

The image shows a grassy field in the foreground with several tall, yellow-flowered plants. In the background, there is a fenced-in industrial area with two large, cylindrical structures, possibly cooling towers or storage tanks, and a large building. The sky is clear and blue.

Annual Environmental Report 2025/26

Securing Britain's energy. Unlocking a net zero future.

Contents

Our business at a glance

CEO's message

Environmental performance indicators

Environmental action plan

Commitments in action

Case studies

RIO-T2 output delivery incentives (ODIs)

Decarbonisation

Case studies

Defined emissions

Procurement, resources and waste

Data scope and quality

Glossary

Purpose of the report

This Annual Environmental Report (AER) has been prepared to meet the requirement of Special Condition 9.1 (SpC 9.1) of the gas transmission (GT) licence.

3 The report provides our stakeholders with an overview of progress against our Environmental Action Plan (EAP) and the activities we have undertaken over the reporting period to manage and reduce our environmental impacts. The reporting period for this AER is 1 April 2025 to 31 March 2026 in line with the RIO-T2 price control period that applies to the five-year licence that began on 1 April 2021.

8 Progress against our environmental pillars are included within the Ofgem Regulatory Reporting Process narrative (RRP). National Gas considers our governance process for RRP to provide consistent and robust coverage for the sign off of data assurance activities as stipulated by Ofgem.

22 This report applies to National Gas Transmission including National Gas Services. This report excludes National Gas Metering as per our regulatory reporting requirements.

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32

Get in touch

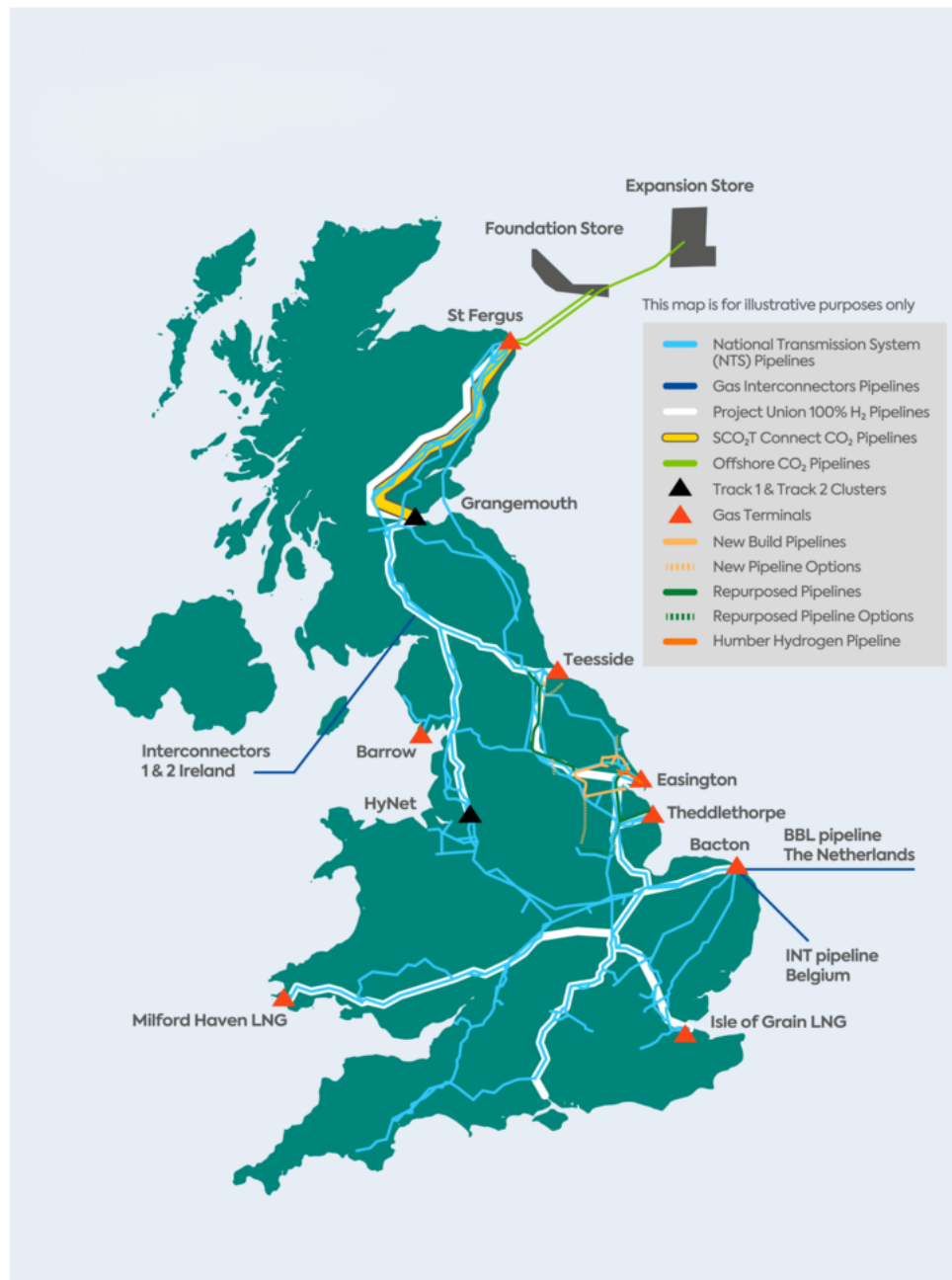
This AER and the previous reports are accessible via our external page: <https://www.nationalgas.com/responsibility/environment>

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Our business at a glance



Who we are

National Gas is the backbone of Britain's energy system. We transport gas across Great Britain through nearly 5,000 miles of pipes, repair and maintain gas pipelines, and manage the meters that allow power stations, businesses and millions of homes to access the energy they need.

National Gas Transmission

Our business operates as a regulated monopoly. We are regulated by the Gas and Electricity Markets Authority (GEMA), whose functions are carried out in practice by the Office of Gas and Electricity Markets (Ofgem). Ofgem oversees an incentive regime to ensure our interests are aligned with those of consumers. As both the Transmission Owner (TO) and System Operator (SO), we own, build and operate the high pressure gas National Transmission System (NTS) that transports gas around Great Britain. We have day-to-day responsibility for balancing supply and demand on the NTS.

National Gas Services

Our National Gas Services business is the UK's leading specialist provider of planned and emergency gas pipeline inspection, repair, maintenance and replacement services. Our network of depots provides a rapid response to gas pipeline emergencies anywhere in the UK.

National Gas Metering*

National Gas Metering is one of the largest meter equipment managers in Great Britain, enabling power stations, businesses and millions of homes to access the energy they need safely and reliably. We manage approximately five million diverse and, in some cases, significantly complex gas metering installations, delivering consistently high performance and outstanding levels of customer satisfaction. To support the transition to a clean energy future, we are applying our skills and expertise to develop the essential hydrogen metering and infrastructure of tomorrow.

Premtech*

Premtech is one of the UK's foremost engineering design consultancies specialising in high-pressure onshore pipelines and associated infrastructure for the energy sector. It has more than 15 years' experience in designing complex pipelines and associated infrastructure for gas transmission and distribution networks across the country.

*This part of the business is excluded from this report.

Our business at a glance continued

Our environmental responsibilities

Gas is, and will be for decades to come, a major contributor to the blend of energy sources powering the country. At any one time, up to 50% of the nation's energy could be supplied by gas. Security of energy supply is something many of us take for granted, and delivering it is a responsibility we take extremely seriously, but we know it is important to balance this with our environmental obligations.

We are aware of the critical role we play in solving current and future challenges for energy and are ensuring that we are flexible in how we provide and use energy. A gas like hydrogen, for example, will be an integral part of the United Kingdom's (UK) future energy mix and we want to be at the forefront of delivering the benefits of connecting supply and demand.

We strive to achieve minimal adverse environmental impacts across all our operations, while also seeking ways to enhance the local environment. Our overall ambition here is to protect the environment and act sustainably every day.

This approach aligns with Ofgem's environmental focus areas for the RIIO-T2 regulatory period:

- Decarbonising the energy networks – with a focus on business carbon footprint and embodied carbon.
- Reducing the networks' other environmental impacts, i.e. pollution to local environment; resource use and waste management; biodiversity loss and other adverse effects that are specific to the sector.
- Supporting the transition to an environmentally sustainable low carbon energy system. As a responsible business, we are committed to delivering environmental benefits for the communities we serve, while prioritising the issues that matter most to our customers, our employees and our wider stakeholders.

National Gas plays a leading role in Britain's journey to a clean energy future, and this has shaped our EAP. Prior to RIIO-T2, we worked with our stakeholders to identify 30 environmental targets where we believe we can have a positive impact.



CEO's message



Through our EAP, we will be aiming not only to decarbonise our network but also to reduce the environmental impact of our activities, and to continually stretch ourselves to improve our environmental performance.

By delivering our Environmental Action Plan, we have worked to address some of the most significant environmental challenges facing our business. I am pleased that of the thirty ambitious commitments we have completed twenty-eight and made substantial progress towards delivering the others.

Among our key achievements, we have halved nitrogen oxide (NOx) emissions from our compressor stations, successfully tested the first of our innovative pipeline recompression machines to reduce venting emissions, expanded our fugitive emissions detection programme, and achieved recertification of ISO 14001. All are achievements demonstrate our continued commitment to environmental excellence.

I am delighted to introduce our Annual Environmental Report for the final year of RIIO-T2.

National Gas has continued to play an important role in safeguarding Britain's energy security while helping to unlock a net zero future, working to decarbonise the energy systems of today, to ensure that generations can prosper from clean, affordable and secure energy in the future.

As I reflect on the RIIO-T2 period, I am proud of the significant progress we have made in reducing our environmental impact and embedding sustainability across our operations.

Over the year, we progressed with the delivery of our 'three molecule' (methane including biomethane, hydrogen and carbon dioxide) strategy. We not only maintained and sought to improve the existing methane network, but took further steps towards building our capability for hydrogen, carbon capture and storage, and biomethane.

In June 2025, we received confirmation of funding for Project Union: East Coast of £43.26m (2018/19 prices). This award was followed in November 2025 with confirmation of funding for Project Union: St Fergus to Teesside of £51.03m (2018/19 prices) and Project Union: Northwest of £30.13m (2018/19 prices). Together this represents funding of £165m (2025/26 prices), and enables Front End Engineering Design (FEED) delivery for over 50% of the entire length of the proposed Project Union network. We welcomed the publication of the Government consultation on blending in the transmission network in July 2025, which set out a 'minded-to' position to accept blends of 2% hydrogen into the NTS.

We pursued our aspirations in respect of carbon capture and storage, working closely with our partners in Scotland to further our SCO2T Connect project.

We were pleased to receive government backing, through the Comprehensive Spending Review in June 2025, for the Scottish Cluster (of which SCO2T Connect is a part). This award of £200m of development funding was extremely welcome, and we continue to work with government to secure the release of the funding.

Looking ahead to RIIO-GT3, there is much for us to do. We have agreed a new Environmental Action Plan, with fourteen new commitments. Our focus will be on delivering these commitments, driving continuous improvement and striving for strong environmental performance. In doing so, we will seek to minimise our environmental impact, embed sustainability into every aspect of our operations, and support the transition to a net zero future.

I would like to thank everyone who has contributed to the progress highlighted in this report. Together, we are demonstrating that secure energy supplies and environmental stewardship can go hand in hand, creating lasting value for our customers, communities and the environment.

Jon Butterworth

Chief Executive Officer

Environmental performance indicators

KPI and impact		Unit
Climate change impact		
2.1	Licensee's long-term greenhouse gas reduction target, aligned to science-based methodology. Where possible, validated against SBTi or equivalent	Committed to a Net Zero target of 2050 with an ambition of 2040, aligned to the Science Based Target Initiative (SBTi)
2.2	Annual change in licensee's business carbon footprint, excluding losses/shrinkage in comparison to last year	+8%
2.3	Annual change in compressor emissions (Compressor related combustion and venting)	+11%
Resource use and waste		
3.1	Annual total operational waste	1,153.13 tonnes
	Annual total office waste	24.54 tonnes
	Annual total construction waste	27,898.56 tonnes
3.2	Fate of operational waste: diverted	32.1%
	recycled	66.8%
	landfill	1.0%
	Fate of office waste: diverted	44.4%
	recycled	55.6 %
	landfill	0%
	Fate of construction waste: diverted	8.2 %
	recycled	89.4 %
	landfill	2.4 %
Sustainable procurement		
4.1	Proportion of suppliers meeting the licensee's environmental supplier code or equivalent	See page 28
Local Environment		
5.1	Annual investment in schemes to enhance or restore local environmental quality on non-operational land	£1.0m
5.2	Land area treated in schemes to enhance or restore local environmental quality on non-operational land during RIIO-T2	9.20 hectares
5.3	Net change in biodiversity units from network development projects granted planning consent in the year that impact the local environment	Not quantified

*based on data currently available from a proportion of projects.

Environmental action plan

Our Environmental Action Plan (EAP) explains how we are working with our employees and stakeholders to reduce our impact on the environment. Our approach focuses on five key pillars, and 30 commitments that help us track our progress and understand how well we are performing. They have remained in place throughout the regulatory period (RIIO-T2).

2025/26 Progress

Target status	No. of targets
 Complete	28
 On track	0
 In progress	0
 Off track	2

Status definitions

-  On track: progress against the implementation milestones is on track.
-  In progress: progress against milestones is delayed but likely to be achievable before the end of the price control period.
-  Off track: progress against milestones is at risk or target missed.

Five environmental pillars



1. Air quality

We have worked to reduce nitrogen oxide (NOx) emissions throughout RIIO-T2. This includes replacing some of the older compressors on our network with cleaner technology. We have seen a consistent improvement over 5 years, with NOx intensity halving from 8.09 kg/h in 2021/22 to 4.06 kg/h in 2025/26. This demonstrates the tangible impact of modernising the asset base.

Benefit: Improved air quality.



2. Climate change

Since 2023, we have had a Science Based Targets initiative (SBTi)-aligned pathway in place, to reduce our Scope 1 and 2 emissions with a commitment to reach net zero by 2050 and an ambition to do so by 2040. Supporting this, we rolled out some key initiatives, including a methane leak detection and repair (LDAR) programme which has helped us better understand fugitive emissions across all sites. This work is also helping to establish a robust RIIO-GT3 baseline, with two of the three planned years of monitoring now complete.

Benefit: Reducing our contribution to climate change.



3. Responsible asset use

A programme has been in place to decommission our redundant assets responsibly, refurbishing them for re-use when viable, or where possible changing their purpose. At the same time, we have partnered with suppliers to adopt more sustainable procurement practices, while focusing on reducing the waste we produce and increasing levels of recycling and reuse.

Benefit: Reducing unnecessary consumption of resources and production of waste.



4. Caring for the natural environment

We have developed an approach to protect and enhance Biodiversity during construction and decommissioning through targeted effort, and community engagement. The Hatton project met its biodiversity net gain commitment (BNG) of 10%, while a new strategy was created that will embed biodiversity into all major projects going forward. At the same time, we increased the environmental value of our non-operational land by 16%, through habitat enhancements and educational initiatives.

Benefit: Improving the natural environment.



5. Leadership for change

We have been working to ensure sustainability becomes part of everyday decision-making. A major milestone has been strengthening our internal capability, through an online training programme, equipping 98% of our workforce with environmental sustainability knowledge. We have also played an active role in driving progress across the wider industry.

Benefit: Improving environmental awareness to increase positive environmental outcomes.

More information can be found under [Our commitments in action](#)

Commitments in action



Status: Complete



Enable reduction in NO_x emissions per hour of gas turbine running from the business by the end of RIIO-T2 in March 2026

Description: Maintaining and operating our BAT equipment as the lead units for compression. We will replace 2 compressor units in RIIO-T2 and, subject to FEED, start work at a further 3 sites to be delivered in RIIO-GT3. These will help reduce NO_x emissions into RIIO-GT3 and beyond.

Benefit: Improved air quality

Status update: The NO_x intensity performance 2025/26 achieved 4.06 kg/h, a reduction from 4.74 kg/h in 2024/25. This was primarily driven by the increased utilisation of Best Available Technique (BAT) units, that are newer and significantly cleaner assets than legacy equipment.

The results are indicative of the trends seen over the last 5 years with NO_x intensity steadily decreasing from 8.90 kg/h in 2021/22, to 4.06 kg/h in 2025/26.

Measure/metric: Reduction in NO_x emissions per hour of gas turbine running. Delivery of new compressors measured through price control deliverables.

Milestones:

- Halved NO_x levels to 4.06 kg/h in RIIO-T2
- Completed annual network review
- Four new compressors replaced and operationally commissioned



Status: Complete



10% increase in environmental value on non-operational land by the end of the RIIO-T2 period

Description: Natural Capital tool is used to assess how land can be developed and used to enhance the value of ecosystem services.

Benefit: Caring for the natural environment

Status update: The target of 10% increase in environmental value has been exceeded with a final total of 16% improvement over the last 5 years.

This has been realised through targeted land management alongside a programme of educational outreach. Initiatives have included enhancing habitat quality and promoting species diversity, offering volunteering opportunities, delivering environmental outreach and engaging with the local community.

Measure/metric: £ natural capital biodiversity (# units)

Milestones:

- 16% environmental value delivered.
- New habitats and biodiversity management delivered



Status: Complete



Act as custodians of our redundant sites by ensuring that we reinstate them to deliver a net gain in environmental value where we are not restricted

Description: Where possible incorporate environmental value enhancement on redundant sites to deliver a net gain. Restrictions such as planning conditions may impact how redundant sites can be managed.

Benefit: Caring for the natural environment

Status update: The definition of net gain in environmental value means leaving the environment in a measurably better state than before development begins. This includes improvements in biodiversity, climate resilience, ecosystem services, and social value.

In RIIO-T2 we conducted ongoing evaluation of net gain opportunities during decommissioning, to identify the most suitable options across our land portfolio. At the close of 2025/26, no redundant sites have been identified.

Measure/metric: % of net gain achieved against number of sites viable

Milestones:

- No redundant sites identified

Commitments in action continued



Status: Complete



Educate the public about environmental issues through outreach linked to major compressor emissions projects

Description: Engage with local community through school visits, local talks, including the environmental impact of our major projects

Benefit: Caring for the natural environment

Status update: In 2025/26, National Gas delivered educational outreach linked to major compressor emissions projects, helping communities and stakeholders better understand environmental issues, emissions reduction measures and the role of the gas infrastructure.

We attended parish council meetings in the Wormington and Honeybourne areas and conducted community site visits at Hatton, Peterborough and Wormington, enabling residents to engage directly with National Gas colleagues on topics including air quality, climate impacts, carbon emissions, environmental monitoring, operational mitigations and heritage considerations.

Across all our engagement activities, we demystified complex topics relating to energy systems and gas infrastructure into clear, accessible information for non-technical audiences. Collectively, our interactions have addressed short-term information needs and built long-term awareness on environmental issues. All of which helps to strengthen trust and support informed dialogue around current and future National Gas projects.

Measure/metric: Community engagement

Milestones:

- National Gas Community Grant Fund delivered
- Corporate Social Responsibility (CSR) initiatives progressed.



Status: Complete



Deliver 10% net gain in environmental value (including biodiversity) on planned construction projects (including third party delivery)

Description: Net Gain target is applied on all schemes that lead to permanent or temporary habitat loss, negative impacts on the habitat condition or provision of ecosystem function e.g. screening, flood management, recreation

Benefit: Caring for the natural environment

Status update: The Hatton compressor project successfully completed its Biodiversity Net Gain (BNG) commitments on land impacted by construction activities.

This was achieved through the off-site purchase of biodiversity units. This approach ensured that unavoidable impacts from development were effectively compensated, resulting in an overall enhancement of biodiversity value in line with emerging planning and regulatory expectations.

Building on this experience, a Biodiversity Net Gain strategy has been developed for all major construction projects and will provide a consistent framework to embed biodiversity protection and enhancement into project planning, design, and delivery, supporting ongoing commitments in RIIO GT3.

Measure/metric: #projects and % net gain

Milestones:

- 10% BNG implemented at Hatton compressor site
- BNG strategy developed for major construction projects

Commitments in action continued



Status: Complete



Replace 100% of our operational vehicle fleet with alternative fuel vehicles (AFV) where there is a market alternative and if it is operationally viable

Description: This translates as 5% of our operational vehicle fleet (including operational job requirement company cars) moving to AFVs by 2026.

Benefit: Response to climate change

Status update: In total 15 commercial electric vehicles have been purchased out of 347 vehicles that make up the commercial fleet. The 15 did represent 5% of the fleet but due to a number of older vehicles being retained it is now only 4.3%. The decision to retain older vehicles was made to reduce the use of hire vehicles in operation and due to a greater number of technicians requiring a commercial vehicle.

In RIIO-GT3, we will be investigating options to decarbonise our fleet in partnership with our fleet services provider, drawing on their expertise to develop a clear and practical approach. This will ensure we are ready to meet upcoming 2030 legislation and support delivery of our net zero ambitions.

Measure/metric: % vehicle replacement

Milestones:

- 15 commercial EV vehicles purchased



Status: Complete



Reduce carbon emissions for our business transport by 10%

Description: Reduce vehicle use by promoting rail and virtual meetings, promote EVs on company car scheme and install electric car charging points at compressor sites.

Benefit: Response to climate change

Status update: The baseline for business mileage emissions was set at 1,608 tCO₂e in 2019/20. In 2025/26, total emissions were 949.1 tCO₂e representing a reduction of 41% against this baseline.

This is primarily due to the continued uptake of Electric Vehicles (EV) within NGTs company cars scheme. EVs now account for over 70% of the total company car fleet, significantly reducing the CO₂e emissions associated with business mileage.

Measure/metric: Tonnes of CO₂e, baseline: 1608tCO₂e for FY2019/20

Milestones:

- 41% reduction in emissions from baseline
- Company car EV voucher increased



Status: Complete



Focus on an efficiency-first approach to decrease carbon emissions from our office energy use by 20% by 2026

Description: Implement energy saving initiatives

Benefit: Response to climate change

Status update: In 2025/26 there have been multiple energy efficiency projects undertaken at National Grid House, including air handling unit (AHU) fan replacement, gas boiler replacement and Building Management System (BMS) controls optimisation.

These have contributed to a reduction in emissions from 405 tCO₂e (2024/25) to 339 tCO₂e (2025/26) and an overall emissions saving of 50% in RIIO-T2.

Measure/metric: Tonnes CO₂e/% reduction against baseline

Milestones:

- Building Management System optimised by landlord
- Total emissions reduction of 50% in RIIO-T2

Commitments in action continued



Status: Complete



Reduce methane emissions (CO₂e) from leaks on the network during RIIO-T2

Description: Establish a baseline for methane emissions leaks on the network through improved monitoring during RIIO-T2 and use that information to inform reductions.

Benefit: Response to climate change

Status update: NGT's fugitive emissions baselining programme has now completed two of its three years and will conclude at the end of year 1 of RIIO-GT3. Analysis of the data collected is underway to identify the assets contributing most significantly to fugitive emissions, enabling targeted mitigation and intervention activities.

Insights gained from the programme have also informed a concurrent review of NGT's defect management process. As a result, the process has been updated to prioritise the resolution of defects associated with the highest-emitting fugitive gas escapes, helping to maximise emissions reductions.

Once baselining is complete, the findings will be used to establish the parameters of the GHG-F reputational fugitive emissions performance incentive, which is planned to be introduced from Year 3 of the RIIO-GT3 period. The design of this incentive will be developed collaboratively by NGT, Ofgem and other stakeholders over the next two years.

Measure/metric: Kg of CO₂e per mcm transmitted / Tonnes of CO₂

Milestones:

- Two of the three year LDAR baseline programme complete
- Defect management process updated to prioritise highest emitting fugitive gas escapes



Status: Complete



Purchase 100% of electricity for our offices from renewable sources

Description: As target states

Benefit: Response to climate change

Status update: As a tenant at our main office at National Grid House, we have continued to benefit from the building's commitment to renewable energy. Electricity on site is supplied via a Power Purchase Agreement (PPA), backed by 100% REGO certified renewable energy. This is complemented by on site solar photovoltaic (PV) generation, which, this year has contributed 1.7% of the building's total electricity demand.

Certified renewable electricity is also supplied to the Warrington office. In 2025/26 the two offices consumed a combined total of 279 tCO₂e of REGO certified renewable energy.

Measure/metric: Tonnes of CO₂e saved

Milestones:

- In 2025/26 a total of 279 tCO₂e of REGO certified renewable energy was consumed.

Commitments in action continued



Status: Complete



Continue to participate in the UK Emissions Trading Scheme (UK-ETS) and use as an opportunity to provide focus on our CO2 emissions across the business.

Description: Continue to follow in-house processes for 1st, 2nd, 3rd line assurance of direct carbon emissions from permitted sites.

Benefit: Response to climate change

Status update: The UK-ETS (Emissions Trading Scheme) is a government-run scheme designed to reduce greenhouse gas emissions by creating a market for carbon reduction through tradable allowances. Assurance lines continue to operate to ensure compliance with the UK-ETS. All site activity level reports have been verified and submitted to the Competent Authority for the recent reporting year.

Measure/metric: No direct measure

Milestones:

- Site improvement reports submitted (if applicable)
- Verified Activity Level Reports (VAR) submitted



Status: Complete



We will work towards achieving carbon neutral construction for major projects starting in RIIO-T2.

Description: For major projects (projects >£50m), we will calculate embodied carbon (data dependent) to allow identification of carbon intensive aspects.

Benefit: Response to climate change

Status update: The total number of RIIO-T2 projects with sufficient data for embodied carbon analysis using the Carbon Interface Tool (CIT) was five, rather than the seven initially identified. Following a quality review of contractor submitted data, only five projects were considered robust to support the performance assessment. Additionally, a partial carbon intensity assessment was completed for the Hatton Compressor installation. In parallel, the Carbon Intensity Tool (CIT) has been further developed to improve its effectiveness to support wider application across RIIO-GT3 and the Major Projects Embodied Carbon Strategy has been completed.

Measure/metric: Aligned to PAS2060 and PAS2080, tonnes of CO2e in 2026

Milestones:

- Five projects completed a CIT assessment in RIIO-T2
- CIT updated and Embodied Carbon Strategy completed



Status: Complete



75% of our top 50 suppliers (by category/spend) will have carbon reduction targets

Description: Engage with our supply chain to set carbon reduction targets for suppliers engaged through the CDP supply chain program (top 50 supplier by category/spend)

Benefit: Response to climate change

Status update: We have achieved our RIIO-T2 target, with 82% of our top 50 suppliers (by category spend) now having carbon reduction targets and plans in place.

This milestone reflects strong progress in embedding sustainability across our supply chain and supports National Gas's wider decarbonisation ambitions.

Measure/metric: % of top 50 suppliers with carbon reduction targets

Milestones:

- 82% of top 50 suppliers with carbon reduction targets
- Supplier carbon reduction plan reporting process in place

Commitments in action continued



Status: Complete



Install renewable generation on our operational sites for our own use during RIIO-T2 – starting with compressor sites

Description: Install renewable generation, e.g. solar panels, on our sites to generate energy for site use and export excess to the grid for free

Benefit: Response to climate change

Status update: In RIIO-T2 we have invested in new solar installations at Nether Kellet (21.0 KW) and Warrington Compressor Station (26.0 KW). The project resulted in potential power outputs of up to 47KW across both sites. The initiative not only helped to reduce electricity usage but also sets a new standard for making compressor stations more sustainable. This is alongside the PV panels and wind turbine already powering the AGI at Pennington.

Measure/metric: # sites with renewable generation or kWh generated (therefore saved)

Milestones:

- Delivery of renewable energy generation on three sites according to business plan



Status: Complete



Deliver a science-based target for National Gas by 2023

Description: Establish a project team to further develop the business carbon footprint, identify costed options and develop roadmap for delivering Net Zero; linked to wider delivery of decarbonising the NTS.

Benefit: Response to climate change

Status update: This target was completed in October 2023 when a bespoke decarbonisation strategy and glidepath to net zero were finalised.

Measure/metric: target developed

Milestones:

- SBTi Net Zero glidepath developed



Status: Complete



An engaged workforce on environmental issues that leads by example

Description: Implement a comprehensive employee engagement programme on environmental issues including emissions, waste, reduction in plastics and employee travel.

Benefit: Leadership for change

Status update: A key focus during the reporting period has been building internal capability. The workforce has been upskilled through an online environmental sustainability training programme, achieving a completion rate of 98% by year end. This high level of participation ensures that sustainability principles are well understood across the organisation and consistently considered in operational, investment, and strategic decisions.

Measure/metric: % of engaged employees

Milestones:

- 98% completion rate environmental sustainability training in RIIO-T2

Commitments in action continued



Status: Complete



Produce an Annual Environmental Report (including our BCF)

Description: Publish Gas Transmission environmental performance annually allowing feedback from stakeholders.

Benefit: Leadership for change

Status update: This report is the third stand-alone Annual Environmental Report, which provides a clear and accessible account of progress against environmental objectives. It reinforces accountability to stakeholders and demonstrates ongoing commitment to openness around environmental performance.

Measure/metric: Annual publication of results and feedback where applicable

Milestones:

- 2025/26 report published



Status: Complete



Lead in transparency on capital carbon and natural capital reporting

Description: We will drive forward industry in areas of sustainability where we are leading. We will work collaboratively through industry working groups to deliver this. We will focus on two areas: natural capital/net gain and capital carbon.

Benefit: Leadership for change

Status update: To further embed sustainability across capital delivery, Biodiversity Net Gain (BNG) and Embodied Carbon strategies have been introduced for Major Construction Projects, ensuring biodiversity and carbon reduction considerations are integrated from design through to delivery. This is supported by ongoing collaboration with other gas networks and industry groups to share best practice, contribute to standards development, and drive a consistent approach to sustainability across the sector.

Measure / metric: Stakeholder engagement and internal capabilities

Milestones:

- Completed BNG and Embodied Carbon strategies for construction projects
- Regular attendance at Industry collaboration group



Status: Complete



Fully embed sustainability in decision making

Description: Carbon pricing is influencing decisions and whole life costing is assessed in the decision-making process.

Benefit: Leadership for change

Status update: During this reporting period, we strengthened the integration of sustainability into decision-making across both Capital Projects and Operations.

In Capital Projects, sustainability is now embedded throughout the project lifecycle, from investment decisions and Front-End Engineering Design (FEED) to delivery. Environmental impacts, climate change, decarbonisation opportunities, embodied carbon, and impacts on nature are all considered, with performance monitored during delivery to ensure requirements are met.

In Operations, emissions performance is playing a greater role in technical decision-making. Our monthly Business Carbon Footprint (BCF) report provides the Executive Team and key stakeholders with clear insight into current and forecast emissions, helping to drive efficiency improvements and support emissions reduction.

Measure/metric: A clear framework for the different decision-making points

Milestones:

- Sustainability drivers embedded in key decision making processes

Commitments in action continued



Status: Complete



Implement the ISO 20400 sustainable-sourcing process

Description: Alignment to ISO20400 Sustainable Procurement Guidance Standard

Benefit: Responsible asset use

Status update: Sustainability considerations have continued to influence purchasing activities across the business. Informed by ISO 20400 principles, these considerations are reflected throughout a range of procurement processes, including sourcing, governance, supplier engagement and contract management.

Our sustainable procurement action plan supports ongoing improvement and helps inform the future direction of our Procurement Strategy.

Measure/metric: Aligning to ISO20400 Guidance, # categories strategies considering sustainability

Milestones:

- Sustainable procurement process aligns to ISO 20400 standard



Status: Complete



Work with contractors to measure the proportion of recycled materials used on construction projects

Description: We will set a target during the RIIO-T2 period to increase from this baseline.

Benefit: Responsible asset use

Status update: Throughout the reporting period we have worked with our construction supply chain partners to improve awareness and upskilling on prioritising the use of recycled materials in the design and construction of our projects. Our Carbon Interface Tool (CIT) has been updated to improve the measurement of lower embodied carbon materials ahead of RIIO-GT3 and a target has been set to use 30% of sustainable materials on construction projects greater than £25million.

In 2025/26, 750 tonnes of aggregate generated during the West Winch UI Asset Health Project was reused under a U1 exemption and incorporated into the Pipeline Diversion Project.

Measure/metric: Baseline and measure to be established

Milestones:

- Established a target of 30% sustainable materials on construction projects >£25m in RIIO-GT3
- 2,250 tonnes of materials were reused on site in 2024/25 and 2025/26.



Status: Complete



Reduce the waste intensity of our construction projects year-on-year

Description: We will continue to collect and measure our waste volumes to set a baseline. We will target the most waste intensive aspects of our project and work to identify opportunities for reduction.

Benefit: Responsible asset use

Status update: In 2025/26, waste intensity was reported at 13.75 tonnes per £100,000 spend across 24 projects, representing a significant improvement on the 44 tonnes/£100,000 reported in 2024/25. This exceeds the RIIO-T2 target of 35 tonnes/£100,000 to be met by the end of the regulatory period.

Influential factors that may have contributed to the reduction include; several projects entering later delivery phases, where waste generation is typically lower than during major civil works and excavation activities. In addition, enhanced contractor engagement, the introduction of mandatory Site Waste Management Plans, and improvements in waste reporting processes.

Measure/metric: waste tonnage/£100,000 spend

Milestones:

- Achieved a waste intensity of 13.75t/£100,00 in 2025/26
- Improved quality of waste reporting

Commitments in action continued



Status: Complete



Reduce office waste by 20%

Description: Continue to roll out existing programmes to all sites

Benefit: Responsible asset use

Status update: Overall, there has been a 55% reduction in total waste tonnage at our Warwick office in RIIO-T2 from a baseline of 54.62t to 24.54t.

In 2025/26 there has been an increase in dry mixed recycling and food waste of 9% (2.1 t) compared to 2024/25 with general waste lower than the previous year. Alongside this, site occupancy has risen by 18% in 2025/26.

Measure/metric: Waste in tonnes, % reduction for office sites

Milestones:

- 55% reduction in office waste tonnage at National Grid House, Warwick during RIIO-T2 period



Status: Complete



On construction projects, we will achieve zero waste to landfill and we will increase recycling and reuse materials by 2026

Description: We will achieve zero waste to landfill and set a target on recycling rates using 2020/21 data to set a baseline, applicable to waste that can be diverted from landfill in accordance with the carbon trust standard

Benefit: Responsible asset use

Status update: Our major construction projects achieved a recycling rate of 89.4% in 2025/26, a significant improvement of 42% compared with the previous year. A further 8% of waste was diverted from landfill, leaving only 2.4% sent to landfill disposal.

We have strengthened engagement with contractors and made site waste management plans mandatory for all major projects. This has led to improved availability and quality of waste data, as well as more detailed reporting of waste streams. During 2025/26, a number of projects were in demolition and construction phases that produced high levels of readily recyclable materials such as concrete, metals and inert soils. For example, the Erith King's Lynn demolition project recycled over 1,300 tonnes of concrete, Kirriemuir recycled 460 tonnes of metals. These high-volume recyclable waste streams supported the overall recycling performance achieved during the year.

Measure/metric: % waste recycled target for end of RIIO-T2 = 83%

Milestones:

- Achieved 89.4 % recycling rate
- Increased number of projects reporting waste data

Commitments in action continued



Status: Complete



Identify opportunities to pilot and implement circular economy principles

Description: Analyse current projects for their circularity and refine to create circular or semi-circular processes where possible. Draft a Circular Economy Framework for National Gas aligned to industry standard.

Benefit: Responsible asset use

Status update: In RIIO-T2 we have developed the first Circular Economy Strategy guide alongside looking for potential pilot initiatives. The strategy introduces a pilot decision matrix designed to assess future ideas based on their impact, implementation complexity, operational feasibility, cost, and long-term potential. We will build on this strategy in RIIO-GT3 as we deliver our new commitments.

Measure/metric: Develop a circular economy metric for next price control period and identify pilots

Milestones:

- Four new pilot projects have been identified as candidates for trial during the next regulatory control period.



Status: Off track



Address 74 redundant assets, asset groups or sites in RIIO-T2 in line with Price Control Deliverable (PCD)

Description: Prioritise highest risk outputs. Decommission where assets are redundant, repurpose where possible and leave pipelines purged and filled with nitrogen.

Benefit: Responsible asset use

Status update: A programme was implemented to decommission redundant assets, with the objective of minimising environmental impact and reducing ongoing maintenance requirements and operational costs. During the RIIO-T2 period, the number of outputs delivered did not meet the EAP commitment of 74; however, 54 redundant outputs were successfully fully decommissioned with a further 14 to be completed in the next funding period. The outputs not progressed during RIIO-T2 were due to changes in customer requirements or site circumstances.

Measure/metric: Measured through a price control deliverable on the identified assets, asset groups or sites.

Milestones:

- 54 redundant outputs decommissioned



Status: Off track



Recycle 60% of our office waste by 2026

Description: Continue to increase the amount of office waste we recycle at National Grid House.

Benefit: Responsible asset use

Status update: By the end of 2025/26, the recycling rate at National Grid House had increased to 55.6%, up from 46.0% in 2024/25. Monthly recycling performance showed a sustained improvement from quarter 2, with the period from October 2025 to March 2026 achieving an average recycling rate of 59.7%. This positive trend is likely to be due to the introduction of new recycling and food waste bins across the National Gas workspace, which were installed at the end of June 2025, improving waste segregation and supporting higher recycling levels.

Measure/metric: % of waste recycled

Milestones:

- Achieved a recycling rate of 55.6%
- Engagement with the landlord to support waste reduction initiatives

Commitments in action continued



Status: Complete



Reduce water use in our offices by 20%

Description: Implement a water reduction programme at all office sites owned and operated by National Gas.

Benefit: Responsible asset use

Status update: In 2025/26, in partnership with ADSM we have continued to make strong progress in reducing water consumption at National Grid House, Warwick and Warrington archives. Building on a 2019/20 baseline of 7,380 m³, office water use fell to 3,768 m³, delivering a 49% reduction and demonstrating the success of ongoing conservation efforts. Beyond reducing operational water demand, 1% of the revenue generated through these water conservation initiatives has created a positive social impact, National Gas Transmission and Metering have enabled 8,800 people to gain access to safe water. This achievement highlights how responsible resource management can contribute both to environmental sustainability and to improving lives within communities around the world.

Measure/metric: % water usage

Milestones:

- Collaboration with landlord to support the water conservation programme, including supply chain engagement and water usage monitoring.



Status: Complete



Assess and report on our risk from climate change on our assets

Description: Actively assess risks from climate change.

Benefit: Responsible asset use

Status update: NGT reports the physical risk climate change is posing to its assets within the Adaptation Reporting Power (ARP), last submission December 2024. In addition to ARP NGT completes an annual Climate Financial Disclosure (CFD) which can be found in its Annual Report and Accounts published in July 2026.

Measure/metric: Production of climate change risk assessment mitigation plan, implementation of risk mitigation strategies.

Milestones:

- ARP report submitted to DEFRA
- RIIO-GT3 Climate Resilience Strategy
- 2025/26 National Gas Annual Report and Accounts



Status: Complete



Extend the life of equipment where appropriate by refurbishing it

Description: Refurbish equipment where possible over 2019/20 baseline then target the most waste intensive parts of our work and work with our supply chain to reduce waste in these areas.

Benefit: Responsible asset use

Status update: We have met our commitment to extend the operational life of equipment against a 2019/20 baseline. A refurbishment programme, led by the Asset Health Team, resulted in the total refurbishment of 3,093 assets in RIIO-T2. The number has been revised from last year to ensure better alignment with categorisation in RIIO-GT3. This work has also supported the establishment of a baseline enabling ongoing performance tracking as the programme continues.

Measure/metric: #refurbished assets / Establish a baseline and target. Work with our supply chain to reduce waste in these areas.

Milestones:

- Refurbished a total of 3,093 assets in RIIO-T2
- Established a refurbishment baseline for RIIO-GT3

Case studies

Case study: FutureGrid

Phase 1

The FutureGrid offline test facility at DNV Spadeadam in Cumbria, was developed as the first facility of its kind in the UK. Constructed using decommissioned National Transmission System (NTS) assets that had transported methane for up to 50 years, the facility enabled extensive testing with natural gas, hydrogen blends (2%, 5% and 20%), and 100% hydrogen. The programme demonstrated that repurposing existing gas transmission infrastructure for hydrogen is both safe and technically feasible, offering a more cost-effective and environmentally sustainable route to developing a future UK hydrogen backbone. Following the successful completion of Phase 1, the facility has continued to serve as a national research asset, supporting a range of innovation projects.

Phase 2

FutureGrid CO₂, is investigating how gaseous carbon dioxide behaves when transported through repurposed pipelines and assets, helping to address key technical challenges associated with future Carbon Capture and Storage (CCS) networks. The outcomes will support projects such as SCO₂T Connect and contribute to the decarbonisation of hard to abate sectors on the pathway to net zero.

FutureGrid Deblending for Transport, is a pioneering initiative exploring how existing gas infrastructure can be repurposed to supply hydrogen for transport and mobile power applications. By demonstrating how hydrogen can be processed for use in fuel cell vehicles and other clean energy systems, the project will help unlock opportunities for zero-emission transport.

To support key CCS deployment milestones in Scotland, the facility's testing programme has been revised to accelerate delivery of FutureGrid CO₂. As a result, the Deblending for Transport project has been rescheduled, with installation and commissioning of the deblending equipment commencing after carbon testing is complete and operational trials expected to begin in early 2027.



More information about the FutureGrid test facility can be found in our [Innovation Annual Summary](#).



Case studies continued

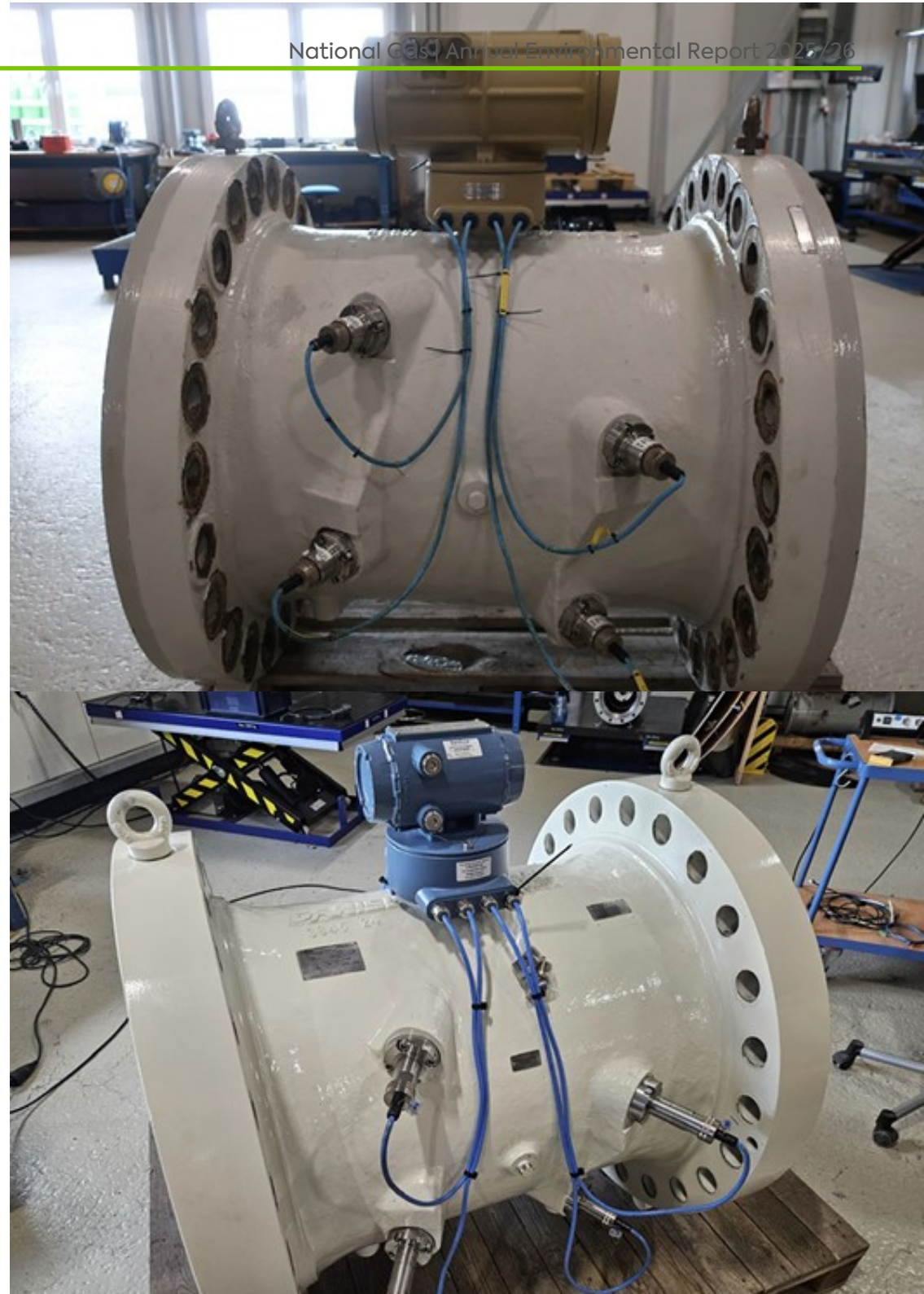
Case study: Metering Upgrade Project

The Cilfrew Metering Upgrade Project modernised two ultrasonic meters (USMs) that had been in service since 2007. The aim of the project was to improve measurement uncertainty, maintainability and long-term reliability. The USMs were refurbished with upgraded electronic components (including transducers and meter head). Additional scope included installing a new metering panel and flow computers. The full upgrade project scope ensured ongoing compliance with industry standards and internal cyber security standards.

Both meters were sent to Euroloop in Rotterdam, Netherlands, where they were refurbished and recalibrated before being reinstated. Delivery of the metering upgrade was carefully coordinated with a concurrent flow control project, allowing the work to be completed during a planned site outage that already required full depressurisation and venting. This co-ordination prevented an additional 13.5 tonnes of CO₂(e) emissions.

The upgrade enabled the site to benefit from significant advances in USM technology while retaining the existing meter bodies. The new electronics provide enhanced diagnostics capabilities allowing us to improve condition-based monitoring (CBM) and a proactive approach to asset management. Improved CBM help identify potential issues earlier, contributing to higher system reliability and more efficient maintenance planning. A key improvement of the upgraded electronics are non-wetted transducers. In the event of a transducer failure, unlike earlier designs, these can be replaced without venting the metering stream, improving maintainability and reducing operational impact of any meter failures.

The project demonstrates our commitment and aligns with our wider metering strategy, which prioritises the reuse of serviceable equipment where appropriate. By refurbishing and upgrading the existing meters, the project extended asset life while delivering the benefits of modern technology, reducing waste and capital expenditure. Transmitters and flow computers removed from service are retained as grey spares, creating a valuable stock of proven assets that can be redeployed on future projects or used to support operational resilience in the event of equipment failures.



RIO-T2 output delivery incentives (ODIs)

The table below provides a summary of our ODIs as disclosed in our RRP. These are agreed with Ofgem to encourage improvement beyond the existing commitments in our EAP. The environmental ODIs cover the measurable parts of our EAP and the existing Greenhouse Gas Emissions (GHG) incentive.

Environmental Incentive	Baseline levels	Performance					% difference 2025/26 to baseline level
		2021/22	2022/23	2023/24	2024/25	2025/26	
Operational transport emissions (tCO ₂ e) (% change)	1,748 (2021 forecast)	1751	1797	1743	1,896 (operational fleet including EVs)	2109	21%
Business mileage (tCO ₂ e) (% change)	1,608 (2019/20)	606	741	850	776	949	-41%
Percentage of recycled operational and office waste (%)	-	34%	41%	51%	50%	66%	NA
Office waste generated in tonnes (% change)	54.60 (2019/20)	*28	*32.5	*19.8	22.4	24.5	-55%
Office water use in m ³ (% change)	7,380 (2019/20)	1,699	3,910	3,124	2,648m ³	3,768m ³	-49%
Environmental value of non-operational land (£m) (% change)	32.92 (2020/21)	£0.7m	£1.5m	£1.0m	£1.1m	£1.0m	3%

*performance unit changed to tonnes for report consistency and alignment with RRP

Decarbonisation

As a business, our fundamental purpose is to deliver a clean energy future for everyone, while operating a resilient and reliable network.

Our network is already being tested by climate change and extreme weather, both of which add additional pressures and challenges to the way in which we operate the network and manage our assets. This is becoming of increasing focus as we conduct climate risk assessments and develop adaptation plans for our compressor stations. Adapting to climate change now and reducing the impact of our operations on the environment are crucial if we are to succeed in meeting our business purpose.

National Gas continues to focus on its own greenhouse gas emissions and look for ways to reduce them. As summarised on page 13, we have developed a bespoke decarbonisation strategy and glidepath to net zero to inform how we will reduce our emissions. We continue to explore the feasibility of converting the NTS to carry hydrogen as a greener alternative to natural gas, investigate the capability of our existing assets to transport carbon dioxide and facilitate biomethane connections.

The following table shows the number of enquiries received, the capacity of connections and the actual flow of biomethane and other green-gas connections to the transmission system. At the close of RIIO-T2 there are 2 biomethane connections in place at Murrow and Glentham and we have received 39 formal enquiries for potential new connections.

Connection enquiries

Biomethane connections	Unit	RIIO-T2 to date
Enquiries	Number	39
Connections	Number	2
Capacity connected	SCMH	0.672 MSCM/day
Average monthly flow rate	SCMH	0.01672 MSCM/day
Volume of biomethane injected	GWh	397.67 GWh
Other green gas		
Enquiries	Number	Non recorded
Connections	Number	Non recorded
Capacity connected	SCMH	Non recorded

Case studies

Case study: National Gas Services

National Gas Services (NGS) is upgrading its recompression fleet with four state-of-the-art LMF P-Pack 600 units, marking a major step forward in pipeline maintenance and emissions reduction across the National Transmission System (NTS). Two of the units have been delivered to our Ambergate facilities while the remaining two are being built. The first recompression unit (funded through RIIO-GT2) was delivered in Autumn 2025 and was used at Theddlethorpe Gas Terminal in March 2026. A second identical unit, funded through the Net Zero Pre-construction Work and Small Net Zero Projects (NZASP) re-opener, is expected to enter service in 2026. These new units significantly outperform older models, offering a much wider operational range, from 94 barg down to below 1 barg. In contrast, previous units could only operate down to 7 barg, limiting their ability to handle low-pressure gas. This expanded capability allows for the safe re-injection of low-pressure gas into live pipelines, enabling the reduction of at least 90% of greenhouse gas (GHG) pipeline venting emissions that older units were unable to recompress. The new fleet will play a key role in reducing methane emissions, improving efficiency, and enhancing overall network performance.



Case studies continued

Case study: Electronic Override System

A pioneering new electronic pressure management safety system has been successfully developed and deployed by the Engineering & Asset Management team, providing a modern replacement for obsolete Bristol Babcock 624 pneumatic controllers used on gas offtakes and network supplies.

Originally installed in the 1970s, these controllers have become increasingly difficult to maintain due to the availability of specialist knowledge, training, and spare parts. Their age and obsolescence increase the risk of equipment failure and associated asset integrity concerns. In addition, the controllers continuously vent natural gas during operation, resulting in ongoing greenhouse gas emissions and operational inefficiencies.

An Engineer within the Telemetry Team led a project to identify and develop a replacement solution. Working with operational teams in Cumbria and colleagues across the Scotland & North Region, the team designed, developed, tested, and commissioned an industry-first electronic alternative.

The new system eliminates routine gas venting and provides a modern, cyber-resilient replacement for the existing pneumatic equipment. The solution was successfully trialled at Longtown Junction, where it demonstrated reliable operation and performance.

Wider deployment of the system has the potential to prevent approximately 1.5 million standard cubic metres of natural gas from being vented, delivering significant environmental benefits while improving reliability, reducing maintenance challenges, and removing obsolete assets from service.

Following the successful trial, opportunities are being assessed to implement the solution more broadly across the network to realise further safety, environmental, operational, and cost benefits.



Case studies continued

Case study: Project Union East Coast

Project Union is National Gas Transmission's pioneering programme to create the UK's first national hydrogen transmission network, supporting the transition to a low-carbon energy system and helping to achieve net zero. By the mid-2030s, the network will be capable of transporting 100% hydrogen through approximately 2,000 km of infrastructure, combining repurposed existing assets with strategically delivered new-build pipelines.

The backbone will connect hydrogen production and storage sites with major demand centres, including industrial clusters, power stations and future hydrogen-powered communities. By linking these locations, Project Union will help transform the hydrogen market from a collection of isolated projects into a connected, competitive and resilient national network, while also creating opportunities for future hydrogen trade with Europe.

To accelerate delivery, NGT has adopted a regional approach, prioritising areas with strong hydrogen production, storage and demand characteristics. The first region to progress is Project Union: East Coast, selected for its significant production potential, storage capability, network connectivity and concentration of future hydrogen users.

In June 2025, Ofgem awarded £32.16 million to support the Front-End Engineering Design (FEED) phase for the East Coast project. This critical stage will develop a preferred route for the pipeline, progress land and consenting activities, and commence procurement preparations ahead of construction. Key outputs will include a Preliminary Route Report, an updated Cost-Benefit Analysis and a comprehensive Delivery Plan. The FEED programme is currently underway, with completion expected by October 2027.

Building on this momentum, Ofgem awarded funding in November 2025 for the next two Project Union regions. St Fergus to Teesside received £37.95 million, while the North West project secured £22.41 million to undertake their respective FEED phases, advancing the development of a nationally connected hydrogen transmission network for Great Britain.



Defined emissions

For our Business Carbon Footprint (BCF), our data sources include direct measurements from invoices and emission monitoring reports, modelled data using industry methodology and National Gas specific measurements.

We are always looking to improve our carbon accounting, whether reviewing emission sources, seeking data that was not previously available or maturing our methodology. We recognise the importance of our BCF being as complete as possible, particularly as we monitor our emissions in line with the reductions required to meet our net zero target.

Scope 1 and 2 emissions – (BCF)

Scope 1 emissions cover the Greenhouse Gas (GHG) emissions that a company makes directly — for example while running boilers and vehicles which are not electrically powered.

Scope 2 emissions are the emissions a company makes indirectly – like the electricity or energy it buys for heating and cooling buildings which is being produced on its behalf.

Our current BCF related target is to reduce our Scope 1 and 2 emissions by 21% by 2030/31 from a 2022/23 baseline of 481 ktCO₂e as per our net zero glidepath. Most of our BCF is made up of the emissions from compressor fuel combustion and compressor venting. In the last financial year (2025/26), these two emission categories accounted for ~62% of our overall Scope 1 and 2 emissions, as reported within our RRP submission to Ofgem. We are committed to reducing our emissions, while ensuring resilience and security of supply.

A key component to delivering the net zero commitment is reducing methane emissions from our operations. NGT submitted a funding request to support methane emission reduction in 2023. In March 2024, funding was secured for the Methane Emission Reduction Campaign (MERC). This comprises of three themes:

1. Expansion of fugitive emission detection and repair (LDAR) programme and establishment of a measurement-based fugitive emission baseline.
2. Combined Gas Recompression and Zero Loss seals (CMT) trials for the compressor fleet to reduce compressor venting.
3. Mobile Recompression Units – new mobile recompression capability to reduce pipeline and PIG trap venting.

Scope	Emission	Category	2023/24 (tCO2e)	2024/25 (tCO2e)	2025/26 (tCO2e)
1	Energy consumption (excl electricity)	Energy consumption	397	418	333
	Transport	Direct commercial vehicles	1748	1903	2068
		Business mileage	528	411	443
	Fugitive Emissions	Leak detection & repair	5720	6457	4582
		Pipeline & AGI's	26285	27586*	28730
	Venting Emissions	Venting (compressor only)	51646	44819	47587
		Pipeline Venting	26343	21076	23802
		PIG Trap Venting	791	542	607
		NRO Vents	N/A	10	7266
		Gas Using Devices & Maintenance and Inspection Vents	37246	37247	37247
	Other	Incidents with gas release	242	4	971
	Fuel combustion	Diesel Minor Combustion Plant	277	299	737
Natural Gas Compressors		191086	154948	174195	
Natural Gas/Other Minor Combustion Plant		839	747	721	
	Total scope 1		343,149	296736*	329290
2	Electricity consumption	Electricity consumption	37306	33398	28655
		Fleet & company cars (EVs)	88	139	191
	Total scope 2		37394	33537	28846
1 & 2	Total scope 1 & 2		380543	330273	358136

Some data may be revised in following year reporting. Eg. data originating from electricity invoices may be revised due to resolved estimations after year end.

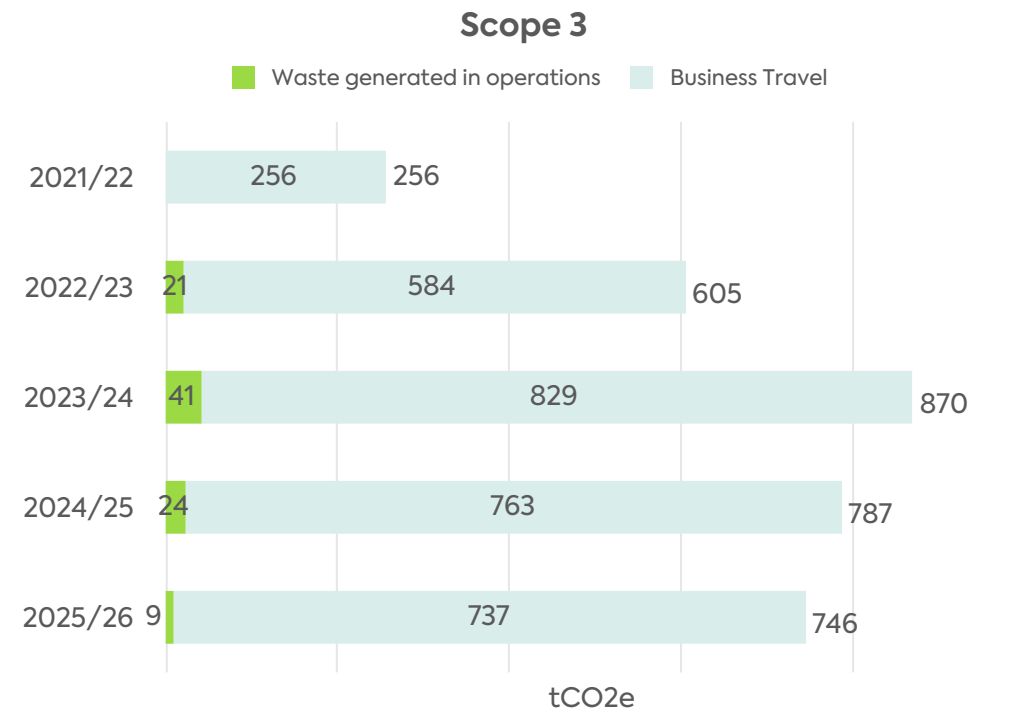
Although invoiced electricity consumption increased during the reporting period, Scope 2 emissions decreased as a result of a lower DESNZ electricity emissions factor, which reduced the associated tCO₂e per unit of electricity consumed.

* The Pipeline and AGI's emissions for 2024/25 have been revised from 25,588 tCO₂e to 27,586 tCO₂e. As a result, Total Scope 1 emissions have also been updated from 294,458 tCO₂e to 296,736 tCO₂e.

Defined emissions continued

Scope 3 emissions (as per RRP)

As of Year 5 of the RIIO-T2 period, we continue to report two of the seven relevant Scope 3 GHG Protocol emission categories for our regulated business: Category 5 (waste) and Category 6 (business travel). Our Category 5 reporting involves waste generated at our office and operational sites. Category 6 includes business travel via air, rail, hire cars and in employees' personal vehicles. To calculate the carbon emissions associated with these activities, the appropriate Department for Energy Security and Net Zero (DESNZ) conversion factors are used. We are continuing to assess how we can collate the information required to report more of our Scope 3 emissions. For example, conducting an employee commuting survey. Category 5 (waste) added from 2022/23. This scope 3 category was not calculated prior to this.



Category as per Ofgem RRP	Methodology and assumptions	Data Source	Confidence in data (completeness and accuracy) RAG status
Purchased goods and services	Continuing to investigate methodology for calculation		Not yet available
Capital goods	Continuing to investigate methodology for calculation		Not yet available
Fuel and energy related activity	As with other scope 3 categories we will continue investigating a calculation methodology for this category		Not yet available
Upstream transportation and distribution	Deemed to not be applicable during Scope 3 applicability screening. This exercise will be repeated if there are any significant business changes likely to impact the categories which are relevant to NGT.		
Waste generated in operations	Tonnes of waste converted to tCO2e using DESNZ current conversion factors	National Waste Contractor Reports for waste totals	Some assumptions required to allow application of available conversion factors
Business travel	This category includes business mileage not already included within Scope 1 and 2 emission reporting, such as travel undertaken via rail, air, hire vehicles and personal vehicles	Internal and external reports that quantify mileage taken (via booking systems or expense entries)	
Employee commuting	We are continuing to collect data on employee commuting via annual surveys. Once data is sufficient and representative, we intend to report this emission source.		Not yet available

Defined emissions continued

Embodied carbon

The UK Green Building Council defines embodied carbon as ‘the total greenhouse gas emissions (often simplified to ‘carbon’) generated to produce a built asset’. This includes ‘emissions caused by extraction, manufacture/ processing, transportation and assembly of every product and element in an ‘asset’. Our internal Carbon Interface Tool (CIT) allows us to record the embodied carbon of our major construction projects. The CIT calculates the carbon footprint of a project, comparing the ‘in design’ figure to the ‘as built’ figure.

We have partnered with third party consultants to upskill our teams and contractors on embodied carbon and on the use of the CIT tool for major construction projects. As part of this joint effort, five major projects have embarked on calculating their embodied carbon using the CIT during RIIO-T2. These projects are ongoing and new projects will have their associated embodied carbon measured during RIIO-GT3, which will allow us to identify reduction opportunities during their design. Our teams regularly monitor the data provided by contractors to ensure its reliability and accuracy. However, we recognise that estimating embodied carbon can be challenging. The industry still faces gaps in awareness and in the availability of key data, such as the environmental product declarations (EPDs) of materials —information that is essential for calculating the project embodied carbon.

As this area continues to evolve, we are committed to work closely with our supply chain and enhance our team capabilities. This will help us improve the quality of data we collect and gain better insights into the carbon footprint of our designs compared to the final built projects. We have updated our Construction Carbon Management Strategy to support our goals for the next regulatory period, RIIO-GT3. This strategy will guide our efforts to reduce embodied carbon across our major programmes.

Energy shrinkage and emissions within the NTS

NTS Shrinkage is a gas-industry term describing energy used to operate the NTS, energy that cannot be charged to consumers, and a remaining quantity that cannot be accounted for including methane emissions from the NTS.

As the NTS Shrinkage Provider, National Gas procures this energy and manages emissions across three categories:

Own Use Gas (OUG): Fuel for gas compressors. Leads to scope 1 emissions of CO2 shown elsewhere in this report [add section]

Calorific Value (CV) Shrinkage: Gas not billable under thermal energy regulations. Does not drive any emissions.

Unaccounted for Gas (UAG): Differences between measured inputs and outputs. UAG is mainly driven by metering errors, as well as data error, but also includes scope 1 fugitive and venting emissions of methane detailed elsewhere in this report [add section]

As part of RIIO-T2, National Gas Transmission operated within a shrinkage incentive scheme designed to encourage the minimisation of energy costs associated with running the network. As part of the scheme, the annual gas procurement costs from 2022–2023 onward were assessed against benchmark costs, which were calculated based on forecast volume requirements, the actual volume supplied, and prevailing market gas prices.

The following table provides a breakdown of gas shrinkage in the NTS per gigawatt hour (GWh), which is the quantity of energy produced or consumed by a piece of equipment for one hour at a power level of one gigawatt.

	Unit	2021/22	2022/23	2023/24	2024/25	2025/26
Compressor fuel usage	GWh	1,139	1,648	1,040	809	887
Calorific Value Shrinkage	GWh	317	491	443	257	436
UAG	GWh	2,051	4,655	1,607	1,676	1940
Natural gas vented from all compressors	Tonnes	2,061.2	2,286.6	2,321.9	2,018	2143

Shrinkage increased in 2025/26 compared with 2024/25 but remained broadly in line with levels seen across the previous three formula years. National Gas continues to actively manage shrinkage through investigations into high UAG days and targeted initiatives addressing the underlying causes, as detailed in the Shrinkage Report 2026.



More information - [Shrinkage and UAG Reports](#)

Procurement, resources and waste

Sustainable procurement to boost carbon reduction

National Gas is committed to embedding sustainability into decision making across our sourcing, contract management and supplier governance activities. Through our Supplier Code of Conduct (SCoC), we have set clear minimum expectations for all suppliers, covering environmental, social and governance (ESG) requirements. The SCoC reflects our values as a responsible business and outlines the standards we expect across areas including people, communities, environmental stewardship and business ethics.

During the year, we continued to strengthen sustainability performance across our supply chain and achieved our RIIO-T2 target, with 82% of our top 50 suppliers by category spend now having carbon reduction targets and plans in place. This milestone demonstrates strong progress in supporting supplier decarbonisation and contributes to National Gas's broader net zero ambitions.

Sustainable procurement is embedded within our operating model through the application of ISO 20400 principles. Sustainability considerations are integrated throughout the procurement lifecycle, from sourcing and tendering to supplier relationship management, contract management and performance reporting, supported by our procurement strategy and action plan.

With the Procurement Skills Accord (PSA) having achieved its intended objectives after eight years of delivery, the PSA Steering Group agreed to formally close the initiative in April 2024 and focus attention on future capability and workforce development priorities across the sector. Business Plan Commitment 4.2 was subsequently assessed as incomplete due to the Skills Accord not being available within the required timeframe

Looking ahead to RIIO-GT3, our focus will shift from process implementation to delivering measurable sustainability outcomes. We will strengthen supplier performance through enhanced sustainability KPIs, regular reviews and collaborative improvement plans, while further embedding sustainability requirements into contract management to drive environmental and social value throughout the life of our contracts.

#	Business Plan commitment	RAG
1	75% of top suppliers with carbon reduction targets	G
2	100% evidence of our top 50 suppliers having implemented Real Living Wage (RLW)	G
3.1	100 suppliers actively engaged through Supply Chain Sustainability School	G
3.2	# 2 Supply Chain Sustainability School forums actively engaged in	G
4.1	# 100 suppliers actively engaged through Supply Chain Sustainability School	G
4.2	# 50 suppliers signed Skilled Accord	R
5.1	ISO 20400 compliant procurement processes	G
5.2	75% of category strategies consider sustainability through formal gated processes	G
6	100% contracted suppliers legally bound to adhere to modern slavery act (MSA)	G
7	25% of onboarded providers of SME/ Diverse background as a % of overall suppliers	G

	2021/22	2022/23	2023/24	2024/25	2025/26
% meeting licensee's supplier code	% not available	% not available	% not available	% not available	% not available
% suppliers with own sustainability metrics or KPIs	% not available (Pre-separation from National Grid)	% not available (Pre-separation from National Grid)	76	82	82

Procurement, resources and waste continued

Efficient use of resources and waste

We recognise that the use of resources, waste and climate change are inherently linked.

That’s why our EAP includes ten targets in relation to using resources responsibly, such as addressing redundant assets, extending the life of our assets, implementing circular economy principles, reducing the quantity of waste and increasing the proportion of recycled materials used on projects.

For an update on the progress already made against these targets, please refer to pages 16–18.

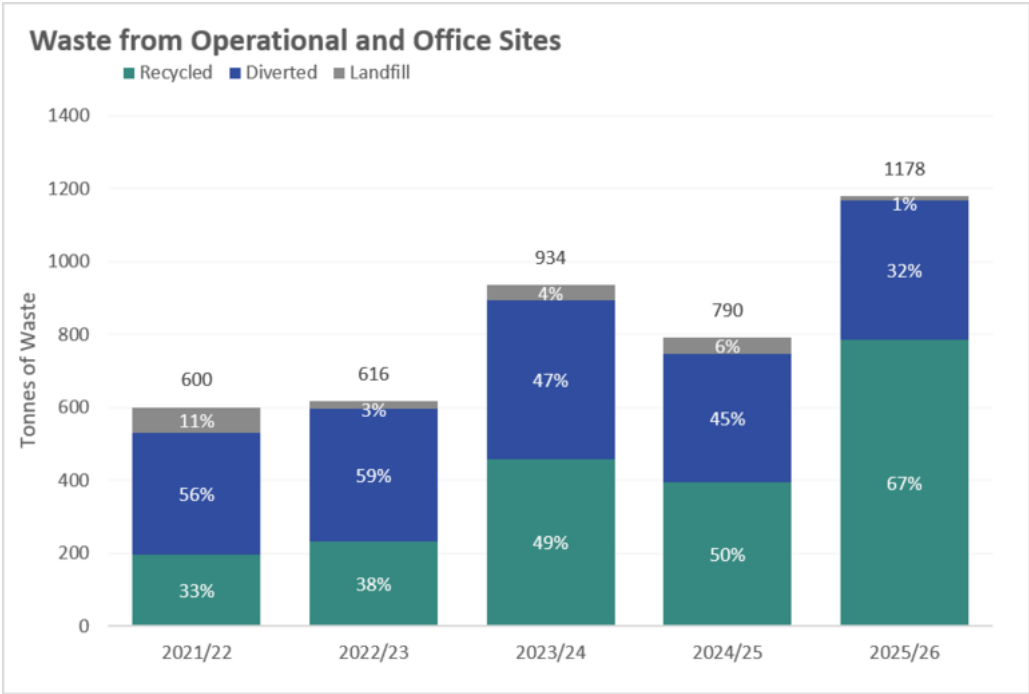
We continue to carry out an appraisal of waste segregation and disposal as part of managing our compliance for the Environmental Permits held at our compressor stations. The appraisal is used to identify trends in types of waste, volumes of waste and areas where we can improve or minimise it. The results of the appraisals are submitted to our environmental regulators for review so they can approve any identified actions.

Waste data provided below for transparency. The below waste reflects the waste totals from our office and operational sites as reported for the 2025/26 Regulatory Reporting Pack:

	2021/22	2022/23	2023/24	2024/25	2025/26
Total metric tonnes of waste*	600	616.1	934	790	1178
Office & Operational Recycling Rate (%)	33%	38%	49%	50%	67%

*The office waste data has been restated for all previous years of RIIO-T2 upon review of the baseline.

In 2025/26, our total waste tonnage increased by 50.2% compared with 2024/25, primarily due to an approximately 300% increase in metal waste from site project activities. This increase also improved our recycling performance, with the recycling rate to 67% by the end of RIIO-T2. We will continue to monitor waste generation, improve data quality with our waste service providers and office landlords, and promote best practice in waste management and segregation across our sites in support of our RIIO-GT3 commitments.



Procurement, resources and waste continued

Our duty as a responsible landowner

National Gas has a significant landholding, with an area of operational and non-operational land totalling 1,174.75 hectares. We recognise our responsibility to protect and enhance the natural environment across our estate. Through our Environmental Action Plan (EAP), we continue to embed biodiversity considerations into the way we manage land, plan projects and engage with local communities, ensuring that environmental improvements are integrated into both operational activities and future development.

During 2025/26, we progressed these objectives through habitat enhancement, conservation projects and stakeholder collaboration across our landholdings. This work focused on improving ecological condition, supporting wildlife and creating opportunities for people to connect with and better understand the natural environment. We also engaged with local communities, employees and volunteers to raise awareness of environmental issues and encourage participation in nature recovery activities.

Alongside these initiatives, we continued to strengthen the integration of biodiversity considerations within capital delivery projects. As regulatory expectations evolve and Biodiversity Net Gain (BNG) becomes increasingly important within the planning process, we have taken steps to ensure biodiversity protection and enhancement are considered from the earliest stages of project development. Together, these activities help strengthen the environmental value of our estate while supporting the safe and reliable operation of our critical energy infrastructure.

Looking ahead to RIIO-GT3, we will build on this foundation by further integrating biodiversity principles into land management, project delivery and investment decisions, helping to protect and enhance natural capital across our estate while supporting our wider environmental and sustainability ambitions.



Common Spotted Orchid – NGT Dowlais AGI

Data scope and quality

Data relating to our business carbon footprint, waste and environmental value have been taken from the data submitted in our RRP. We consider our governance process for RRP to be consistent and robust.

Furthermore, each EAP target and associated data has an accountable manager who provides the annual performance information provided.

During preparation of this AER, we have endeavoured to ensure that:

- The reported data is accurate and meaningful
- The reported data reflects our performance in the last financial year (2025/26) and is consistent with the scope of requirements detailed in the Ofgem guidance – RIIO-T2 Environmental Reporting

The assumptions made regarding our calculation and measurement methods are detailed throughout. We maintain methodology documents internally to enable year on year consistencies.

Business carbon footprint performance for last financial year was subject to limited assurance for the first time. The opinion in prior years has been private. NGTs [Basis of Reporting](#) and the [Limited Assurance Report](#) can be found on our website.

The content of this report is reviewed and approved by an initial expert signatory, a senior manager and an executive team member prior to publication.

Within this report, we have provided the data and updates to reflect our environmental performance based on knowledge and information available to us at the time of reporting. We strive to have complete, consistent and transparent data in order to inform performance improvements. However, where data is not available or gaps are identified, we will work to address these in the following years.

Reporting boundaries

This report provides data and information for the period 1 April 2025 to 31 March 2026 across National Gas Transmission.

Business Carbon Footprint data is reported based on an operational control reporting boundary.

Data gaps identified	Reason for data gap
The change in biodiversity units from network development projects has not been quantified.	A 10% BNG has been implemented for the Hatton compressor project. See page 9 for commitment details.
Percentage of suppliers meeting the licensee's environmental supplier code or equivalent.	Each supplier is legally bound to adhere to our Code of Conduct within our general terms and conditions. We therefore expect all of our suppliers to be meeting the code.
The key materials (maximum of ten) by value and/or mass consumed directly by the company and, where relevant, the supply chain. Licensees should comment on the environmental impact of materials where possible.	The volumes of consumed materials are not yet quantified.
Actual meter reading data from the St Fergus Electric Speed Drive (ESD) compressor	The electricity meter for the St Fergus ESD compressor was not able to provide an accurate reading of the consumption for 2025/26. To overcome this, an estimate was created based of last years kWh consumption and run hours to create a kWh/run hour figure. This was then applied to the current reporting year run hour data available to create an accurate estimation of reporting year consumption.

Glossary

Term	Acronym	Description
Annual Environmental Report	AER	Report submitted to Ofgem by licensees to ensure they remain accountable on a yearly basis for implementing their RIIO-T2 EAP Commitments.
Best Available Technology	BAT	National Gas has a legal obligation to ensure that all equipment complies with the requirements of Best Available Techniques. This is a stepwise approach (a simple, standardised method for collecting, analysing and disseminating data) following a defined methodology set out by the UK environmental regulators: the Environment Agency (EA); the Scottish Environment Protection Agency (SEPA); and Natural Resources Wales (NRW).
Biodiversity Net Gain	BNG	An approach to development, and/or land management, that aims to leave the natural environment in a measurably better state than it was before hand.
Calorific Value Shrinkage	CVS	Energy that cannot be billed due to CV capping under application of the Gas (Calculation of Thermal Energy) Regulations 1996 and subsequently amended in 1997.
Carbon Interface Tool	CIT	An internally developed tool to measure the carbon footprint of all schemes.
Environmental Action Plan	EAP	Plan outlining our approach to environmental management and environmental performance during RIIO-T2. The plan was formed from our Business Plan Commitments and consists of specific targets under five pillars, with clear accountabilities and work programmes, that will drive improved environmental performance.
FutureGrid		Part of our HyNTS programme, the project is testing the suitability of the NTS to transport hydrogen by constructing an offline hydrogen test facility, representative of our network, which will be used to test decommissioned assets at a range of different hydrogen concentrations.
HyNTS programme		Hydrogen in the NTS is focused on understanding how we can safely and efficiently transition our network to hydrogen.
Project Union		Project Union involves repurposing parts of the 5,000-mile gas National Transmission System (NTS) to carry 100% hydrogen and provide a low-carbon option for major businesses; ensuring continued security of supply through low-carbon gas storage
ISO 20400		Sustainable sourcing process providing guidance to organisations on integrating sustainability within procurement, as described in ISO 26000.
Methane Emissions Reduction Campaign	MERC	Work programme with Ofgem to implement a plan to reduce methane emissions and increase detection of leaks across the NTS during RIIO-T2.
National Gas Services	NGS	Formerly the pipeline maintenance centre. Specialises in gas pipeline repair, replacement, maintenance and intervention to deliver in-field solutions to a range of emergency and planned projects across the gas pipeline network.
Output Delivery Incentives	ODI	Scorecard agreed with Ofgem to encourage us to improve the environment beyond the existing commitments in our EAP.
RIIO Price Control Framework	RIIO	Revenue = incentives + innovation + outputs. The price control framework for high pressure GT networks which lasts for five years. RIIO-T1 ran from 2013-2021. RIIO-T2 started on 1 April 2021 and runs until 31 March 2026. RIIO-GT3 starts on 1 April 2026 and runs until 31 March 2031.
Renewable Energy Guarantees of Origin	REGO	One REGO certificate is issued per megawatt hour (MWh) of eligible renewable output to generators of renewable electricity.
Science Based Targets initiative	SBTi	The SBTi defines and promotes best practice in science-based target setting. SBTs provide a clearly defined pathway for a business to reduce their greenhouse gas emissions, helping to prevent the worst impacts of climate change and futureproof business growth. Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement - limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.
Task Force on Climate-related Financial Disclosure	TCFD	Framework for consistent climate-related financial risk disclosures for use by companies, banks and investors in providing information to stakeholders. Created by The Financial Stability Board to improve and increase reporting of climate-related financial information.
Unaccounted for Gas	UAG	This is gas that is lost, or otherwise not accounted for, delivered to or taken off from the NTS. It is one of the components of NTS shrinkage.