns and cities) and other forestry stakeholders;
- peat partnerships (involving National Parks, National Landscapes, environmental charities and other groups who work with landowners to restore peatland);
- landowners;
- local authorities; and
- third-sector organisations.

6 Defra set the Programme headline targets to plant 28,728 hectares of trees and restore 35,000 hectares of peatland from 2020-21 to 2024-25, and to reach tree planting rates of at least 7,500 hectares per year by 2024-25. To support implementation, the Programme established projects to develop sector capacity, and in 2021 Defra published action plans for trees and peat in England. Defra intended for the Programme to test different approaches to funding and delivery, including blending public and private finance. Defra initially set the Programme up to run for five years (2020-21 to 2024-25), in which time it spent £707 million of its £924 million budget. Defra extended the Programme for one year for 2025-26.

Scope of the report

7 This report examines what Defra and its delivery bodies have achieved through the Programme, now that the funding period has ended. It follows our 2022 report *Planting Trees in England* which provided an early evaluation of Defra's management of the tree planting elements of the Programme.¹

8 We assess:

- progress against the Programme's targets for increasing tree planting and peatland restoration, and its objectives for delivering wider benefits;
- how Defra set up the Programme; and
- the barriers that remain for maximising participation in tree planting and peatland restoration activities.

¹ Comptroller and Auditor General, *Planting Trees in England*, Session 2021-22, HC 1140, National Audit Office, March 2022.

9 Tree planting and peatland restoration received further government funding up to 2030 as part of the 2025 Spending Review, and a significant increase in activity will be needed for the government to achieve its 2050 targets and wider environment and climate ambitions. This report includes recommendations to support Defra and its delivery bodies to identify learning that will help set up future programmes for success and reduce barriers to participation.

10 This report focuses on setup and delivery at the programme level and does not assess the relative success of individual projects and schemes within the Programme.

Key findings

Progress against the Programme's objectives

11 A slow start and less demand than expected resulted in the Programme underspending by 24% over the initial five years. Early capacity limitations and delays approving grant schemes meant the rollout of schemes was slower than planned. This slow start, combined with late cancellation of some grant schemes and lower demand for grants than Defra anticipated, resulted in the Programme underspending. From 2020-21 to 2024-25, the Programme spent £707 million against its £924 million total budget allocation; an underspend of £217 million (24% of budget). Annual underspends reduced in later years, which Defra told us was due to improved financial management and switching funding to more successful elements of the Programme (paragraph 1.4 and Figure 3).

12 The Programme led to a substantial increase in tree planting and peatland restoration activities in England. From 2020-21 to 2024-25, the Programme funded 15,268 hectares of tree planting out of a total of 21,186 hectares planted in England over this period. This compares with 7,750 hectares planted in England over the previous five-year period (2015-16 to 2019-20). For peatland, the Programme funded 23,526 hectares of restoration, higher than previous government schemes and historic levels of restoration. Peat partnerships told us the Programme enabled them to substantially increase their restoration activities (paragraph 1.5 and Figure 4).

13 Despite progress, the Programme did not meet Defra's headline targets for tree planting or peatland restoration, and the government will not meet its 2050 targets without a further significant increase in activity. Defra set ambitious targets to put tree planting and peatland restoration on a trajectory consistent with its longer-term targets and recommendations by the Climate Change Committee. Defra considers that the Programme will have also influenced additional activity beyond that which it directly funded.

- Defra set a target to reach 7,500 hectares of new tree planting a year by 2024-25. Directly funded delivery that year was 6,324 hectares, the highest achieved by the Programme, but 84% of the target. Overall total planting in England was 7,162 hectares (95% of the target).
- From 2020-21 to 2024-25, the Programme directly funded 15,268 hectares of tree planting (53% of its cumulative total target, or 74% when accounting for all tree planting in England).
- Over this five-year period, the Programme directly funded 23,526 hectares of peatland restoration (67% of its cumulative target, or 76% – 26,426 hectares – when accounting for all restoration activity in England).

In part, the Programme did not achieve its cumulative targets because they were intentionally ambitious and Defra underestimated the scale of the challenge to deliver the rapid land use change required. The government's longer-term targets will require tree planting and peatland restoration to increase to around 9,000 and 10,000 hectares a year respectively (paragraphs 1.6, 1.7 and 1.18, and Figures 5 and 6).

14 Defra is working to improve its monitoring of outcomes and understanding of value for money, and how it can most effectively achieve the intended benefits of future programmes. Defra's 2021 programme business case assessed that – based on target levels of activity – the overall Programme should achieve benefits worth £5.10 for every £1 spent, which it categorises as very high value for money. Defra set the Programme targets for a range of widely recognised benefits of nature restoration, such as carbon sequestration, improved air quality and biodiversity, and public access to woodland. It has an ongoing programme of evaluations and research to monitor the actual benefits achieved. Its estimates do not yet cover the full range of outcomes, or the full five-year period, but it expects to include these in its final evaluation due in 2026. It has also recognised limitations in its current approach due to gaps in data, including tree survival rates and their impact on the eventual tree density, which is essential to achieving the benefits (paragraphs 1.8 to 1.13).

15 Some momentum built by the Programme over the last six years has been lost during a period of uncertainty about Defra’s plans beyond March 2026.

Defra’s original plan was for the Programme to transition into the Farming and Countryside Programme (FCP) in March 2025. This did not happen, in part because of uncertainty over the future structure of the FCP. Defra extended the Programme by one year to 2025-26, and more recently extended the Nature for Climate Peatland Grant Scheme further to 2026-27, and is developing plans for tree planting to 2030. Defra told us the uncertainty was affected by the 2025 Spending Review and internal business planning processes, and that it had looked to provide the delivery partners it depends on with as much certainty as possible. Despite this, several organisations highlighted to us their uncertainty about Defra’s future plans and told us momentum was being lost. Some peat partnerships were also uncertain about Defra’s plans to move most peatland restoration funding to its Landscape Recovery scheme. Uncertainty over future funding mechanisms makes it more difficult for landowners and contractors to make investment decisions with confidence. Continued momentum will be important to support the government’s longer-term targets (paragraphs 1.14 to 1.18).

Setting up the Programme for success

16 Capacity constraints in key delivery bodies affected early progress.

Forestry Commission and Natural England experienced staff shortages during the early stages of the Programme. This contributed to several issues: delayed payments of grant claims; lack of capacity and capability to support stakeholders by, for example, answering queries; and guidance not being in place, particularly in the early stages of the Programme. Vacancy rates reduced over time, although the Forestry Commission told us it is now seeing skills gaps again due to funding constraints (paragraphs 2.2 and 2.3).

17 Defra recognised the capacity of the wider sector as a constraint for tree planting and supported activities to increase capacity, but this remains a risk for future delivery.

Defra set up ‘enabling’ projects that funded training and apprenticeships to increase the forestry workforce. It also provided grants to support investment and innovation in the tree nursery sector. A number of forestry sector stakeholders told us the Programme helped to increase capacity. Defra acknowledges that shortages of forestry skills are a key risk to achieving future tree planting objectives. It published a joint sector plan for 2025–2035 to address existing skills and labour gaps and create a forestry workforce that can meet long-term demand. Peat partnerships highlighted to us increased workforce and activities because of the Programme, but a report commissioned by Natural England in 2025 flagged concerns over contractor capacity (paragraphs 2.4 to 2.6 and Figure 7).

18 Defra considers carbon reduction and biodiversity to be equally important aims of tree planting because both outcomes contribute to statutory targets.

The benefits of tree planting differ depending on the type of tree, its location, and how it is planted and looked after. Defra's programme business case set out the benefits it expected the Programme to deliver through tree planting, including carbon sequestration, improving biodiversity and flood prevention. Defra told us it had looked to develop a balanced programme in line with UK forestry guidance and provided incentives for certain types of planting. Budget underspends mean Defra has not needed to actively prioritise between different objectives. Future tree planting may require clearer prioritisation between carbon sequestration and timber production, for which conifer planting is most effective, and wider environmental and societal benefits, for which broadleaf planting is most effective. In the 2024-25 planting season, only 12% of trees planted were conifers compared with an ambition of 30% to support the government's wider statutory targets for net zero and biodiversity (paragraphs 2.7 to 2.9).

19 There are examples where the Programme's objectives risk being undermined by a lack of wider policy alignment.

Tree planting or restoring peatlands are among many options that landowners have over how they use their land, and the government has not set clear priorities for land use, which creates uncertainty for landowners. The previous government initially promised to publish a Land Use Framework in 2023 and the government now expects to publish in 2026. The lack of clear vision and priorities also creates tensions between these activities and other government aims, such as food production, renewable energy generation or house building. There are tensions in specific areas; for example, peat partnerships told us applications to build onshore wind turbines on upland peatland have increased, which could damage the peatland. Forestry sector stakeholders also told us the value for money of planting trees is undermined by large deer populations that can eat saplings, and the lack of a deer management strategy until February 2026. Defra told us it has supported the forestry sector to help manage deer through grants for fencing and a dedicated team of Forestry Commission Deer Officers (paragraphs 2.10 to 2.12).

Reducing barriers to participation to increase delivery in the future

20 Defra, Natural England and the Forestry Commission's positive approach to stakeholder engagement helped identify issues and improve the Programme over time.

Defra, Natural England and the Forestry Commission convene regular forums with grant recipients that offer an opportunity to provide feedback. Peat partnerships and forestry sector stakeholders told us Natural England and the Forestry Commission built good relationships, improved engagement over the Programme and demonstrated willingness to respond to feedback. For example, Natural England introduced dedicated officers to support claims and payments early on as well as interim payments for the third year to help peatland grant recipients manage cashflow challenges. The Forestry Commission introduced a fast-track application process for the England Woodland Creation Offer, amended payment rates to better reflect the costs incurred by landowners on some schemes, and adjusted criteria for innovation projects, which improved uptake (paragraphs 3.3 to 3.5).

21 Defra has started using evaluations and research to reduce barriers to participation and learn lessons for future programmes.

Defra's and Natural England's evaluation processes have allowed them to make improvements to reduce barriers to participation, such as streamlining the number of different grants. It has also informed their understanding of the effectiveness of different approaches to funding and delivery. Defra funded small-scale pilot projects, delivered by Natural England and the Environment Agency, to explore options to improve water management and to support more sustainable land-use activities in lowland agricultural peat regions (high greenhouse gas-emitting areas where peatland restoration and improvement activities are expected to increase). From 2020-21 to 2024-25, Defra also invested £16.6 million in forestry research to explore, for example, tree planting methods to aid expansion, resilience provided by trees, and wider benefits such as economic opportunities. Defra hosted a conference in 2025 to disseminate findings to practitioners, but it is not yet clear how its findings will be informing future forestry operations (paragraphs 3.6 to 3.10).

22 The Programme had limited success leveraging private finance for tree planting and peatland restoration. When launching its Green Finance Strategy in 2023, the government set an overall target to achieve at least £500 million a year in private investment for nature recovery by 2027. The potential for carbon capture and other benefits from trees and peatland take time to accrue and can be difficult for private investors to generate revenue from. Defra set the Programme an objective to improve the future financial sustainability of woodland creation and peatland restoration by increasing private sector investment. The Programme delivered some examples of privately financed activities, and Natural England estimates that around £11 million may have been secured by peat partnerships from 2020-21 to 2024-25 in match-funding for peatland restoration against its £13.1 million target. Defra considers that the foundations are now in place to make more progress in future, including through new schemes such as the Woodland Carbon Purchase Fund. However, it recognises that barriers remain for investors, particularly due to complexity and perceived risks of uncertainty and payback rates and timescales. The ability of projects to access private finance remains highly variable (paragraphs 3.11 to 3.16).

23 There are opportunities for Defra to further reduce barriers to participation.

Tree planting and peatland restoration activities are demand-led, and there are opportunities to reduce barriers to increase participation from landowners.

- High upfront costs can be off-putting and have led to some landowners splitting tree planting applications into smaller applications to make them manageable. For the Nature for Climate Peatland Grant Scheme, Natural England introduced 'discovery grants' that funded exploratory work, which have helped peat partnerships overcome planning cost barriers and allowed a pipeline of projects to be created.
- There are multiple grants on offer through the Programme and other schemes, which can provide flexibility for applicants but have created complexity for landowners in deciding which grant might be most suitable.
- Forestry sector stakeholders told us the burden of application processes can be substantial, involve duplicated requests for information, and is not always proportionate to the regulatory requirements in place (paragraph 3.17).

Concluding remarks

24 The Nature for Climate Fund Programme successfully instigated a step change in tree planting and peatland restoration activities in England. However, it did not achieve its headline targets, in part because they were intentionally ambitious, and because key enablers such as sufficient capacity, clear guidance and sector skills took time to develop. The government's future targets for tree planting and peatland restoration remain ambitious and require a further step change in activity if they are to be achieved. In using the Programme as an opportunity to test different approaches, Defra has identified aspects that can encourage effective delivery. Defra and its delivery partners must apply this learning to maximise participation and increase delivery in future schemes. This includes identifying factors that can help leverage private investment for nature restoration, if Defra is to meet the government's expectation that private finance will increasingly support these activities.

25 It will also be important for Defra to make further progress in measuring the beneficial outcomes that tree planting and peatland restoration are achieving to be able to assess and maximise the value for money of its future activities. This includes continuing to improve its monitoring of outcomes from specific investments, to inform decision-making around how it can best meet its environment and climate commitments and manage trade-offs with other demands on land use.

Recommendations

26 We set out recommendations to help Defra deliver value for money from its ongoing investment in tree planting and peatland restoration activities. Defra should take the following actions.

- a Further improve its monitoring of intended beneficial outcomes from its investment in tree planting and peatland restoration activities.** This would support assessments of value for money and better-informed investment decisions. It should:
- continue building on its existing monitoring frameworks to inform its modelling and measurement of delivery against its targets for beneficial outcomes from tree planting and peatland restoration; and
 - support those delivering projects to capture necessary information against these frameworks, for example through use of efficient, digital technologies and by ensuring information requirements are comprehensive at the start to avoid later requests for data which have not been collected. Where there are gaps in current data, such as species mix, it should assess the costs and benefits of including these in future tree planting programmes.
- b Ensure there is a process to prioritise across different tree planting objectives if and when required in future programmes.** For example, between carbon reduction, timber production and nature improvements. This would help inform which delivery approaches and mechanisms are most appropriate.

- c** **Take a more proactive approach to managing tensions between the government's ambition to restore nature and other policy objectives that are putting development pressure on peatland and woodland.** This should include working with other government departments to resolve tensions where policy responsibility is outside of Defra, such as housing development and renewable energy generation.
 - d** **Use its monitoring of progress towards long-term targets for tree planting and peatland restoration by 2050 to make an ongoing assessment of whether they remain realistic.** If targets are not achievable, Defra should reset them and set out the implications for achieving net zero by 2050.
 - e** **Ensure delivery capacity is aligned with tree planting and peatland restoration targets. It should:**

 - ensure capacity in delivery bodies is sufficient to deliver its targets for tree planting and peatland restoration to 2050;
 - continue to identify and support enabling activities that help build capacity and skills in relevant wider sectors, including contractor capacity; and
 - ensure learning from its enabling projects to-date is used to inform implementation of the Forestry Sector Skills Plan for England.
 - f** **Where possible, reduce uncertainty for delivery partners and wider stakeholders, particularly during transition periods.** This should include clarifying detailed plans and schemes for future peatland restoration and tree planting schemes to 2030 as soon as possible to maintain momentum. It should also look to ensure transition planning is built into all future programmes – not only tree planting and peatland restoration – where long-term certainty is important for capacity building and delivery.
- 27** Defra is currently planning how tree planting and peatland restoration activities will be taken forward in future. Defra used the Programme to test different approaches. It should now take the opportunity to apply learning from the Programme to its design of future schemes, including doing the following.
- g** **Maximise learning from research projects and innovative pilot schemes.** This should include ensuring rigorous approaches to evaluation and mechanisms for sharing and disseminating learning, within Defra and its arms-length bodies and across the wider forestry and peatland sectors, are in place.
 - h** **Where appropriate, simplify the grant landscape and application processes for tree planting and peatland restoration schemes.** This is important to make grants understandable and accessible, to reduce barriers to participation.
 - i** **Create the right conditions to attract private investment in nature restoration activities.** For example, this could include greater clarity and certainty around long-term objectives, having a consistent and credible pipeline of planned activity, and supporting development of new carbon markets.