

Abrdn's sale of Far Ralia: land prices, forestry grants and the natural capital financial bubble

Description



Mounding and planting with plastic tree tubes at Far Ralia May 2024, destruction paid for by the public – photo credit parkswatch reader

The basic elements of the the scandal concerning abrdn's proposed sale the Far Ralia estate in the Cairngorms National Park are very simple. Having bought the land now known as the Far Ralia estate for a reported £7.5m in September 2021, Abdrn are now trying to dispose of it for £12m having in the intervening period been awarded £2,523,301.96 in forestry grants and registered the scheme under the Woodland Carbon Code. In effect Scottish Forestry, which is responsible for both the forestry grants system and for the Woodland Carbon Code, has been using its powers and resources to aid and abet private financial speculation in land

Background

In September 2021 the Standard Life Property Income Trust (SLIPIT) bought part of the Ralia estate, on the east side of the A9 opposite Newtonmore, for a reported £7.5m ([see here](#)). (The purchase price has still not been officially recorded on the Registers of Scotland [see here](#)). SLIPIT was subsequently renamed APIT (the Ayr Property Income Trust) as a result of the merger of Standard Life with Ayr. Earlier this year Ayr decided to dispose of APIT but in March shareholders rejected a management proposal to sell it to the Custodian Real Estate Investment Trust (REIT) and instead decided to wind up APIT and sell off its assets ([see here](#)).

While no longer apparently interested in investing in business property, Ayr is in the process of developing a “natural capital” investment fund. Their head of natural capital investment, whom I have met, was quoted in the [news release](#) announcing the sale. That interest in “natural capital” begs the question as to why Ayr did not just buy Far Ralia from APIT rather than disposing of the estate? The answer appears to be that it is no longer interested in owning the land itself, only the carbon offsetting and other “natural capital” units that come with it.

While in the medium term such an approach could help replace speculation in land-ownership by investment in land-management, in the short-term nature Ayr’s decision to sell Far Ralia provides an egregious example of how private companies are profiting from public subsidies for woodland and peatland restoration and the whole carbon offsetting system backed by Scottish Forestry and the Scottish Government.

How forestry grants, peatland restoration & the woodland carbon code has profited ayr



Diggers at work on Far Ralia in January 2024 behind a duck shooting pool and the flat area which still belong to the Ralia Estate owned by the Trustees of Eira Drysdale.

While the Knight Frank sales brochure ([see here](#)) does not put a price on Far Ralia, the news release (link above) refers to “the £12m estate”. That is £4.5m more than the purchase price three years ago. Over half of that increase can be attributed to the £2,523,301.96 grant awarded by Scottish Forestry to plant trees:

Schedule of Works Summary

Claim Year	Annual Recurrent Maximum Value	Cap Maximu
2023	0.00	7144
2024	0.00	9120
2026	0.00	2970
2027	0.00	4232
2028	0.00	742
2029	0.00	1022
Grand Totals	0.00	2523

Extract from contract with abrdn Property Holdings Ltd which I obtained as a result of an FOI request

While the forestry grant that has been awarded is payable over six years and its value is dependant on most of the trees that have been planted surviving, the outstanding amount – prospective buyers will want to establish how much of the £912,004 awarded for 2024 has been claimed by Abdrn to date – represents a more or less guaranteed return on any investment. Hence, in part, why Abdrn is now hoping to realise £12m for the land it bought for £7.5m.three years ago.

Under the terms of Scottish Forestry’s contract there is nothing to prevent those awarded grant selling the land or profiting from it, although any new owner must have their business plan approved by Scottish Ministers:

16 Assignment

- 16.1 You must not assign, transfer, hold on trust or otherwise dispose of any of your rights and/or obligations under the Agreement, other than to a successor in occupation of your interest in the Property (or the relevant part of it) who has:-
- 16.1.1 had their identity and business plan approved by the Scottish Ministers in advance;
 - 16.1.2 agreed to assume the rights and obligations under the Agreement; and
 - 16.1.3 where required by the Scottish Ministers, agreed to grant a standard security over the Property in the form required by the Scottish Ministers; and
- 16.2 The Scottish Ministers are entitled to assign their rights and/or obligations under the Agreement.

Could Scottish Ministers prevent the sale by blocking the assignment of the contract?

While Scottish Forestry's contract in this case is with abrdn Property Holdings Ltd and was sent to an address in Edinburgh (see below), abrdn Property Holdings Ltd is actually registered in Guernsey ([see here](#)) and is owned by APIT, which is also registered in Guernsey, a tax haven:



Highland and Islands Conservancy
Woodlands, Fodderty Way, DINGWALL, IV15 9XB
Tel 0300 067 6950
highland.cons@forestry.gov.scot

abrdn Property Holdings Limited

STANDARD LIFE INVESTMENTS, INVESTMENT HOUSE, 1, GEORGE STREET
EDINBURGH
EH2 2LL
United Kingdom

Business Reference Number: [REDACTED]
Main Location Code: 79/441/0179
Application Name: Far Ralia Native Woodland Creation
Contract Reference: 23FGS71733-001
Date: 24-Jul-2023

Dear [REDACTED]

Forestry Grant Scheme (FGS) – Contract Offer

Both these companies have been registered in tax havens for a reason. I am no tax expert but whatever tax might be payable on the profits from the proposed sale, it is safe to conclude that won't be more than it would have been if these companies had been registered in the UK. Any help on the tax implications would be welcome but at the very least Scottish Ministers should now be offering the public re-assurance that Scottish Forestry is not assisting tax avoidance by contracting with companies registered in tax havens.

AKRE, which has managed Far Ralia on behalf of Abdrn and is owned by Renwick Drysdale, the son of a trustee for the previous owners ([see here](#)), has claimed that the project combines "woodland creation" with "peatland restoration". To date almost all of this has been funded by the public: in the case of any future peatland restoration this would be through the Cairngorms National Park Authority.

"There are areas of peat that have been drained in the past and these may qualify for peatland restoration funding and carbon units. The project managers estimate that there may be up to 494 acres or thereby of peatland with the potential for 23,000 carbon units over 100 years"

While this extract from the sales brochure suggests that at present no agreement has been reached about this the CNPA is under pressure to meet the Scottish Government's peatland restoration targets, just as Scottish Forestry is with tree planting. Under the current scheme there would have no reason to refuse either abrdn or a future owner the funding. That prospect possibly adds another £250k to the sales value and abrdn's potential profit.

(it also provides another illustration of the madness of paying landowners to dig up peat to plant trees in some places and restore it in others!



Destruction of peat (and lichens rich in carbon) at Far Ralia by mounding on which to plant trees. Photo credit Dave Morris.)

The final point to note in respect to the £12m price abrdn is asking is that while normally investment in capital depreciates over time (as machinery ages etc), land is a different type of capital asset and the woodland and peatland carbon codes have been designed so that the financial value of any investment increases rather than over time (as trees and bogs grow in size) – at least for the first 100 years. This makes investment in “natural capital” superficially very attractive: as long as government pays for the initial planting or peatland restoration, all the “investor” needs to do is sit and wait and the

value of the “natural capital” to grow. Hence why, after taking all the public grants into account, abrdn thinks it can sell Far Ralia for another £1.75m over what it bought the land for three years ago.

There is only one problem..... there is no longer any scientific basis for the way the value of natural capital is being calculated!

A natural capital & carbon offsetting and trading system built on deceit



The front page of the Knight Frank brochure, a most appealing photo but one which shows the much earlier native woodland creation projects on the neighbouring Phoinés Estate!

Knight Frank’s sales brochure and news release are in my view full of spin and misrepresent the ecological value of land that is up for sale:

Claim: “An extraordinary 3,668-acre estate in the Cairngorms National Park”. **Comment:** in reality an overgrazed and overburned former grouse moor.

Claim: “The centrepiece is an extensive tree planting program that will see over 2,100 acres replanted with native Scots pine, birch, oak and other species to recreate the former Caledonian Pinewood ecosystem”. **Comment:** key characteristics and values of Scotland’s Caledonian pinewood remnants include their undisturbed soil and varied structure, completely the opposite to the new plantation at Far

Ralia.



Claim: “Far Ralia’s current biodiversity levels sit just below 52% according to the Biodiversity Intactness Index. However, projections by the Natural History Museum [NHM] indicate that the regeneration plan will allow biodiversity to recover to a robust 94% over approximately 75 years, surpassing the safe planetary boundary”. Two pages of the brochure are devoted to graphs etc purporting to demonstrate this. **Comment**: the NHM’s application of the Biodiversity Intactness Index has not been peer reviewed, appears to have little if any scientific basis and raises lots of questions as I demonstrated [here](#). Responses to FOI requests to the Natural History Museum about their support for this project, which I will consider in a further post, suggest that their so-called research was in fact driven more by financial interests rather than science.

(Incidentally the brochure also fails to mention that Akre widened the hill road through the estate without planning permission, having stated it intended to leave the road as it was, or that a retrospective planning application is still being considered by the CNPA ([see here](#)). That should have been shown as a liability on the brochure: given the sale price, there is clearly no question of abrdn being unable to afford some very high quality and expensive restoration work!)

The fundamental underlying issue here is that despite its extravagant claims, none of the methodologies referred to in the sales brochure as demonstrating the benefits of abrdn’s Far Ralia restoration scheme are fit for purpose.

The flaws in the Woodland Carbon code

The original idea behind the woodland carbon code calculator was a good one, that all woodland

carbon offsetting schemes should have to measure any carbon emitted during their establishment and management against the amount of carbon absorbed from the atmosphere as the trees grew in size. In my view if we are serious about addressing climate change and reducing carbon emissions, every development and every business should have to carry out such calculations. It even led to the creation of Pending Issuance Units (PIUs), an acknowledgement that any benefits from tree planting would take a number of years to be realised and would need to be verified – hence why the front page of the Far Ralia sales brochure states “Estimated Total Piu to Projects (tCO₂ e) – 346,409”.



How long will it take this pine to recover all the carbon consumed by growing it in Akre's tree nursery, transporting it to Fife, “improving” the new road, digging up the peaty soil etc?

Unfortunately, Scottish Forestry, which is the lead organisation for the Woodland Carbon Code across the whole of UK, has completely failed to update the initial assumptions underpinning the calculator in the light of research and has failed to regulate how it is applied in practice.

Research now shows that the original assumptions about tree planting being a good way of offsetting carbon totally underestimated the impact that this could have on soils, which store far more carbon. There are two main aspects to this (for an excellent scientific explanation of soil and the carbon cycle [see here](#)).

The first is that cultivation of soils, such as the mounding that has been used at Far Ralia, exposes its carbon content to the atmosphere and it then reacts with oxygen to release CO₂. The organic carbon

element of soils – ie the plant and animal matter – is particularly prone to this which is why cultivation of peat, which has the highest organic carbon element of any soil, is such a disaster.



All the lower ground at Far Ralia, apart from where peat was officially recorded as being over 50cm deep has been mounded and given the closeness of the trees that has and is releasing large quantities of carbon into the atmosphere

The second is that even where soils are not exposed to the atmosphere, trees still impact on the carbon cycle, adding carbon to the soils through their roots and vegetative matter as it decomposes but also releasing carbon through processes collectively known as “respiration”. Research by Friggens et al in 2020 ([see here](#)) showed that tree planting does not result in any increase in “net carbon sequestration rates” because it increases the rate at which carbon is released from the soil through respiration. They found the net impact varies between tree species but in the case of birch, which account for a third of the trees planted at Far Ralia, the net effect of planting may be to release carbon into the atmosphere for 39 years!



Carbon emissions associated with planting increase further where forestry vehicles erode vegetation exposing the soils to the atmosphere

In the absence of other research which disproves these findings, the conclusion should be the woodland carbon code is not worth the Excel spreadsheet used to make the calculations! It completely fails to take proper account of soil science! Far from helping Scotland to reach net zero by 2045 therefore, the one million plus trees planted at Far Ralia to date through mounding are likely to have made the challenge even harder. From a market and common sense perspective, the implication is that the financial value of the natural capital at Far Ralia should now be considerably less than the £7.5m Ayr spent on it!

If the truth about this became widely understood it would destroy the profits of companies like Ayr and reduce land values overnight. Unfortunately, Scottish Forestry is so embedded with private interests that it is incapable of reforming the current system and has become a major part of the problem. Those who care about the natural environment and climate change, however, can be reassured that at some stage the speculative market Scottish Forestry has created will at some stage burst, just like every other financial bubble.



The size of the hole dug to create the mound helps determine the amount of carbon that is released in the atmosphere. While bog pools are a natural phenomenon, the oxygen in the water gradually reacts with the surrounding peat extending the size of the pool until it joins with others and the water starts to flow. If the aim is to save carbon, digging holes like this at Far Ralia in bogs is not a good idea.

The overvaluation of woodland creation as a means of offsetting carbon is made worse because Scottish Forestry is failing to monitor the application of the Woodland Carbon Code calculator. Despite

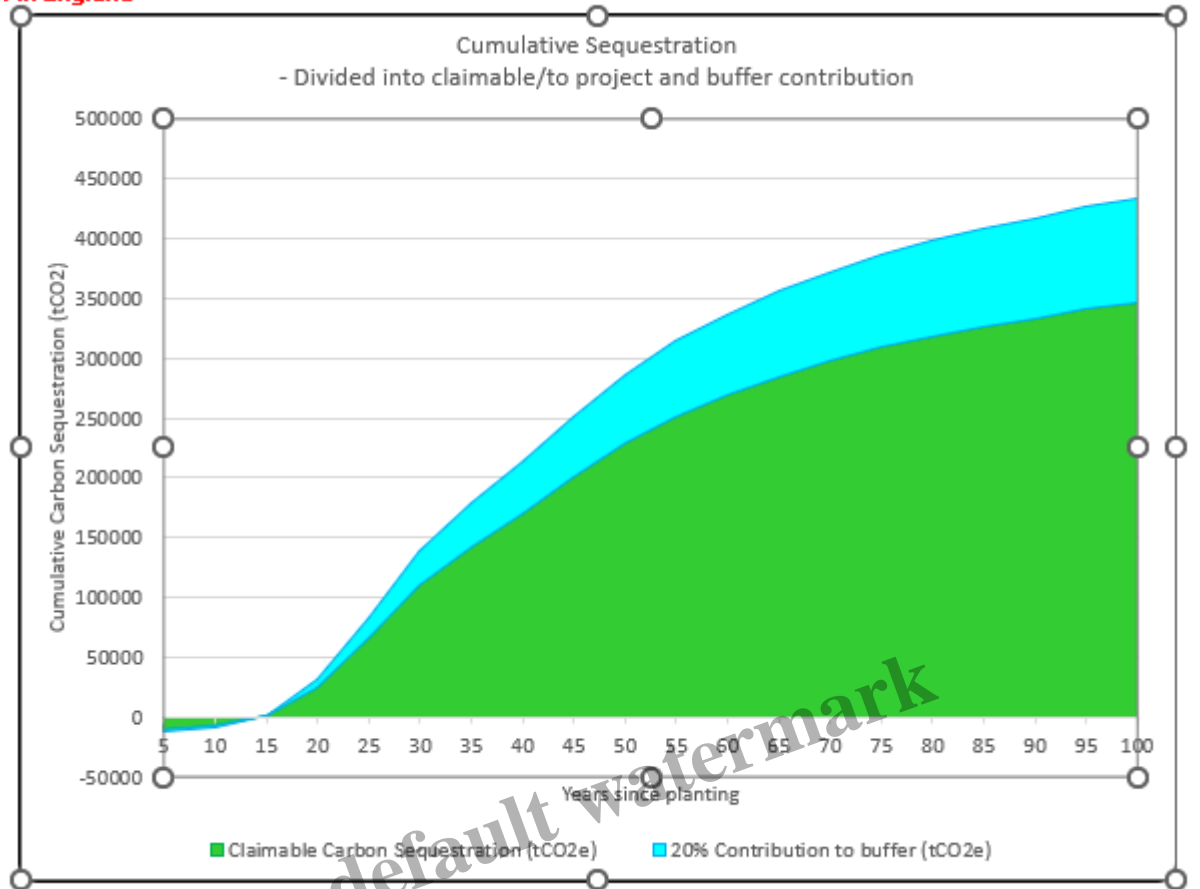
the disastrous nature of the tree planting schemes at Far Ralia, the Lost Forest ([see here](#)) and Muckrach ([see here](#)), there are significant differences between them because of factors such as soil type, the extent of mounding and fencing, the use of plastic tree tubes. One would expect these differences to result in different levels of carbon emissions during the woodland establishment stage and for these to be recorded on the woodland carbon code calculator.



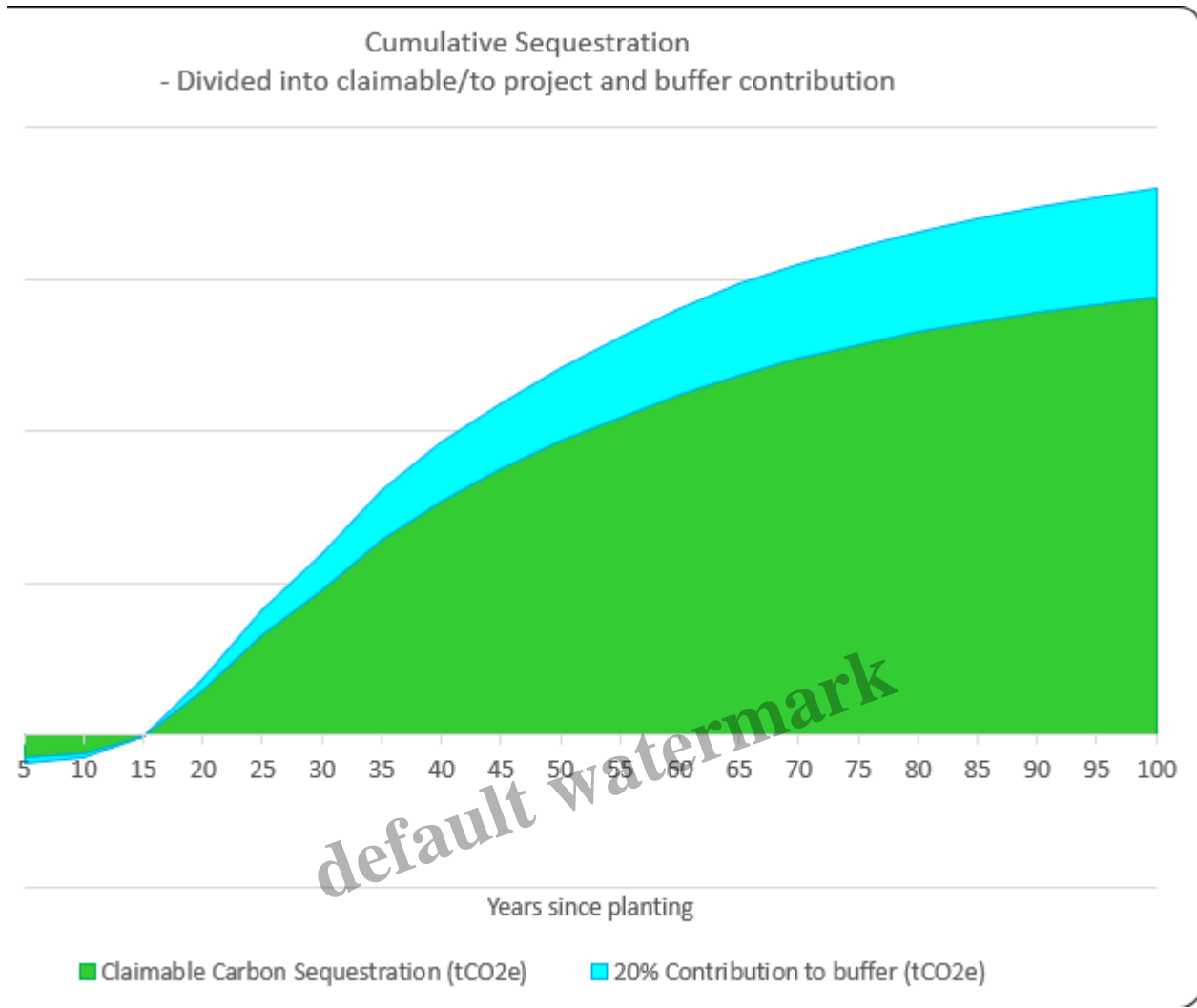
Who is accounting for the impact of churning up sphagnum mosses, perhaps the key species when it comes to peat formation, at Far Ralia?

It is notable therefore that the carbon calculations for BrewDog's phase I Lost Forest and Far Ralia produce exactly the same result, carbon is shown as being emitted for 15 years after which there is a net gain:

in England



Far Ralia



BrewDog's Lost Forest – downloaded November 2023

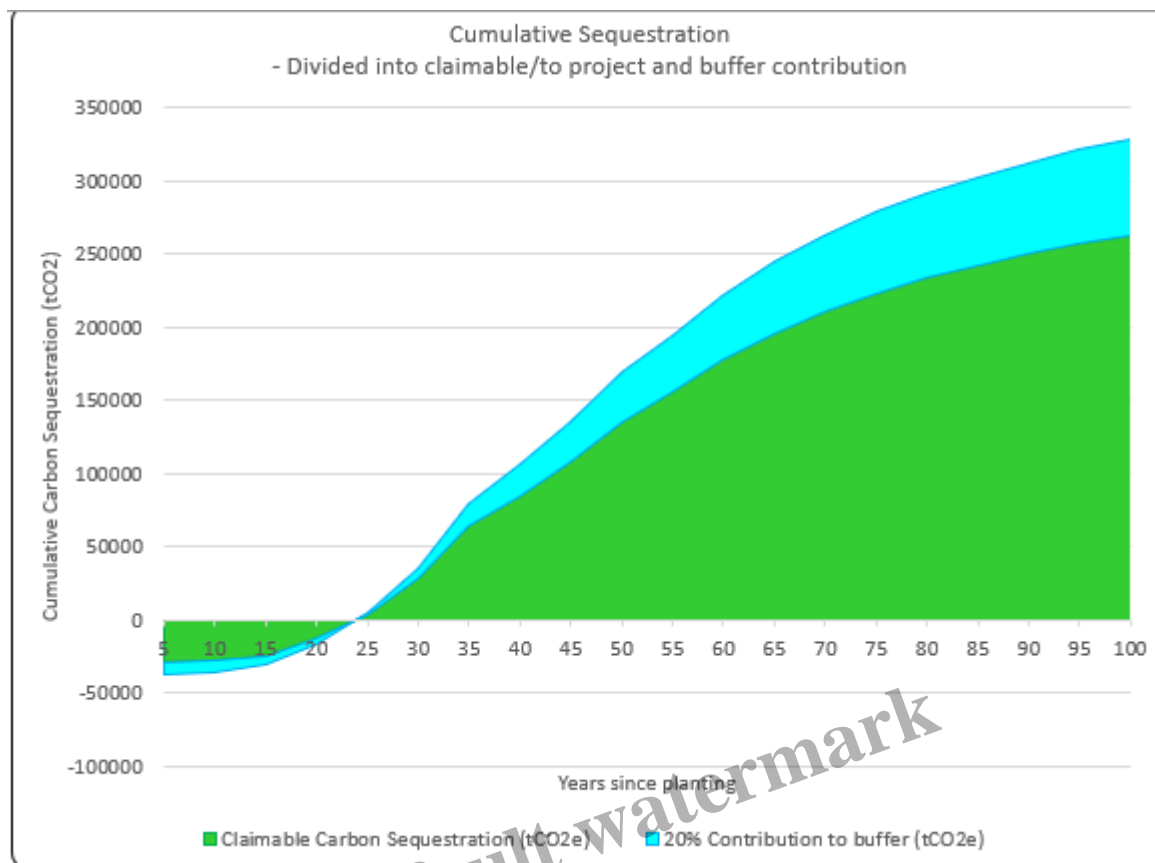
This is not credible. For a start whatever my criticisms of BrewDog's Lost Forest, the peaty soils appear from walks over the ground to be significantly shallower than those at Far Ralia and the mounding smaller and less intensive (that is a personal observation and would need to be verified by independent researchers). If I am correct that should have resulted in a longer period before "carbon sequestration" could be claimed at Far Ralia.

Whatever the comparison, when a large proportion of the trees BrewDog had planted last year died, the calculator should have been updated to reflect the carbon cost of replacing the dead trees and the "claimable date" put back. The calculator published on the carbon registry remained unchanged. Despite having verified the high death rate of trees Scottish Forestry failed to step in. It appears to have taken another year for BrewDog to acknowledge that the carbon value of its Lost Forest is worthless, as it effectively did when it announced last week it was abandoning both carbon offsetting and its carbon negative target ([see here](#)).



You do not have to be an ecological expert to realise that what Akre has done at Far Ralia might have done more harm than good – it will be interesting to see how many of these trees survive

What casts even more doubt on abrdn's carbon calculations are those for Muckrach, where again although the mounding is extensive is not from what I saw as destructive of soil (as opposed to vegetation) as that at Far Ralia:



Muckrach's carbon emissions graph

So if its going to take Muckrach 23 years to recover the carbon emitted from the scheme creation, why only 15 years at Far Ralia?

I suspect that abrdn has realised the whole scheme is suspect too, which would explain why they are so keen to offload Far Ralia three years after purchase. Unfortunately, instead of revealing the truth about their disastrous investment.to be learned and making others aware of the lessons to be learned, they have put their shareholders first and are trying to make a fast back.

There are many lessons that could be learned from this fiasco but rather than trying to spell those out now I will ask a question: how long will it be before the Cairngorms National Park Authority speaks out about the destruction and financial speculation going on under its nose rather than leaving this to a handful of campaigners?

Category

1. Cairngorms

Tags

1. CNPA
2. forestry
3. Governance
4. hill tracks
5. land reform

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