

# Guide to the Fifth Auction

**This short guide is only applicable to the fifth Woodland Carbon Guarantee (WCaG) auction to be held on 9 May – 15 May 2022.**

## Overview

Your application must be submitted to [wcaag@forestrycommission.gov.uk](mailto:wcaag@forestrycommission.gov.uk) by 11:59pm on Sunday 24 April 2022. Once your W Carbon Guarantee (WCaG) application has been accepted by the Forestry Commission (FC), you will be invited to participate in the online auction, which is used to agree the price at which your Woodland Carbon Units (WCUs) can be sold to the government.

The auction will operate on a simple single-shot, sealed bid process. You will therefore be asked to provide your best offer of the price that you require that will make your woodland creation project viable and worthwhile. Bids are in Pounds Sterling per Woodland Carbon Unit (£/tCO<sub>2</sub>). In auction 5 predominantly native projects will be separated from other project types.

- **Auction Budget**: The budget for the auction is £10 million. The auction budget will be split with 50% allocated to predominantly native projects and 50% for other project types.
- **Reserve Price**: In advance of the auction the FC will set a reserve price which is the maximum that it is willing to pay for each WCU; the reserve price will not be published. Auction 5 will have two reserve prices, one for predominantly native projects and a second lower price for other project types, recognising the difference in financial viability between projects.
- **Maximum WCUs**: In addition, the number of WCUs that the Forestry Commission is willing to buy will be limited to 90% of the total number that are entered into the auction at or below the reserve price. Removal of a maximum of the top 10% of WCUs by price will be applied separately to predominantly native projects and other project types. A maximum of 10% of WCUs will be removed, allowing projects that straddle the 10% threshold to remain eligible in their entirety.

Prices may go up or down at successive auctions. The average successful bid price for WCUs in the first WCaG auction was £24.11 and 18 of 31 bids were successful. In the second auction, the average successful bid price was £19.71 and 27 out of 77 bids were successful. In auction three the average successful bid price decreased to £17.31 and 31 out of 46 bids were successful, and in auction four the average successful bid price was £20.32 and 19 out of 23 bids were successful. However, this should not be taken as a firm indicator of acceptable bids and it should be born in mind that the auction is a competitive process.

Once the auction closes, the bids will be accepted based on price (below the reserve) until the available budget has been committed and the limit of 90% WCUs is reached.

For successful bids, the price agreed at auction will be index-linked on an annual basis based on the Consumer Price Index 12-month rate in April of each year, as published by the Office of National Statistics. Index-linking begins from the Woodland Carbon Code project start date, which is the last date that trees are planted for the project and runs until the agreed verification date for each vintage of carbon.

If your bid is successful a conditional offer for a Woodland Carbon Guarantee contract will be made, the offer will be conditional on:

1. an EIA opinion or assessment having been sought from the Forestry Commission **within 18 months of the date of the offer letter**; and
2. the woodland being established and validated under the Woodland Carbon Code (WCC) **within three years of the project's registration under the Woodland Carbon Code**

The EIA opinion or assessment can be via either a grant application to the Forestry Commission for woodland creation that includes EIA data requirements, or completion and submission of an EIA enquiry form. This timeline may be extended in extenuating circumstances at the discretion of the Forestry Commission.

Please note that the Woodland Carbon Code look up tables are being reviewed and revised. To find out more about how this may impact modelling carbon projections please visit the future developments section of the [Woodland Carbon Code website](#).

## How the auction works

### Reverse auctions

Typically, auctions are held to sell items to the highest bidder, so bidding starts at a low price and increases until the auction closes or only one bidder remains. However, in WCaG, where the Government is looking to buy items (in this case sequestered carbon) rather than sell them, it is the lower bids rather than the higher ones that will be successful. This is known as a reverse auction.

### Reserve price

To ensure that the Government does not over-pay for the WCUs that it buys, it will set a reserve price for the auction, which is the maximum price that it is willing to pay. The reserve price will not be published as this will help to ensure that participants only bid for money that they require to make their projects financially viable.

## Ensuring competition

To be effective an auction must generate competition between the participants. This is usually achieved by limiting the supply of the item(s) that are in the auction; so, for example there might only be one item for sale and all the participants are competing to buy it.

For the fifth WCaG auction the Forestry Commission will be limiting both the total money that is available (the budget) as well as capping its purchase of WCUs below the total quantity of WCU bids. This will ensure that there is genuine competition between participants whilst still allowing for different types of woodland project to bid for support that they require. The budget for the auction is £10 million and the number of WCUs that the Government is willing to buy is limited to 90% of the total number that are entered into the auction below the reserve price. Noting that in the fifth auction the budget will be split equally 50/50% between both project types and the 90% limit applied separately to each group.

## Fifth auction design

50% of the available budget for the fifth auction will be allocated to 'predominantly native woodland' projects. Applicants will be asked to confirm whether their proposal complies with the following definition of 'predominantly native woodland':

- At least 60% of the net area proposed for planting comprises 'native woodland' as defined by the Ancient and Native Woodland Practice Guide, which requires that:
  - a minimum of 80% of the canopy comprises native species, of which up to 20% may be 'near native' or naturalised species, planted in a design that is sympathetic to native woodland.
  - Up to 20% other species planted in a design that is sympathetic to native woodland.
- Up to 40% of the net area for planting can consist of other woodland types.

50% of the budget will be allocated to 'other' woodland types.

## Species

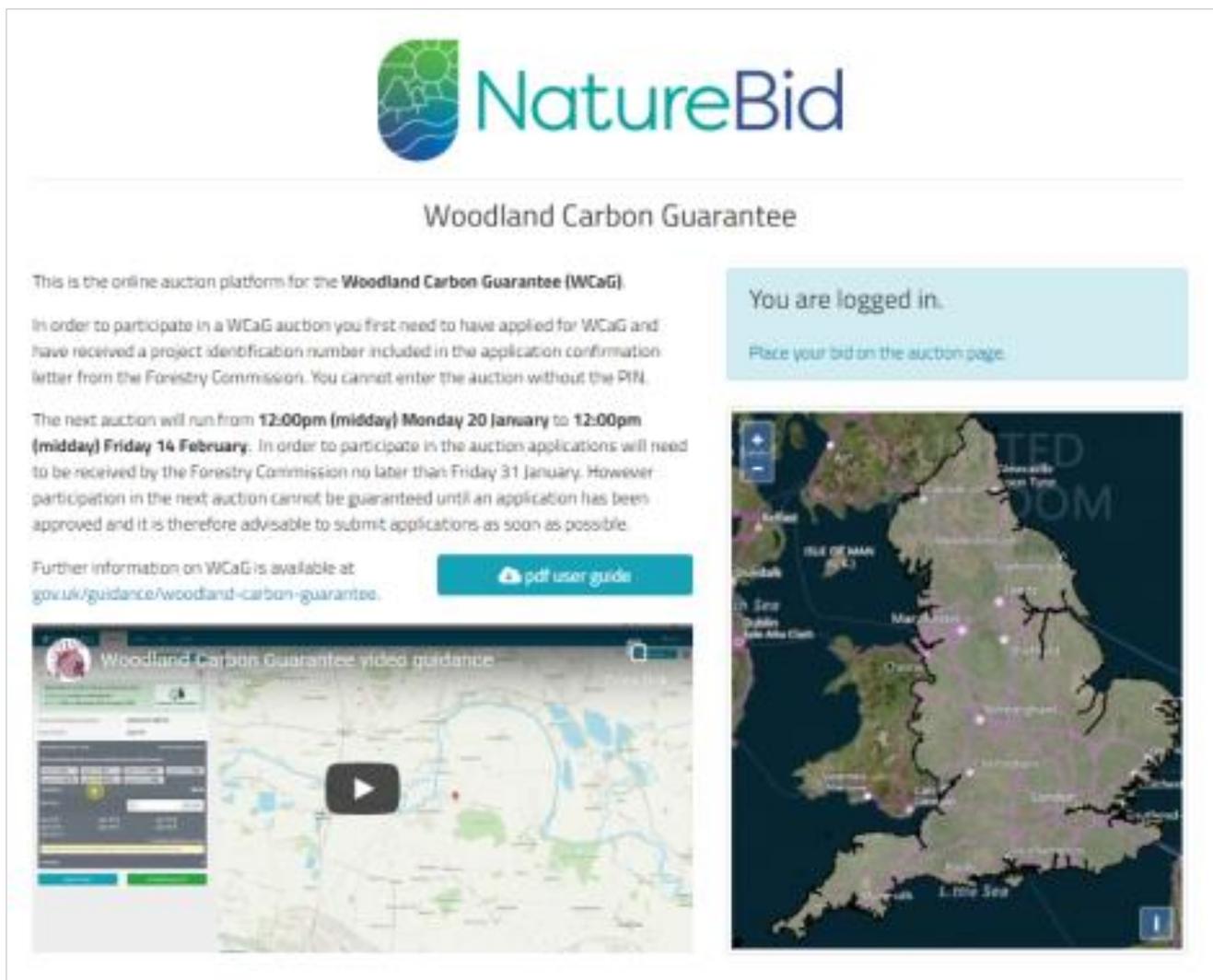
See appendix 1 for a list of eligible species that can be included within your application to the Woodland Carbon Guarantee (please note that this list is currently under review with Forest Research). We may accept applications where the planting mix has up to 15% of species whose performance when grown in England is currently not proven (species not listed in appendix 1). The use of such species will be at the discretion of the FC.

## Determining successful bids

The diagram overlaid indicates how the reserve price, budget, and the maximum number of WCUs are combined to determine which bids are successful.

## How to bid in the auction

Detailed information on how to place a bid in the auction, including a printable guide and an online video, are available from the auction site at: <https://wcag.naturebid.org.uk/>.

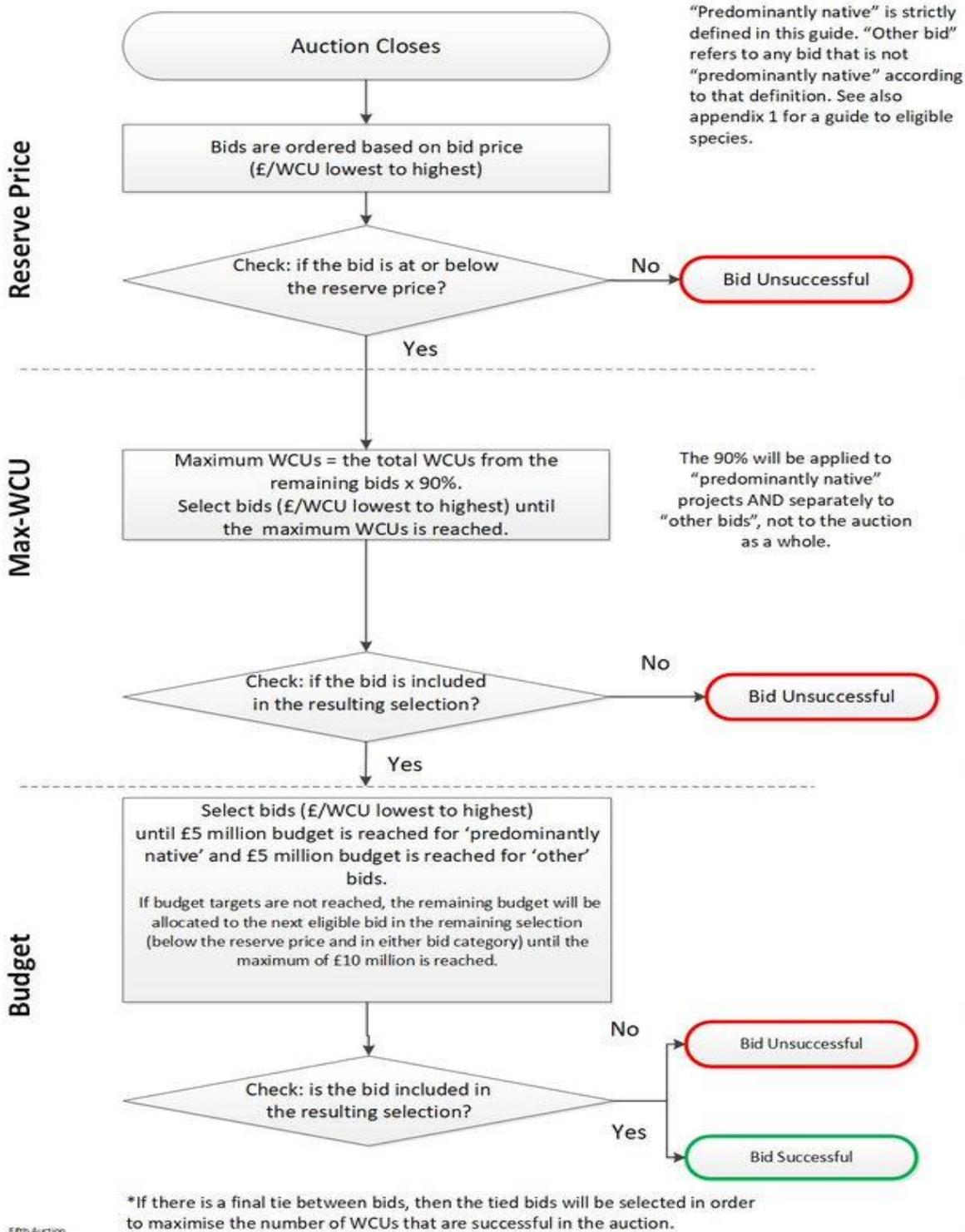


The screenshot shows the NatureBid website interface for the Woodland Carbon Guarantee auction. At the top is the NatureBid logo, which consists of a stylized green and blue globe icon followed by the text "NatureBid". Below the logo is the heading "Woodland Carbon Guarantee".

The main content area contains several sections:

- A introductory paragraph: "This is the online auction platform for the **Woodland Carbon Guarantee (WCaG)**."
- A paragraph explaining participation requirements: "In order to participate in a WCaG auction you first need to have applied for WCaG and have received a project identification number included in the application confirmation letter from the Forestry Commission. You cannot enter the auction without the PIN."
- A paragraph detailing the next auction: "The next auction will run from **12:00pm (midday) Monday 20 January to 12:00pm (midday) Friday 14 February**. In order to participate in the auction applications will need to be received by the Forestry Commission no later than Friday 31 January. However participation in the next auction cannot be guaranteed until an application has been approved and it is therefore advisable to submit applications as soon as possible."
- A link for further information: "Further information on WCaGs is available at [gov.uk/guidance/woodland-carbon-guarantee](https://gov.uk/guidance/woodland-carbon-guarantee)." A blue button labeled "pdf user guide" is positioned to the right of this link.
- A video player titled "Woodland Carbon Guarantee video guidance" showing a map of the UK with a red location marker and a play button overlay.
- A light blue box on the right side of the page stating "You are logged in." with a link below it: "Place your bid on the auction page."
- A map of the United Kingdom on the right side of the page, showing major cities and geographical features.

# Determining Successful Bids



## Appendix 1 - Native, Principal and Secondary species

The species in tables 1, 2 and 3 can be used without restriction for a WCAG application, subject to the usual site-specific factors, plant health issues and UKFS requirements.

**Table 1 - Native species**

\*Denotes plant health issue

WS – woody shrub

<b>Common name</b>	<b>Latin name</b>
Field maple	<i>Acer campestre</i>
Common alder	<i>Alnus glutinosa</i>
Silver birch	<i>Betula pendula</i>
Downy birch	<i>Betula pubescens</i>
Box (ws)	<i>Buxus sempervirens</i>
Hornbeam	<i>Carpinus betulus</i>
Dogwood (ws)	<i>Cornus spp.</i>
Hazel	<i>Corylus avellana</i>
Midland hawthorn	<i>Crataegus laevigata</i>
Hawthorn	<i>Crataegus monogyna</i>
Spurge laurel (ws)	<i>Daphne laureola</i>
Spindle (ws)	<i>Euonymus europaeus</i>
Beech	<i>Fagus sylvatica</i>
Common ash*	<i>Fraxinus excelsior*</i>
Holly	<i>Ilex aquifolium</i>
Common juniper	<i>Juniperus communis</i>
Wild privet (ws)	<i>Ligustrum vulgare</i>
Crab apple	<i>Malus sylvestris</i>
Black poplar	<i>Populus nigra subsp. betulifolia</i>
Grey poplar	<i>Populus x canescens</i>
Aspen	<i>Populus tremula</i>
Wild cherry	<i>Prunus avium</i>
Bird cherry	<i>Prunus padus</i>
Blackthorn	<i>Prunus spinosa</i>
Sessile oak	<i>Quercus petraea</i>
Pedunculate oak	<i>Quercus robur</i>
Purging buckthorn	<i>Rhamnus cathartica</i>
Eared willow (ws)	<i>Salix aurita</i>
White willow	<i>Salix alba</i>
Goat willow	<i>Salix caprea</i>
Grey willow	<i>Salix cinerea</i>

Crack willow	<i>Salix fragilis</i>
Bay willow	<i>Salix pentandra</i>
Purple willow (ws)	<i>Salix purpurea</i>
Almond willow (ws)	<i>Salix triandra</i>
Osier (ws)	<i>Salix viminalis</i>
Elder	<i>Sambucus nigra</i>
Common whitebeam	<i>Sorbus aria</i>
Rowan	<i>Sorbus aucuparia</i>
Wild service-tree	<i>Sorbus torminalis</i>
Yew	<i>Taxus baccata</i>
Small-leaved lime	<i>Tilia cordata</i>
Large-leaved lime	<i>Tilia platyphyllos</i>
Wych elm*	<i>Ulmus glabra*</i>
Small leaved elm	<i>Ulmus minor</i>
English elm	<i>Ulmus procera</i>
Wayfaring tree (ws)	<i>Viburnum lantana</i>
Guelder rose (ws)	<i>Viburnum opulus</i>

**Table 2 – Principal species**

Species - Common name	Species - Latin name
Grand fir	<i>Abies grandis</i>
Noble fir	<i>Abies procera</i>
Sycamore	<i>Acer pseudoplatanus</i>
Sweet chestnut	<i>Castanea sativa</i>
Hybrid larch*	<i>Larix × marschlinsii*</i>
European larch*	<i>Larix decidua*</i>
Japanese larch*	<i>Larix kaempferi*</i>
Norway spruce	<i>Picea abies</i>
Sitka spruce	<i>Picea sitchensis</i>
Lodgepole pine	<i>Pinus contorta var. latifolia</i>
Corsican pine*	<i>Pinus nigra subsp. Laricio*</i>
Scots pine	<i>Pinus sylvestris</i>
Poplar spp. and hybrids*	<i>Populus spp. and hybrids*</i>
Douglas-fir	<i>Pseudotsuga menziesii</i>
Western red cedar	<i>Thuja plicata</i>
Western hemlock	<i>Tsuga heterophylla</i>

**Table 3 – Secondary species**

Species - Common name	Species - Latin name
European silver fir	<i>Abies alba</i>
Pacific silver fir	<i>Abies amabilis</i>

Norway maple	<i>Acer platanoides</i>
Italian alder	<i>Alnus cordata</i>
Grey alder	<i>Alnus incana</i>
Lawson cypress*	<i>Chamaecyparis lawsoniana*</i>
Japanese red cedar	<i>Cryptomeria japonica</i>
Leyland cypress	<i>Cupressus × leylandii</i>
Tingiringi gum	<i>Eucalyptus glaucescens</i>
Cider gum	<i>Eucalyptus gunnii</i>
Shining gum	<i>Eucalyptus nitens</i>
Jounama snow gum	<i>Eucalyptus pauciflora subsp. debeuzevillei</i>
Alpine snow gum	<i>Eucalyptus pauciflora subsp. niphophila</i>
Snow gum	<i>Eucalyptus pauciflora subsp. pauciflora</i>
Common walnut	<i>Juglans nigra</i>
Black walnut	<i>Juglans regia</i>
Raoul*	<i>Nothofagus alpina*</i>
Roble beech*	<i>Nothofagus obliqua*</i>
Serbian spruce	<i>Picea omorika</i>
Maritime pine	<i>Pinus pinaster</i>
Radiata pine*	<i>Pinus radiata</i>
Red oak	<i>Quercus rubra</i>
Coast redwood	<i>Sequoia sempervirens</i>
Giant redwood	<i>Sequoiadendron giganteum</i>

At time of publishing, the highlighted species are still under consideration and their use should be referred to the Woodland Carbon Guarantee mailbox ([wcag@forestrycommission.gov.uk](mailto:wcag@forestrycommission.gov.uk)) for review by the appropriate FC Resilience Officer.