ALDERSGATE GROUP
LEADERS FOR A SUSTAINABLE ECONOMY

BRIEFING

MAKING THE NATURE RESTORATION FUND WORK FOR BUSINESS AND THE ENVIRONMENT

DECEMBER 2025

Introduction

Delivering new homes, energy and transport infrastructure will drive economic growth, while restoring the natural environment will make that growth resilient and inclusive. Meeting these objectives calls for a holistic and joined-up solution, requiring elements of land use change and strategic planning. New infrastructure and housing can and must be delivered alongside the UK's commitment to reverse the decline in nature.

The UK government has sought reform through the Planning and Infrastructure Bill, intended to accelerate development. Part 3 of the Bill includes the creation of a new 'Nature Restoration Fund' (NRF). This is a novel strategic approach to mitigating the environmental impacts of development, intended to simplify environmental compliance for developers and deliver large-scale nature restoration.

The NRF creates an opportunity to implement a planning framework which benefits both development and nature, while supporting government commitments to encouraging private investment in nature and strategic land-use policies. With the legislative process nearing completion, the government will shift its attention to implementation. This briefing sets out key considerations to make implementation of this new approach a success.

This briefing sets out the case for a strategic approach to nature and development and considers the role the NRF can play as part of delivering this, including potential risks or unintended consequences. It is informed by a workshop and insights from the Aldersgate Group's cross-sectoral

membership, a politically impartial alliance of businesses, academic and civil society organisations, which champions action for an environmentally sustainable economy. Our corporate members agree that ambitious environmental policies make clear economic sense for the UK.

Beyond planning reform, further action is needed from government to deliver housing, infrastructure and nature recovery. This includes addressing skills shortages and supply chain constraints, adequate resourcing at local authorities and regulators, access to high-quality data and digital systems for land use decision-making, development of robust nature markets and alignment with water sector reforms.

Recommendations

01

The government must set out a clear roadmap for implementation of the NRF to provide certainty and clarity for businesses and environmental stakeholders. The roadmap should favour an iterative and collaborative approach, include the location and timelines for the first Environmental Delivery Plan (EDP) and plans for governance and delivery mechanisms. The roadmap should also highlight join-up with other policies affecting land use, water management and nature recovery. The current lack of information on implementation is creating uncertainty, which is having a chilling effect for developers and nature markets.

02

The NRF must deliver a genuine step change in ambition for nature in the built environment sector. It should support the sector in contributing proportionately, fairly and effectively towards the UK's goals for nature and the marine environment. By taking a more strategic approach where appropriate and addressing diffuse impacts at landscape-scale, the NRF can support the transition towards nature-positive development. Success will depend on interventions continuing to be aligned with the mitigation hierarchy[1] and avoiding irreversible losses of valuable habitats and species.

03

The novel EDP approach should only be used where ecologically effective and appropriate. This is currently the case for nutrient neutrality, water quality, water resources and air quality. The government must provide certainty that EDPs will not be developed where ecologically inappropriate.

04 The government must set out **how the NRF will work with and interact with the private sector and nature credit markets.** The NRF could play a role as an aggregator of demand for the nature restoration sector and markets but only if designed to complement and not undermine Biodiversity Net Gain (BNG), the Carbon Codes, and other public and private expenditure on nature.

05 Administrators of the NRF must embrace a **culture of continuous learning**, which will require cultural change at the relevant authorities. By embedding evaluation, monitoring and lesson learning, the NRF will be well placed to embed an iterative approach, improve delivery over time and manage potential risks.

06 **Appropriate and effective governance structures, resources, digital and data infrastructure and partnerships** are required for the NRF to succeed. This includes frameworks to mediate trade-offs between nature, development and local voices. More detail is set out throughout this briefing on key actions to build the foundations of the NRF.

07 The NRF is just one part of the nature policy landscape. **Public investment and policy clarity** must continue to crowd-in investment to meet national targets. Confident leadership from HM Treasury and Defra can embolden businesses who are looking to be more ambitious.

Why is a strategic approach needed?

1.1 Challenges with the current system

Development faces challenges in the planning system, including shortages of construction and ecological skills, under-resourced local authorities and regulators and lack of standard procedure to fairly balance trade-offs between the need for new housing and infrastructure developments and the needs of communities and the environment.[2] Challenges are not limited to the planning system. For example, with housebuilding, a particular focus for this government, the sector faces challenges such as access to development finance for SME builders, as well as inflation and interest rates. Mortgage lending constraints are said to be limiting the market.[3]

There is no evidence that environmental protections block development.[4] Environmental regulation does introduce a compliance burden, which requires developers to source project-by-project mitigation and meet regulatory requirements, which can introduce additional time or delays to projects. During our research, one large multi-national firm stated that nature only becomes a blocker in a project when they are poorly designed, such as where regulations are not considered from the outset.

In some cases, regulatory compliance is not readily available and can introduce bottlenecks. Nutrient neutrality has been cited as a factor slowing development in some locations in recent years, attributed to the lack of resources at local planning authorities to deliver mitigation at scale.[5] Where effective nutrient credit markets are not yet in place, housebuilders are struggling to secure commercially viable credits for nutrient balancing of phosphates and nitrates. These pollutants are also primarily from agriculture and sewage, resulting in concerns about proportionality.[6,7]

Constrained essential utilities are introducing barriers to development and competition for limited resources. A lack of water availability is known to contribute to delays for housing and commercial projects seeking planning permission.[8,9] Grid connections are another example of competition for access to utilities, cited as a prime barrier for the development of renewable energy infrastructure.[10]

The current system is not delivering for nature recovery. Existing protections and mitigation procedures are supporting the maintenance of the natural environment in its current, depleted state rather than driving improvement. The existing site-by-site approach predates the UK's environmental improvement targets and is not well aligned to deliver efficiency and contribute to a wider nature recovery strategy. The cumulative impacts on nature, which have contributed to a steady loss of biodiversity in the UK, are also overlooked. A more strategic approach would help overcome this disconnect and align planning, land use and other environmental policies with national targets.

1.2 What could a strategic approach achieve?

In June 2025, we asked Aldersgate Group members what a strategic approach to nature and development looks like to them, considering opportunities and challenges. These insights help make the overall case for a strategic approach, including potential benefits and desirable outcomes. Members discussed the risks associated with a policy change and expressed that the government must take care to avoid unintended or negative consequences.

A holistic and strategic approach to nature and development should consider the whole system, from the selection of sites for development, to the mitigation of impact and the optimisation of benefits (i.e. access to nature, increased shading, reduced heat and flood risk). It should also include provisions for longer-term monitoring and management of outcomes and support a nature-positive transition for the built environment sector. This goes beyond the scale and scope of the NRF alone.

Any strategic approach must uphold the existing standards of environmental protection and include the mitigation hierarchy in its design. It will require adequate skills, resourcing and governance. It must also recognise that habitats and species have different characteristics and make space for bespoke, ecologically sound arrangements that work in practice.

A strategic approach to nature and development, emphasising recovery at scale, presents key opportunities to improve outcomes in the following areas:

- **Policy coherence:** A joined-up policy environment can enable nature-positive development, with greater clarity on the role of the private sector and regulators in mitigating impacts and delivering the UK's environmental targets. Making planning reforms work in conjunction with BNG, marine, national and local spatial policies, nature markets, flooding and water policies, will be critical to deliver desired outcomes. The NRF will be one part of this policy landscape, noting that the Land Use Framework (LUF), Local Nature Recovery Strategies (LNRS), Spatial Development Strategies (SDS) all offer opportunities to address nature early in the planning process, to ensure site selection for development is well informed and makes best use of land.

- **Landscape-scale interventions:** The current system of mitigation is not suited to addressing environmental challenges at a landscape scale, or at scales larger than the individual site. A strategic approach should follow the example of ambitious nutrient market projects,[11,12] embracing landscape level interventions that unlock development at the site level while providing nature benefits for a catchment area. The potential of strategic habitat banking and LNRSs must also be explored to realise landscape-level ambitions for nature recovery.

- **Data sharing and infrastructure:** A data strategy would help address some of the factors that create complexity and delays in the planning system. The lack of data sharing, challenges with interoperability and deficiencies in monitoring and evaluation are essential hurdles to overcome. Access to shared data could avoid duplication of environmental assessments and provide better insights into the success (or failure) of nature mitigation efforts. Data sharing could also support better practice over time and streamline the workload of the regulators.

- **Improving nature outcomes:** Strategic mitigation of the impact of developments can contribute to projects of quality and scale, delivering a net-positive impact for nature affected by development. It must seize the opportunity to anticipate development and mitigate impact ahead of time, support habitat connectivity and accelerate funding for nature. Aggregating demand for nature recovery can deliver growth and efficiency to nascent nature credit markets.

- **Valuing natural capital:** Integrating nature into the UK's economic growth strategy is critical for resilient growth. WWF and the Green Finance Institute found that chronic environmental degradation could reduce UK GDP by 4.7% this decade.[13] With the right policy and regulatory frameworks, all sectors of the economy, including developers, could play an important role in delivering the UK's Environment Act targets and "30 by 30" commitment. A strategic approach could help compile evidence on effective approaches and expedite the deployment of public, compliance-related and private sector voluntary investment.

The Nature Restoration Fund

Implementing a strategic approach to nature and development requires consideration of the wider planning, land use, environmental policy and regulatory landscape. The NRF is a new approach from the government, which we believe must be designed to play a part towards an overall shift to a holistic and strategic approach to nature and development. The following section sets out how the NRF could be implemented in this context.

2.1 What do we know about the new Nature Restoration Fund?

The government has set out high level plans for how the NRF will support strategic compliance with environmental protections in Part 3 of the Planning and Infrastructure Bill.[14],[15] The NRF is presented as "a marked change from the existing approach of environmental mitigation which requires offset of impact but no additional benefit".[16] The new fund will be empowered to address environmental impact of development in a strategic manner, funded through developer contributions.

FIGURE 1

HOW THE GOVERNMENT HAS PROPOSED ENVIRONMENTAL DELIVERY PLANS WILL WORK

ADMINISTRATION

Led by Natural England

Working with partners deliver conservation measures set out in EDP.

ENVIRONMENTAL DELIVERY PLANS (EDPS)

An EDP is developed by Natural England and signed off by the Secretary of State (in this case Defra).

Each EDP focuses on a specific feature or features impacted by development and sets out the activities required to comply with regulation.

SCOPE

An EDP can apply nationally, regionally or cover a specific project.

FUNDING

Each EDP will have an individual charging schedule, raising the funds to deliver activities. This is the revenue source for the NRF.

DEVELOPER RESPONSIBILITIES

Where an EDP is in place.

LEGAL DUTIES

Developers can discharge an environmental obligation by making a financial payment, in accordance with the charging schedule of that EDP.

MANDATORY vs VOLUNTARY

Developers will be able to opt-in to use the EDP. The government has suggested that some EDP may be mandatory in exceptional circumstances.

FUNDING

Natural England must spend funds raised by an EDP on conservation measures that relate to the specific environmental feature covered by the EDP, with limited exceptions.

Where there is no EDP in place or the developer has opted out of using the EDP in place, developers must comply with habitats and species regulation as they do currently.

PUBLIC CONSULTATION AND TESTS

PUBLIC CONSULTATION PRIOR TO EDP INTRODUCTION

Mechanism to test market appetite, commercial viability, ecological robustness and other views.

DUTY: BEST AVAILABLE SCIENTIFIC EVIDENCE

Conservation measures must be ecologically appropriate for the habitat or species in scope.

TEST: OVERALL IMPROVEMENT

The positive impact of the conservation measures contained in the EDP must materially outweigh the negative impacts of development on the identified feature for the Secretary of State to approve the EDP.

VIABILITY

The Secretary of State must consider economic viability for developments when making an EDP.

2.2 Uncertainty

Remaining uncertainty is causing concern and requires further clarity as the government moves forward with implementation, including on:

- **Nature markets:** The impact of the NRF on nascent nature markets and the environmental compliance services sector is not quantified or referred to by government at present. It is unclear how the NRF will work with the private sector and private markets.

- **Assurance and long-term guarantees:**
  - Conservation and monitoring guarantees are needed to ensure a stable long-term foundation for conservation agreements used to deliver EDPs. BNG and carbon markets have strong contractual requirements that are not currently proposed for EDPs.
  - Government needs to clarify the procedures and responsibility for remediation in the circumstance that an EDP fails to deliver. Businesses have expressed reputational and liability concerns around the use of mandatory EDPs, as the delivery of conservation measures will be out of their control. The implications of legal challenge to the EDP or failure of the EDP are unclear for businesses.

- **Governance arrangements:** The government must ensure that the administrators of the NRF can transparently raise appropriate funding required and deliver conservation activities. The definition of commercial viability is ambiguous and subjective. It is also unclear how the NRF will consider trade-offs, such as proximity to the development site versus cost or benefit of the mitigation activities, or how the NRF will balance multiple EDPs affecting a single site.

- **Resources and capacity:** Concerns remain over provision of the skills and resources for Natural England to deliver new responsibilities under the NRF, especially as the production of EDPs are expected to be resource intensive. There are also concerns over the potential for conflicts of interest in the enforcement of EDPs. The NRF's impacts on other policies managed by Natural England is not articulated at present. The OEP has previously raised concerns about the lack of, or variability in, monitoring and enforcement for environmental assessment regimes, linked to a lack of skills where they are required.[17,18,19]

- **Alignment with the Environment Act targets:** There are concerns that legal challenges could emerge if EDPs do not uphold environmental protections.

Setting the Nature Restoration Fund up for success

This briefing sets out key considerations for the implementation of the NRF, considering how current government proposals for the NRF could best work in practice to contribute towards a more strategic approach, with positive outcomes for nature and development. A two-staged approach is recommended to first build the foundations of the NRF for success, then scale ambition.

PHASE 1: Launching the NRF

The NRF and EDPs are new instruments, with new processes. It will be essential to allow for trialling and reflexive improvement to ensure long-term success. This initial phase is centred around building the foundations, including governance and data infrastructure and a culture of learning and iteration.

Building the foundations of the NRF

- Appropriate **governance** structures are key to the success of the NRF. This means checks and balances, clear responsibilities and mechanisms for stakeholders to engage formally.

- EDPs need to fit appropriately in the landscape alongside plans for infrastructure, agriculture and other sectoral developments in Spatial Development strategies (on the development side) and integrated

with Local Plans and LNRS. **An effective Land Use Framework** would support this.

- **Frameworks and guidance for balancing trade-offs** are necessary to guide the operation of the NRF. This includes how multiple EDPs affecting a single site would operate and how to manage conflict, as well as how EDPs should factor in proximity to the site when implementing conservation measures. How trade-offs will be balanced should be transparently communicated.

- Plans for how the NRF will be **appropriately and efficiently resourced** with staff and relevant expertise should be disclosed. Beyond the NRF, the ecosystem of key stakeholders involved in administering and delivering EDPs may also require support to transition to this new approach.

- **Digital and data infrastructure** must be harmonised and established with a coherent national environmental data strategy to enable evidence-led decision-making. Potential solutions include greater support for Local Environmental Record Centres and efforts to digitalise the planning system, for greater accessibility of environmental data. Examples of ongoing work that may be valuable to learn from include Defra's MAGIC map[20], the Digital EIA project[21], the Linear Infrastructure Planning Panel[22], proposals for an Environmental Data Observatory[23], Digital Permitting Solutions[24] and recommendations from the Office for Environmental Protection[25].

- The **toolkit** available for the NRF must be developed further, including financial mechanisms to enable up-front and anticipatory investment in environmental improvement and long-term contracts. It will be important to embed consideration of potential risks, such as mitigation lag or environmental failures linked to contract defaults.

- **Partnerships** will be crucial to the success of the NRF, from local authorities to businesses which will carry out environmental assessment and improvement activities. Effective frameworks for collaboration must be set up.

Identifying and prioritising the first EDPs

- **EDPs must be evidence-based and created only where their use can be beneficial.** Evidence currently supports this approach for diffuse impacts such as nutrient neutrality, water quality, water resource or air quality. There is a lack of evidence at present for strategic approaches for species and habitats. Creating EDPs that lack robust evidence to a sufficient standard will demand significant resources to produce and risk introducing uncertainty, delay or wasted resources.

- **Criteria** must be set out to identify and prioritise the development of the first EDPs, with consideration of: evidence supporting the use of a landscape approach; market failures or environmental mitigation challenges which are impeding development; scale of development (e.g. across multiple administrative boundaries); need for coordination to achieve good outcomes; and opportunities to learn.

- **Certain areas or types of development** may be better suited to an EDP. For example, Nationally Significant Infrastructure Projects are of critical importance and scale, which could in some cases benefit from coordination and join-up with an EDP to help ensure NSIPs are nature-positive across their design and lifecycle.

Embedding lesson learning and iteration

- **Lessons must be learnt from existing strategic approaches in the UK, in other jurisdictions and the private sector,** including their successes and failures. This will be valuable to ensure that EDPs are environmentally robust, deliverable and can genuinely contribute to nature recovery.

- **Monitoring and evaluation** of outcomes and process must be embedded across the NRF to ensure that lessons are learnt effectively and at pace. Emphasis must be placed on iteration and continuous improvement, recognising that the early EDPs may set important procedural precedents.

- As part of monitoring and evaluation, wider NRF **stakeholders must be engaged** throughout the first EDPs to ensure that lessons are learned across the system to improve overall delivery. This includes local authorities, developers and environmental groups to create an effective feedback loop.

- Opportunities for **knowledge sharing** should be identified, with the NRF well positioned to develop insights on barriers or opportunities to help inform public and private sector investment decisions. For example, specific know-how or lessons may emerge through the operation of the NRF, which would help accelerate action in other suitable areas.

Joining up with the wider policy environment

- The NRF may offer a mechanism for **policy alignment to ensure more effective use of resources and better outcomes.** For example, in the case of nutrient neutrality, alignment between the NRF, farming and water policies could contribute to pooling of resources and crowd-in private investment to reduce water pollution. Putting a more cross-

sectoral approach into practice for water quality would help uphold principles for better environmental regulation.[26],[27]

- The government must monitor and seek to understand how nature markets respond to the NRF and resolve confusion or unintended consequences if or when they arise. This includes biodiversity, nutrient and nature-based carbon markets.

- The LUF, LNRS, SDS and other spatial and marine policies should inform EDPs, and vice versa. Effective feedback loops and a clear explanation of interactions between policies will be required. If the development and location of EDPs are not informed by these tools, their legitimacy could be undermined or additional unnecessary complexity risks being introduced, counter to the goal of simplifying planning procedures for developers.

Building the evidence base for strategic approaches to nature and development

- The NRF must support scientific research to help **build the evidence base** for strategic approaches to nature and development. Taking a strategic approach to nature and development is novel, and, in some cases the evidence base will be limited as to appropriate and effective strategic approaches for different protected species and habitats.

- The NRF could support initiatives such as **pilots and sandboxes**, working closely with the wider UK research sector, including the Natural Environment Research Council. Pilot EDPs should be designed to demonstrate both the feasibility of the approach and its potential to deliver tangible ecological benefits.

- This evidence base can help inform the focus of future EDPs, prioritised alongside an assessment of the challenges facing development in different areas.

PHASE 2:
Scaling ambition

Phase 1 should act as a springboard to wider implementation of a landscape approach for appropriate environmental features, with increasing focus on additionality, realising successful mitigation and proceeding to the delivery of net positivity. Insights generated through pilots, the testing of integration with existing policies, and the establishment of data infrastructure will create the confidence and institutional maturity required to scale ambition.

As part of the monitoring and evaluation for Phase 1, the NRF should consider how best to assess readiness to scale ambition and the position

of the NRF to contribute towards the UK's environmental targets, with some due to be met by 2030. It will be crucial to balance the need for rapid implementation with the time required to learn and improve processes. The wider policy environment should also be considered, ensuring that land use and other relevant policies are developed in synergy.

Phase 2 can build on this foundation by expanding the number and scope of EDPs based on available evidence, moving towards implementing a genuinely strategic, national approach to nature and development. With this next stage, the NRF should progress to playing an active role supporting the nature-positive transition for development and contributing towards the UK's environmental targets.

What could success look like?

Success for the NRF is the establishment of a robustly governed, transparent, data-driven and collaborative bureaucracy. The NRF has a clear purpose: to deliver positive outcomes for nature where development is taking place. The new approach is straightforward for both developers and conservation delivery partners, with clear roles and responsibilities. Evaluation and monitoring are truly embedded, ensuring that conservation activities are delivered to a high standard and the efficiencies and benefits of taking a landscape approach are achieved in practice. A vision for this operational guide is proposed in Table 1.

TABLE 1
A VISION FOR THE OPERATIONALISATION OF THE NRF

Pre-development	During development	Post-development
– Collection of up-to-date baseline ecological data, if not already available, and inclusion into data infrastructure. Proactive data collection can be informed and supported by local and national plans, (such as SDS, LNRS, LUF, SSEP) to ensure siting of new development is well informed and avoids irreversible losses of biodiversity. – Meaningful engagement with key stakeholders, including local and planning authorities, landowners, environmental NGOs and civil society organisations, developers and catchment partnerships. – Investment into habitat banking and anticipatory mitigation activities to avoid lag. – EDPs encourage nature-positive infrastructure and house design, reducing potential impact from the onset.	– Delivery partnerships are set up, and participants are notified of their responsibilities and timelines. Developers have clarity on their responsibilities, including mitigation delivered on-site, through the NRF and under other requirements, such as BNG. – The NRF operates in synergy with the wider landscape of nature policies to deliver additionality. This should include supporting existing nature recovery investments and nature/carbon market growth. – The NRF helps achieve net positive outcomes for nature alongside development. Additionality may include a stated net gain relating to the development, investment into connectivity of local/regional habitats or nature benefits for residents.	– Governance procedures are in place to ensure delivery is long-term and mitigation is maintained. – Long-term stewardship is protected, avoiding project abandonment. Adaptive planning to emerging risks can be discussed and addressed in this phase. Emerging issues may include environmental pollution incidents, flood, soil erosion or wildfire risks, with effective mitigation strategies brought in to preserve nature. – Monitoring and evaluation are in place, with data included into accessible digital infrastructure to enable wider use. – Adjustments, maintenance and potential for future enhancement of nature is given clear lines of responsibility and accountability (with Natural England or delivery partners). – An effective mechanism is in place to pass further responsibility for additionality to the relevant organisations.

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Authors: Adam Young and Marie-Laure Hicks.

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