

Business highlights

UK electricity generated from gas

~26%

2024/25: ~26% | 2023/24: ~33.1%

Gas used in GB transported by the NTS

99%

2024/25: 99% | 2023/24: 99%

Managed gas meters

c. 4.6m

2024/25: 5.4m | 2023/24: 6m

UK primary energy demand from gas

~35%

2024/25: ~36% | 2023/24: ~36%

Network reliability across the NTS

99.99%

2024/25: 100% | 2023/24: 100%

Mean gender pay gap

2.7%

2024/25: 1.6% | 2023/24: 5.5%



0.04

2024/25: 0.02
2023/24: 0.01

Lost Time Injury Frequency Rate (LTIFR) per 100,000 hours



2,245

2024/25: 2,124
2023/24: 1,800

Total number of employees, including directors (at 31 March 2026)



£12.55*

2024/25: £7.95
2023/24: £9.52

Contribution to consumer energy bill

*This year's consumer bill is based on a revised methodology and will be used going forward. Using the previous methodology the consumer bill impact would have been £10.04.

Financial highlights

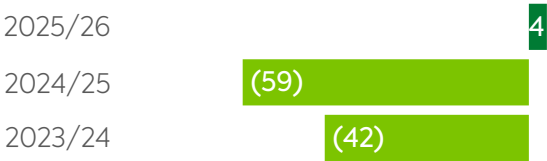
Revenue (£m)

£1,625m



Exceptional items (£m)

£4m



Profit before tax (£m)

£713m



Capital expenditure (£m)

£690m



Operating profit before exceptionals (£m)

£691m



Total operating profit (£m)

£695m



Cash generated from operations (£m)

£956m



Regulated asset value (£m)

£7,953m



READ MORE: about National Gas in ‘Our business at a glance’ on page 3.

READ MORE: in our ‘Financial statements’ report from page [##](#).

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Our business at a glance

National Gas is the backbone of Britain's energy system

About National Gas

We are Britain's national gas network, providing secure energy to power the country, achieve net zero, and maintain our industrial competitiveness. 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.

We are responsible for transporting gas to more than 30 power stations, major industries, storage facilities, interconnectors supplying the island of Ireland and connecting with continental Europe, and to the Gas Distribution Networks (GDNs) that take gas into more than half a million businesses and around 24 million homes.

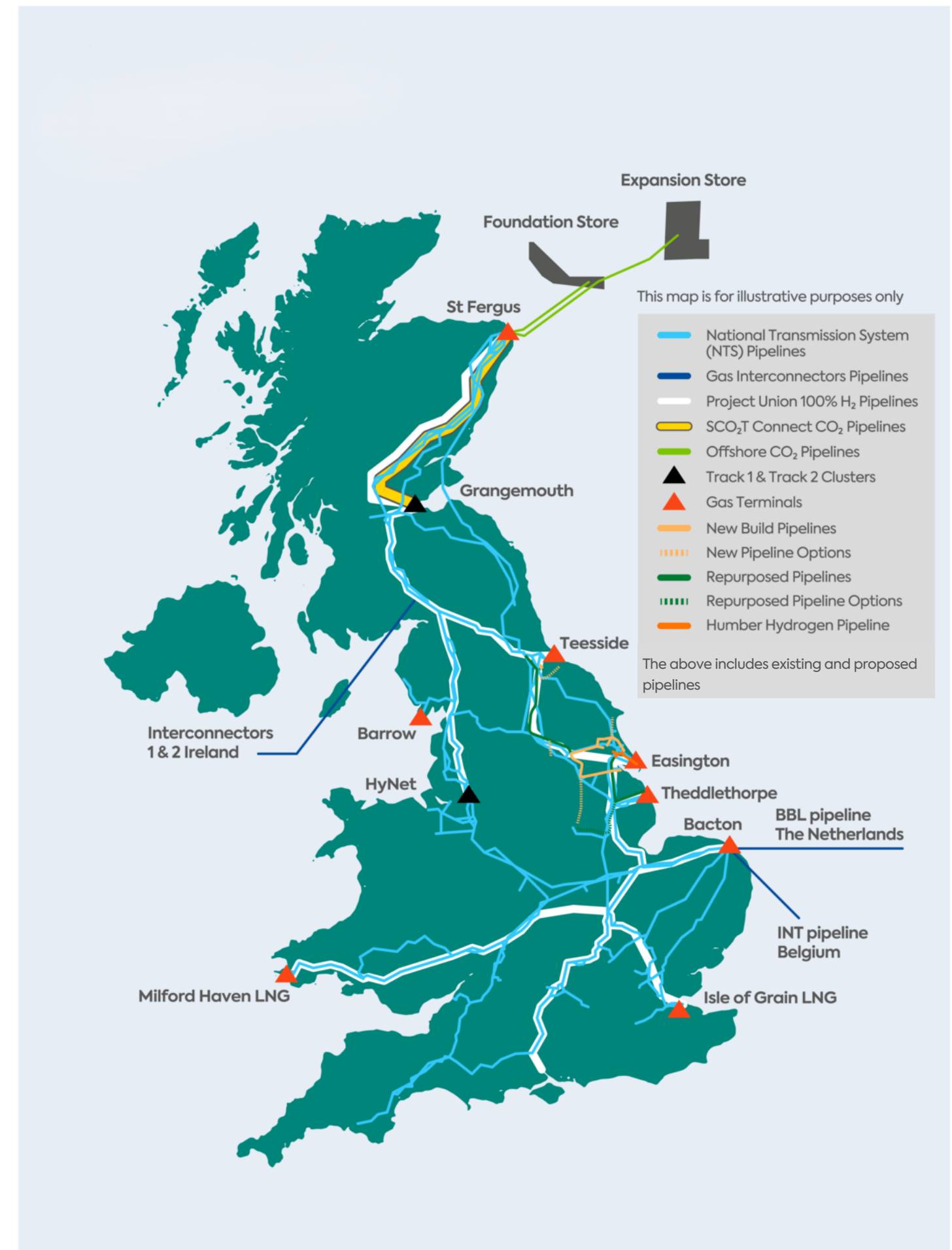
Gas is an essential part of a secure energy supply in Britain, and will continue to play a vital role for decades to come. More than ever, we need the security that gas brings to keep the lights on, businesses running, and homes warm. National Gas provides that security.

National Gas is also proud to lead the way in transforming the energy network for a clean energy future. Gas provides the energy security to support renewable electricity generation, and we are developing our infrastructure to transport hydrogen and carbon dioxide across the country.

READ MORE: about the 'Gas market landscape' on [page 9](#).

NTS operations and connections

129	Distribution offtakes
30+	Power stations
15	Industrial users
9	Storage sites
3	Interconnectors
3	LNG terminals



Our business at a glance continued

Our business operations

Our organisation comprises three National Gas businesses and Premtech:

- **National Gas Transmission** owns and operates the high-pressure national gas network (the National Transmission System) that transports gas reliably to wherever it's needed in Britain.
- **National Gas Metering** manages and maintains millions of traditional gas meters throughout Great Britain.
- **National Gas Services** provides nationally important emergency and planned pipeline repair and maintenance services to ensure the gas keeps flowing across the UK.
- **Premtech** provides multi-disciplinary engineering design services for high-pressure onshore pipelines and associated infrastructure.



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.



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 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 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.



Chair's foreword



National Gas is well positioned both to invest in our network so that it can continue to serve the country's evolving energy needs reliably, while also helping to enable the transition to a net zero energy system.

Mark Russell, Chair

Driving reliable energy leadership

It was an honour to have been asked to serve as Chair of National Gas, and to take on the reins from Dr. Phil Nolan in January 2026. I am grateful to Phil for his advice, support and diligent handover, all of which has helped to ensure a smooth transition. On behalf of the Board, Executive and wider staff, I would like to record our thanks to Phil for his stewardship of the company and for his invaluable guidance as National Gas has firmly established itself in its own right.

I am delighted to introduce this report, which is the first of my tenure as Chair.

I see a key part of my role – and that of my Board colleagues – as being a critical friend, both supporting and challenging the Chief Executive and Executive Committee on performance, delivery and the management of the company. Since taking on the role of Chair, I have been impressed with the way in which the Executive works together as a well-functioning and complementary unit, leading a diverse workforce with passion and purpose.

It has been good to find an energised and enthusiastic workforce, with people committed to the mission, driven by purpose and ready to step up to deliver. I have thoroughly enjoyed getting to know people from across the company as I have visited our offices and operations and undertaken Employee Listening Forums. I look forward to hearing from more staff about what is important to them, in the year ahead.

Our performance

Without doubt, the commitment of National Gas staff is reflected in our operational achievements and strong performance this year.

From a financial perspective, we have made a return on equity of 9.0%, compared to 9.4% in 2024/25. We have enjoyed a successful year in respect of customer satisfaction scoring 9.00 (out of 10), and, through the operation of the National Transmission System (NTS), we have delivered world-class levels of reliability (99.99%).

It is evident that, from the Executive down through the organisation, there is a culture of wanting to ensure everyone who works for us, or with us, stays safe every day. Our safety performance for 2025/26 is testament to that safety-first culture, with strong performance in respect of our Lost Time Injury Frequency Rate (LTIFR) – 0.04 injuries per 100,000 hours worked. But when it comes to safety, we must never take our performance for granted, and we must guard against complacency. As Chair, I will make sure that the Board and I leave no stone unturned when it comes to reinforcing the importance of embedding and enhancing a safe everyday culture.

I have been pleased to visit some of our sites across the country. It has been good to see our assets in operation and to meet the teams who are out in the field, come rain, snow or shine, making sure that our compressors, valves and pipelines are well-maintained, reliable and available when the country needs them.

Visiting our sites has brought home to me the magnitude of the critical role we play. I have been struck not only by the need to keep our workforce, partners and communities safe, but also the importance of keeping these sites – places classified as Critical National Infrastructure – secure. Of course, a focus on safety and security is not new. But with the volatility in the world around us, we must be alive to the potential new threats and risks to our infrastructure and strive to strengthen our ability to deter bad actors and protect our assets.

Security of supply

This year, against a backdrop of heightened geopolitical tensions, and in the context of rising conflict and market turbulence, we have sought not only to sharpen our focus, but also that of our key stakeholders, on security of supply.

We very much welcomed the Government's consultation on the Gas System in Transition: Security of Supply, and in our response, we made clear our commitment to playing our part in safeguarding the country's energy security. I have been encouraged by the way in which we have spoken with authority and credibility on matters relating to security of supply, including matters that go beyond our direct control and beyond our legal and regulatory responsibility. We have also demonstrated how, as the Gas System Operator, we can act as an informed yet impartial, trusted advisor.

Navigating the energy transition

It is important to me, as I discharge my role as Chair, that I am informed about the challenges National Gas faces, and that I understand the demands, sometimes conflicting, that the company encounters. I have taken on the task of educating myself, and I am grateful for the knowledge and patience of those members of staff who have spent time explaining the intricacies of what it means to be charged with operating the country's primary energy system.

Chair’s foreword continued

As I have come to know more, so I have come to appreciate the complex balance we face as we navigate what can only be described as a once-in-a-lifetime energy transition, with continuing to deliver an uninterrupted, secure source of energy. It is clear to me that in whatever way we choose to transition to a decarbonised energy system and meet the country’s net zero ambitions, it must be done in the safest, most responsible and secure way possible.

For our part, with the £3.2bn of baseline funding agreed by Ofgem in our RIIO–GT3 Final Determination in December 2025, alongside the potential for additional funding through Uncertainty Mechanisms, National Gas is well-positioned both to invest in our network so that it can continue to serve the country’s evolving energy needs reliably, while also helping to enable the transition to a net zero energy system.

We have continued to take steps this year to ensure that our network will be key to the deployment of innovative technologies, such as hydrogen and carbon capture, into the future. The £165m of funding to enable early design works for the first three phases of Project Union and our partnership with Centrica, Equinor and SSE Thermal to develop Britain’s first ‘hydrogen heartland’ in the Humber, demonstrate our commitment to playing a role in the energy system of tomorrow.

Looking ahead
In the report that follows, you will be able to read about successes in FY26 of which, I am pleased to reflect, there are many. But as we look ahead, I am keen to ensure that we keep focused on improving our performance where we can, and that we are open and honest about where we might need, or want, to do things differently.

In FY27, we will close out RIIO–T2, effectively and diligently, submitting a high-quality, well-articulated submission to Ofgem. With the support of our supply chain, and our partners across the sector, we are well positioned to make a strong start to the delivery of RIIO–GT3. I also look forward to strengthening our relationship, with our regulator, Ofgem, as well as with key stakeholders across government.

We will also continue to harness the collective expertise, passion and skill of our people, to ensure that we not only meet our critical obligations but also continue to maintain and improve our network, making it cleaner and even more safe and secure.

Thank you
On behalf of the National Gas Board, I would like to acknowledge the hard work and determination of our staff throughout the year, all of which has culminated in a strong set of results. Our people have been the driving force behind the success of National Gas in 2025/26; I thank each and every member of staff for their contribution to the company’s performance this year.

As we enter the FY27 performance year, I look forward to continuing to work together as we strive to keep Britain’s energy system safe, secure and reliable.

Mark Russell
Chair

CEO's review



We invested significantly in our network and supporting systems this year, delivering record levels of capex investment of £690m.

Jon Butterworth, Chief Executive Officer

Securing the future of Britain's energy supply

In many ways 2025/26 will, for me, be defined by two dominant themes: first, our work to secure a RIIO-GT3 outcome that enables us to maintain, improve and invest in the National Transmission System (NTS) to ensure its ongoing resilience for the future; and second, our ongoing pursuit to secure Britain's energy, particularly in the face of growing global tensions and continued uncertainty in the world around us.

It has been an enormously demanding year, but one on which I reflect with a good deal of pride. National Gas staff have risen to every challenge that has come our way, demonstrating passion for and commitment to our mission in everything they do. In the last year, I believe we have shown that we are now a genuinely purpose-led, performance-focused and innovative organisation. Each member of our staff has played a role in our success this year, and I thank them all for their contributions and determination to deliver, sometimes in the face of adversity.

Our year was shaped by five strategic priorities:

- Build our foundations
- Deliver and close RIIO-T2
- Secure and prepare for RIIO-GT3
- Earn a seat at the table
- Shape the future

READ MORE: about these on page [11](#) and about performance against these priorities from page [12](#).

Securing RIIO-GT3

In July 2025, we received our Draft Determination (DD) from Ofgem, following the submission of our RIIO-GT3 business plan the previous year. The receipt of DD was a defining moment and shaped much of our activity in the months that followed. In the DD, Ofgem awarded us baseline funding of £2.46bn, against our original request for £3.97bn. In doing so, they set us a challenge to improve our proposals ahead of Final Determination (FD). We fully engaged with that challenge, and worked hard to improve our proposals, collating additional evidence and constructively engaging with the teams at Ofgem. In August 2025, we submitted our formal response, in which we set out why the investment we had proposed was needed, and what was required to achieve the efficient funding of that investment. In December 2025, we received our FD for RIIO-GT3, securing baseline funding of £3.2bn, with the scope for significant further allowances to be granted during the regulatory period.

We now need to make good on the trust, confidence and support Ofgem, our supply chain partners and customers have shown in us. There should be no doubt that as we begin the RIIO-GT3 price control period, we do so with enthusiasm and drive, ready to deliver efficiently, effectively and professionally from day one.

But securing the funding outcome our network required was only one part of the puzzle. Over the year, we also implemented an internal transformation programme aimed at setting ourselves up to deliver in as efficient and agile a way as possible. Through 'Building for Growth', we designed and implemented a new regional delivery model. We established three regions – in the East, Scotland and the North, and the West – alongside a Major Programmes function and supported by central enabling teams. By early 2026, we had stood up the new regional delivery model, and in doing so had taken steps to improve end-to-end accountability for delivery and performance, moving decision-making closer to the point of delivery.

Putting safety and security first

Our ambition is to be 'safe every day' and our firm commitment is never to compromise on the safety of our people, our customers, the public and our assets. This year's exceptional safety performance, with our Lost Time Injury Frequency Rate an impressive 0.04 per 100,000 hours worked, is testament to that commitment. Alongside this, we have operated the NTS to the highest safety standards by maintaining the health of our assets, applying robust controls to manage workplace hazards, and complying with all relevant legislation. All our people understand that – whatever it is they are doing – their safety, and that of the communities within which we work, is non-negotiable.

We have further strengthened our focus on the physical and cyber security of our assets, as befits our network's status as Critical National Infrastructure (CNI). As the world around us has grown ever-more volatile, we know that we are a target for malicious actors and cyber threats. In 2025/26, we are on track to maintain our basic Cyber Assessment Framework (CAF) compliance, and have taken steps towards achieving enhanced CAF compliance. Our compliance with these important lines of defence is essential to ensuring our critical systems and the overall integrity of the gas network remain secure.

READ MORE: about our 'Safe every day' programme from page [30](#).

CEO's review continued

A reliable and resilient network

Over the year, we have ensured the NTS has remained resilient and reliable, achieving near 100% (99.99%) reliability in our network.

We invested significantly in our network and supporting systems this year, enabling an unprecedented number of outages on our system to deliver record levels of capex investment of £690m. I am proud of the work of our operational and delivery teams, not least in completing the construction and commissioning of the largest-ever compressor unit on our network at Hatton.

Over the summer months, our dedicated teams were out in the field undertaking a significant maintenance programme, which saw them work on more than 550 miles of pipeline, undertake work at all 21 compressor stations and conduct inspections on more than 430 miles of pipeline. Completing this programme of maintenance ensured we were ready and resilient when it came to winter 2025, enabling us to continue to safeguard the country's energy security.

Securing Britain's energy

Securing the country's energy has once again been front and centre of our work this year. From an external perspective, the ongoing conflict in Ukraine and the more recent conflict in Iran and the wider Middle East region have resulted in high geopolitical tensions, uncertainty and unease, as well as turbulence in the global markets. This volatility, coupled with the unprecedented, rapid deployment of intermittent renewables, continues to remind us how critical the security of our energy supply is, and how integral energy diversity is to that security.

During the year, we published a policy paper – 'Securing Britain's Energy' – which summarised our response to the Government consultation on the Gas System in Transition: Security of Supply. This paper was our opportunity to set out our assessment of the risks to gas security of supply and to outline a range of policy options to safeguard Britain's future energy security – making it clear that gas will continue to play a vital role for years to come. It was important for us, as Britain's primary energy system, to have our say in this critical debate, particularly at a time of such global instability and in the midst of a generational energy transition.

READ MORE: about 'Securing our people, assets and data' from page [31](#).

Enabling a low-carbon future

Over FY26, we progressed with the delivery of our 'three-molecule' (methane including biomethane, hydrogen and carbon dioxide) strategy. Throughout the year, 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 were delighted to partner with Centrica, in October 2025, for a landmark trial at Brigg Power Station. The trial saw us inject a 2% blend of green hydrogen into the NTS, which was then used by Centrica's Brigg Power Station to generate electricity for the grid. The trial demonstrated the end-to-end potential for hydrogen to decarbonise critical energy infrastructure, as well as showcasing how blending can be effectively implemented at scale. We also welcomed the publication of the Government consultation 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.

We continued to focus our attention on biomethane, and specifically on how we can enable quicker, cheaper and standardised NTS connections for our customers. In May 2025, working with Premtech, we launched the 'Standardised biomethane connection designs' project, looking at connection options to reduce detailed design timescales and to identify ways of streamlining the overall connections process. In the year ahead, I look forward to us implementing the new standardised designs and self-lay process that we have developed with our customers.

Delivering with our people for our communities, shareholders and customers

Everything we have achieved this year has been down to the drive, hard work and passion of our people. The 2,245 people we employ have shown up time and time again, from braving the wintry conditions in Aberdeen to keep the gas flowing, to providing a warm welcome to the apprentices and graduates who joined us in September 2025, and working to deliver new and innovative projects that underpin the energy transition.

Throughout the year, our people have also continued to drive positive community impact, raising over £132k for our corporate charity partner (Barnardo's), delivering our 'Tackling Loneliness' initiative, and committing more than 3,350 hours to volunteering.

From a financial perspective, our performance in 2025/26 has been strong. We delivered profit before tax of £713 million (compared with £710 million in 2024/25). We made a return on equity (RoE) of 9.0%, compared to 9.4% in 2024/25.

We continued to put customers at the heart of our business, by listening to and acting upon their feedback. I am pleased that we have maintained the momentum of previous years and delivered further improvement on our already high satisfaction rating, achieving a customer satisfaction score of 9.00 this year.

From securing our RIIO-GT3 outcome and establishing our position within the national energy debate, to delivering unprecedented levels of capex work and developing the diversity of our workforce, there is much for us to be pleased with. But for all the progress we have made, we cannot and will not rest on our laurels.

Looking ahead

Last year, I noted that the year ahead would be a busy one for National Gas, and it most certainly was. I am in no doubt that the coming year will be just as busy.

In 2026/27, we will be laser-focused on executing the close out of RIIO-T2 to a high-standard, ensuring delivery of a well-evidenced, robust submission to Ofgem, supported by constructive engagement with our regulator. At the same time, we will make sure that we start RIIO-GT3 in a disciplined and controlled manner.

We will drive forward to ensure that we are delivering on all our commitments, effectively, efficiently and safely. We will continue to deftly navigate the ever-evolving world around us, all whilst making sure that our network operates securely and reliably – helping to secure Britain's energy in what are, and will continue to be, undoubtedly challenging times.

Jon Butterworth

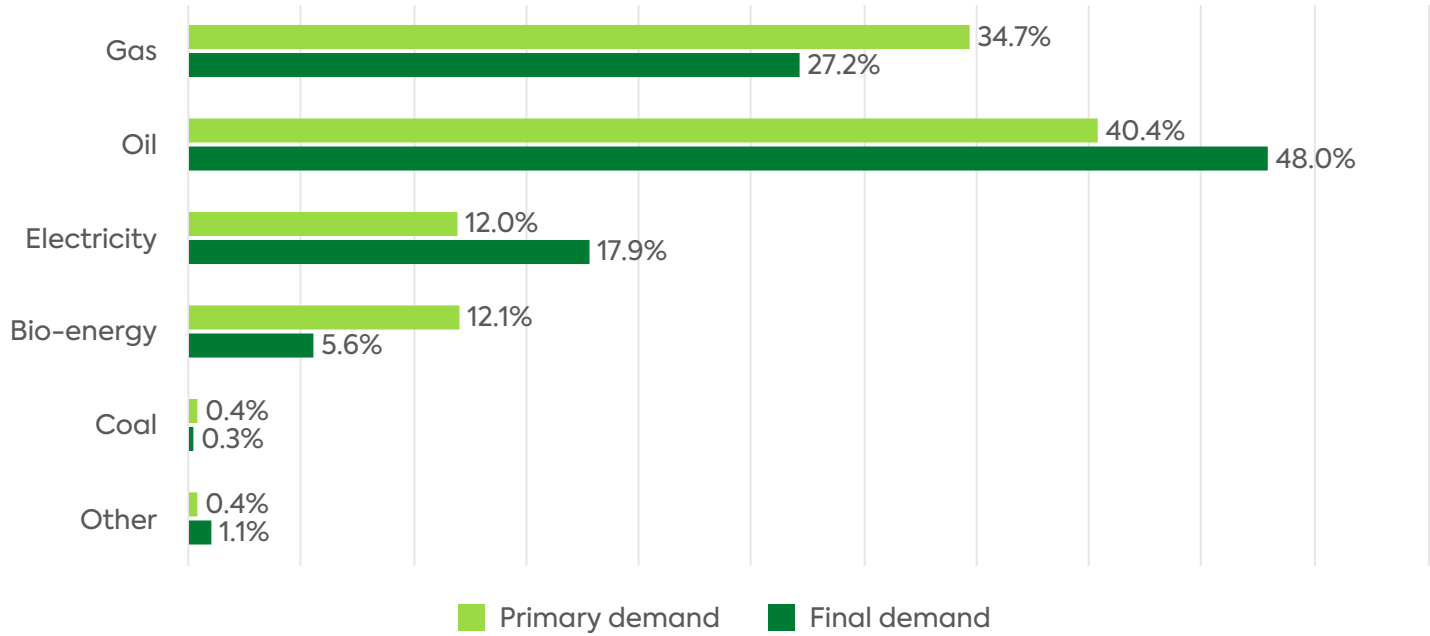
Chief Executive Officer

Gas market landscape

Value of gas to the UK

The UK’s energy sector is critical to economic growth, is deeply interlinked, and must be considered as a holistic system. Natural gas makes up ~35% of total UK primary energy consumption and ~27% of final demand. Gas was also used to generate ~26% of Great Britain’s electricity in 2025, and for several days contributed to more than 60% of all electricity generated. During 2025, the UK saw 178 periods when gas generation ramped up 4–5GW over a period of six hours, more than double what was observed in 2024. In 2025, there would have been 92 equivalent full days where without gas in the electricity power mix, Britain would have had insufficient electricity supply to meet demand, leading to potential rolling blackouts.

Energy demand in Great Britain 2025



Great Britain’s gas grid system

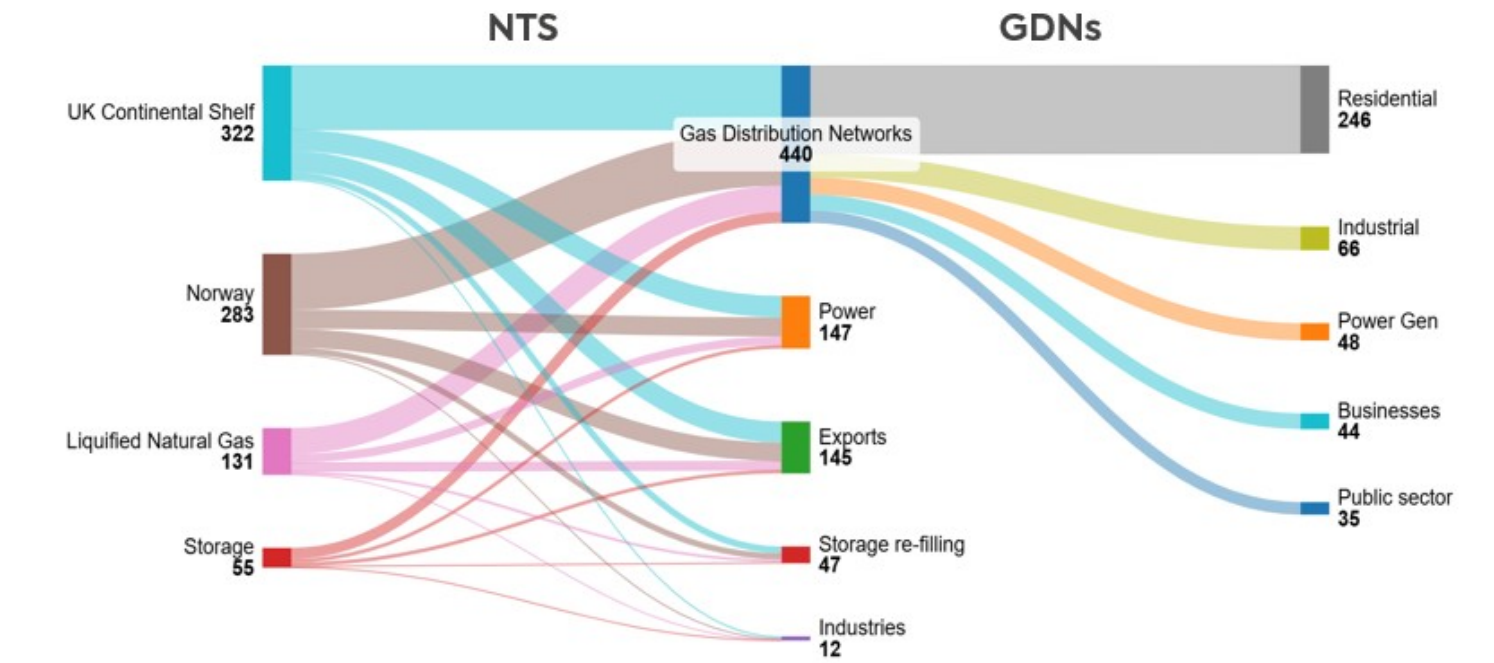
National Transmission System (NTS)

The NTS consists of nearly 5,000 miles of large, high-quality steel pipes that can transport large volumes of gas at high speed. Gas is fed into the NTS at any of eight gas terminals across Britain. National Gas is the sole owner and operator of this entire system. The NTS is the only gas system with compression facilities – there are 60 compressors across the country that transport gas through the network.

Gas Distribution Networks (GDNs)

The GDNs are the smaller pipes that run underneath streets and feed gas directly into homes and small businesses. The NTS feeds gas into these networks, which then distribute it through their pipes at much lower pressure and volume to their customers. There are eight separate gas distribution regions across Britain operated by four separate GDN companies: Cadent, SGN, Wales & West Utilities, and Northern Gas Networks. The NTS acts as the ‘motorway’ of the gas network, transporting large volumes of gas at high speed across the country.

NTS gas flows for 2025



The NTS transports gas into five sectors

1. Gas Distribution Networks (GDNs)

Approximately 50% of the gas in the NTS goes into GDNs. This gas then goes into homes and businesses, including smaller power stations and industrial users. Around 24 million homes and 500,000 businesses receive gas via GDNs.

2. Power stations

Around 20% of the gas in the NTS is fed into directly connected power stations. There are 35 power stations across Great Britain that are directly connected to the NTS and rely on high volumes of gas to generate electricity.

3. Exports

Gas exported out of the UK into mainland Europe goes through the Bacton Gas Terminal in Norfolk, from where it reaches Belgium and the Netherlands. This has been a particular feature since 2022, owing to a jump in exports to re-fill European gas storage following Russia’s invasion of Ukraine. A smaller proportion, typically less than 10%, is exported to the island of Ireland via the Moffatt interconnector. In 2025, ~18% of the gas from the NTS was exported, though this has fallen from 2022 highs, when ~270TWh or ~27% of NTS gas flows were exported.

4. Storage

Approximately 6% of the gas in the NTS was fed into storage sites in 2025, a slight year-on-year drop due to the closure of some storage capacity. There are nine storage sites in Great Britain that are directly connected to the NTS. They act as a form of gas supply for several days per year during cold periods. We can also store gas within the NTS pipes themselves, referred to as ‘linepack’.

5. Industry

Less than 2% of the gas in the NTS in 2025 was fed directly into large industrial plants, such as those manufacturing glass, paper, ceramics and chemicals. These industries require high levels of thermal energy for both space and process heat, easily provided by burning natural gas. While this can only be supplied by methane today, it will be possible to use hydrogen in the future.

Gas market landscape continued

Key energy market developments

1

Middle East conflict creates global energy shock and brings back volatility

A renewed global energy crisis, triggered by Middle East conflict, has removed significant energy volumes, including LNG, from the market, with flows through the critical Strait of Hormuz halted. Despite limited physical exposure to Qatari LNG (<10 % of UK LNG imports in 2025), wholesale gas prices in the UK have increased, due to the highly interconnected nature of the global gas market.

Implications for National Gas

While we are not directly exposed to commodity price movements, global supply disruptions can materially affect gas flow patterns and network usage. We continue to monitor international market developments and maintain operational readiness to respond to changing supply dynamics. Through ongoing coordination with government, Ofgem, NESO and industry partners, we are ensuring the resilience of the network as market conditions evolve.

2

Domestic gas production back in spotlight

The recurrence of another energy market disruption has put energy security right back at the top of the agenda and put a spotlight on domestic gas production. The continued decline in UK Continental Shelf (UKCS) production has increased dependence on imports, especially LNG, which was a key theme in the Government’s recent consultation on the GB gas system. Gas production from the UKCS has been in structural decline since the early 2000s, with the Great Britain becoming a net importer of gas around 2004. Given the high field decline rates and maturity of the UKCS, significant production growth is unlikely, even if the investment environment drastically improves.

Implications for National Gas

As import dependency grows, our role in facilitating diverse and flexible sources of supply becomes increasingly important. We are focused on maintaining and optimising network capability to transport gas from key entry points, including LNG terminals and interconnectors, ensuring that Great Britain can efficiently access enough supply to meet demand at any time of the year.

3

Energy affordability remains top political priority

Rising energy costs following the latest crisis have intensified policy efforts to protect consumers and businesses. Several measures announced in response to higher consumer bills include expanding the existing support scheme for larger industrial customers, removing the carbon price support (an additional carbon tax) for power generators and shifting some electricity policy costs from consumer bills to general taxation. These measures reflect the growing emphasis on affordability – a theme also playing out across European member countries.

Implications for National Gas

We support efforts to improve energy affordability by maintaining an efficient and reliable transmission network. By enabling competitive gas supply and supporting market flexibility, we play a role in underpinning secure and cost-effective energy delivery. We continue to engage constructively with policymakers and regulators as market frameworks evolve.

4

Energy security front and centre of national security

While the conflict in the Middle East makes the headlines, the war in Ukraine continues in the background, with energy infrastructure on both sides specifically targeted in recent months. This has sharpened the focus on energy infrastructure security and system resilience across Western Europe, especially after the impacts of the Iberian blackout and Heathrow power outage in 2025. The UK Government undertook a Strategic Defence Review in 2025, which will inform the upcoming Defence Readiness Bill, with energy system resilience a core component.

Implications for National Gas

The National Transmission System is Critical National Infrastructure, transporting energy from import terminals to consumption points in a secure and reliable way. National Gas worked closely with the Department for Energy Security and Net Zero (DESNZ) and Ministry of Defence (MoD) on the Strategic Defence Review.

5

Government accelerates electrification in response to energy crisis

The current crisis has strengthened policy momentum behind electrification as a route to better energy security. At the end of last year, the Government made considerable progress in its annual Contracts for Difference (CfD) round for offshore wind, AR7, clearing a record 8.4GW of new capacity. It has also brought forward the auction for the next CfD allocation round earlier this year. Despite this notable progress, meeting the Clean Power 2030 (CP30) targets appears increasingly unlikely.

Implications for National Gas

We recognise the long-term shift towards a more electrified energy system and are actively supporting the transition through the evolution of our network to support CP30 targets. This includes maintaining today’s transmission system to allow the functioning of the gas generation fleet for security of supply. While gas will continue to play a role in supporting system flexibility and security, we are preparing our network for a lower-carbon future, including enabling the transportation of cleaner molecules for end-use sectors and applications that cannot easily electrify.

6

Renewables growth weakens link between gas and electricity prices

Structural changes in Great Britain’s power mix, particularly the growth of renewables, are gradually reducing the influence of gas in setting wholesale electricity prices, which has played a key part in reducing the impact of the Middle East conflict on consumers to date. Growth in the share of renewables in the power mix has reduced the share of gas in the mix, leading to a higher number of lower prices and even negative wholesale electricity prices. This has led to the amount of time gas sets the wholesale electricity price falling to around 60%, down from ~95% of the time in 2021.

Implications for National Gas

As the role of gas in power price formation evolves, its importance as a flexible and responsive energy source remains critical. National Gas continues to ensure that the transmission system can respond to fluctuations in demand, particularly during periods of low renewable output, maintaining system reliability in a changing energy mix. The importance of gas to Britain’s power mix is evolving from ‘volume’ to ‘value’.

Business model

Our purpose

Securing Britain’s Energy

We are Britain’s national gas network, providing secure energy to power the country, achieve net zero, and maintain our industrial competitiveness.

Our values

Simplicity | Ownership | Progress

We work with simplicity, by showing ownership, and by choosing progress over perfection where it’s safe to do so. These are our values.



Performance measures

Build our foundations

During 2025/26, we made strong progress to deliver this priority by developing the capabilities and strengthening the capacity of our people, embedding a purpose-led culture and implementing systems to support our long-term success. Together, these actions demonstrate how we are ensuring that the foundations of our organisation enable our sustainable growth and long-term success.

Key achievements

1. Developing future capability has been an important area of progress. We gained external recognition as a top graduate and apprentice employer reflects the strength of our early careers programmes.
2. On track to maintain compliance with the Cyber Assessment Framework (CAF) while making significant progress towards enhanced compliance.
3. Sustained our focus on a proactive safety culture, reflecting our determination to keep our people, partners and the communities we serve safe from harm.
4. Continued to invest in our people, recognising that a strong, engaged workforce underpins our success.
5. Achieved Disability Confident Level 2 status, reinforcing our commitment to supporting disabled colleagues.
6. Achieved the Defence Employer Recognition Scheme Silver Award, highlighting our support for the armed forces community and our broader role as a responsible employer.

0.04

LOST TIME INJURY FREQUENCY RATE (2024/25: 0.02)

+26

EMPLOYEE NET PROMOTER SCORE (2024/25: +29)

£132,784

DONATIONS TO OUR CORPORATE CHARITY BARNADO'S SINCE 2022

3,385

EMPLOYEE VOLUNTEERING HOURS (2024/25: 3,401)

Key activities

Building future capability

In September 2025, we welcomed 57 new graduates and apprentices into the company. The 21 graduates took up roles in our Commercial, Finance, Engineering, Major Programmes and Cyber teams, while the 36 apprentices joined our Operations, People, Finance and Technology teams. We were also named by The Job Crowd as one of the top four graduate employers and one of the top ten apprentice employers this year.

Keeping our critical systems secure

During 2025/26, we remained vigilant and alive to the threats posed by malicious actors to our critical systems. We are on track to maintain our basic Cyber Assurance Framework (CAF) compliance and have taken significant steps towards achieving enhanced CAF compliance. The CAF is a framework developed by the UK National Cyber Security Centre to assess and improve cyber security and resilience, particularly for organisations that deliver critical or essential services.

READ MORE: about 'Securing our people, assets and data' from page [31](#).

Staying safe every day

Throughout the year, we continued to champion our 'safe every day' ethos by seeking to embed a proactive safety culture. Our Lost Time Injury Frequency Rate (LTIFR) was 0.04 for 2025/26 (compared to 0.02 in 2024/25), a testament to our continued efforts to keep our people and the communities we operate in, safe from harm.

READ MORE: in 'Safe every day' from page [30](#).

Engaging with our people

In 2025/26, a record 86% of staff took the time to complete our annual Culture and Engagement Survey. Our resulting Employee Net Promoter Score (eNPS) was +26 (compared to +29 in 2024/25). Whilst dropping slightly, this still represents a 'favourable' score.

Strengthening diversity and inclusion

At the start of 2026, we achieved Disability Confident Level 2 status, which recognises our efforts and commitment to employing and supporting disabled colleagues in the workplace. We have continued to focus on improving the diversity of our workforce, with 27.9% of workforce now female (27.3% in 2024/25), and 20.5% identifying as being racially or ethnically diverse (20% in 2024/25). From a gender pay perspective, our gender pay gap for 2025 was 2.7%, lower than the UK average of 6.9%.

READ MORE: in 'Powering our people' from page [43](#).

Supporting communities

As a national business, we are well positioned to offer support to our local communities across Britain. Our range of social impact activities ensures we give back to our neighbours and tackle inequalities for vulnerable consumers. In October 2025, we were awarded the Defence Employer Recognition Scheme Silver Award, in recognition of our work to implement armed forces-friendly policies and proactively support members of the armed forces, including reservists, veterans, cadets and military families.

READ MORE: in 'Partnering with others' from page [46](#).

Performance measures continued

Deliver and close RIIO-T2

In 2025/26, under this priority, we focused on delivering our RIIO-T2 commitments in what has been the final year of the current price control period. We not only sought to meet those regulatory commitments but also to ensure we are meeting our customers’ expectations, and maintaining a safe, secure and reliable network.

Key achievements

- 1. Submitted our penultimate Regulatory Reporting Pack (RRP) in July 2025.
- 2. Continued to deliver at pace and scale, focusing on executing the final phase of RIIO-T2, including record capital investment of £686 million while delivering an unprecedented volume of work.
- 3. Completed a new compressor unit at Hatton – the largest on our network and the biggest of its kind in Europe.
- 4. Over the year, the NTS achieved near-perfect reliability at 99.99%.
- 5. Continued to prioritise our customers, delivering high-quality service and achieving improved satisfaction for the third consecutive year.
- 6. Reduced compressor nitrogen oxide (NO_x) emissions and significantly outperformed our targets for venting emissions.

£690m

RECORD LEVEL OF CAPEX INVESTMENT (2024/25: £576M)

99.99%

NETWORK RELIABILITY (2024/25: 100%)

9.0

CUSTOMER SATISFACTION SCORE (2024/25: 8.89)

358.1 ktCO₂e

ABSOLUTE SCOPE 1 AND 2 EMISSIONS (2024/25: 328.1)

Key activities

Submitting our penultimate Regulatory Reporting Pack for RIIO-T2

In July 2025, we submitted our penultimate Regulatory Reporting Pack (RRP) for the RIIO-T2 price control period. The RRP set out information on our performance over 2024/25 and looked ahead to the final year of RIIO-T2, identifying the key areas for us to focus on.

MORE INFO: click for more about our [RRP for RIIO-T2](#).

Delivery of our RIIO-T2 commitments

This year, we focused on executing the delivery for the final year of the price control period. We delivered record levels of capex investment (£690m), and completed an unprecedented volume of work, all with the aim of reducing compressor emissions, enhancing the physical security of our sites and the cyber security of our systems, and strengthening the resilience of our assets.

Strong financial performance

In 2025/26, we continued to deliver strong financial performance. We made a return on equity (RoE) of 9.0%, which is 1.4% higher than the 7.6% allowed return on equity. Our capital investment during the year totalled £690 million, compared with £576 million in 2024/25. We delivered profit before tax of £713 million, compared with £710 million in 2024/25.

READ MORE: about our ‘Financial statements’ from page [##](#).

A new compressor for Hatton

In 2025/26, we completed the work to deliver a new compressor unit at Hatton. This unit is the largest on our network, and the biggest of its type in Europe, and replaces two existing units. With the completion of the works, we have successfully achieved compliance with the Industrial Emissions Directive. This new compressor will play a vital role in ensuring gas continues to get to where it is needed.

Delivering a reliable network

Throughout the year, we have delivered a secure and reliable supply of energy for the country. The National Transmission System (NTS) delivered world-class levels of reliability at 99.99% while the availability of our critical compressor fleet was 97% (98.9% in 2024/25), with start rate reliability at an average of 96% (against a target of 90%).

Improved customer satisfaction score

We worked hard over the year to provide a high-quality service for all our customers, making sure the gas continued to flow – keeping lights shining, industry powered and electricity generated. For the third year in succession, we achieved an improved customer satisfaction score of 9.0 in 2025/26 (compared with 8.89 in 2024/25).

Reducing our environmental impact

Through the delivery of our Environmental Action Plan (EAP), we continued to do what we can to reduce the environmental impact of our activities. This year, our compressor nitrogen oxide (NO_x) emissions were 4.5kg/hour compared with 4.74kg/hour the previous year. Pig trap and pipeline venting for the year was 24.4ktCO₂e, below the target of 37.9ktCO₂e. Meanwhile, absolute Scope 1 and 2 emissions were 358.1 ktCO₂e, although these were slightly higher than in 2024/25, they were still below our target of 443ktCO₂e.

READ MORE: about our ‘Environmental commitments’ from page [34](#).

Performance measures continued

Secure and prepare for RIIO-GT3

In 2025/26, we delivered against this priority by securing a regulatory settlement that enables us to invest in the gas transmission system and ensure it continues to play a critical role in the country’s energy security in the years ahead. We also made progress against the priority by readying ourselves to deliver from day one of the new price control period.

Key achievements

1. A key moment in the year was our response to Ofgem’s Draft Determination, which set out the case for efficient, future-focused funding aligned to maintaining system resilience, supporting energy security and enabling the transition to net zero.
2. The outcomes in the Final Determination secured baseline funding of £3.2 billion, alongside the potential for additional allowances across the RIIO-GT3 period.
3. In readiness for RIIO-GT3, we implemented a new regional delivery model, designed to enhance accountability, improve delivery efficiency and bring decision-making closer to our assets and stakeholders.

81%

PERCENTAGE FUNDING GRANTED FROM OUR SUBMISSION

£3.2bn

FINAL DETERMINATION BASELINE FUNDING

3

NEW REGIONAL DIRECTORS APPOINTED

Key activities

Responding to Draft Determination

In July 2025, we received our Draft Determination in response to our RIIO-GT3 business plan submission, with Ofgem awarding baseline funding of £2.46bn. In response, we engaged with the challenge Ofgem set us, and worked hard to improve our proposals, collating additional evidence and constructively engaging with the teams at Ofgem. In August 2025, we submitted our formal response to Ofgem, in which we set out why the investment we had proposed was needed, and what was required to achieve the efficient funding of that investment.

MORE INFO: [click for more about RIIO-GT3.](#)

Securing Final Determination

On 4 December 2025, we received our Final Determination for RIIO-GT3 from Ofgem. We secured baseline funding of £3.2bn (81% of the baseline funding requested in our submission), with the scope for significant further allowances to be granted during the regulatory period. The funding outcome confirmed the critical role the gas transmission system will continue to play in energy security for decades to come.

MORE INFO: [click for more about RIIO-GT3.](#)

Setting ourselves up to deliver

As we looked ahead to the start of the RIIO-GT3 price control period, we wanted to ensure that we were set up to deliver the increased investment from the very start of that period. A key part of this was to implement a new regional delivery model, creating three regions (East, North and Scotland, and West) alongside a Major Programmes function, supported by central enabling functions. We launched the regional delivery model in the summer of 2025, appointing three new Regional Directors to lead the establishment of these regions. We successfully completed the transition to the new regional delivery model in January 2026, with all our regional teams fully stood up and ready to deliver.

Performance measures continued

Earn a seat at the table

In 2025/26, we made good progress against this priority. Through our communications and engagement activity, we helped to ensure that the role of natural gas, hydrogen and carbon capture is clearly recognised within the UK’s evolving energy mix, and that we are seen as a credible and authoritative voice in the energy debate.

Key achievements

- 1. Demonstrated the resilience and reliability of the National Transmission System (NTS) through our market and operational insights.
- 2. Successfully delivered Exercise Glacier – one of the sector’s largest emergency exercises.
- 3. In February 2026, we published Securing Britain’s Energy, our response to the Government’s consultation on The Gas System in Transition: Security of Supply.
- 4. Sustained engagement across the political landscape and with key stakeholders to help build understanding of our role and to influence national energy discussions.
- 5. Continued to create a platform for collaboration across the energy sector through the National Gas Energy Forum (NGEF).

50+

PARTICIPATING ORGANISATIONS IN EXERCISE GLACIER

1,000+

NATIONAL GAS ENERGY FORUM PARTICIPANTS

36

HOSTED SITE VISITS FOR MPS AND MSPS

Key activities

Publishing our Summer Outlook for 2025

Our Summer Outlook was published in April 2025, setting out our expectation that we would meet the country’s gas demand for that summer. It also detailed the significant levels of maintenance activity across the NTS to be delivered in summer 2025. The programme of work to ensure readiness for winter 2025/26 took in 550 miles of pipeline, saw work at all our 21 compressor stations, with inspections also taking place on around 430 miles of pipeline.

MORE INFO: click to read our [Summer Outlook 2025](#).

Publishing our Winter Outlook for 2025

In October 2025, we published our Winter Outlook, setting out our analysis that the country had sufficient supply capability to meet peak demand in winter 2025/26, and that a positive supply margin under both intact and N-1 network conditions would be maintained for the coming winter.

MORE INFO: click to read our [Winter Outlook 2025](#).

Emergency planning: completing Exercise Glacier

We successfully completed ‘Exercise Glacier’ in October 2025. This year’s emergency exercise demonstrated that the gas industry is prepared and ready to meet its obligations in the event of Network Gas Supply Emergency. Around 400 individuals from across the industry took part, with over 50 organisations – ranging from government to terminal operators and Gas Distribution Networks – being represented. The post-exercise report was published in early 2026.

MORE INFO: click to read the [Post Exercise Report](#).

Publishing ‘Securing Britain’s Energy’

In February 2026, we published a policy paper summarising our response to the Government’s Gas System in Transition: Security of Supply consultation. In ‘Securing Britain’s Energy’, we set out our assessment of the risks to gas security of supply and took the opportunity to outline a range of policy options to safeguard Britain’s future energy security.

MORE INFO: click to read the [policy paper](#).

Shaping the debate

Over the year, we engaged across the political spectrum to ensure that representatives of all parties, as well as policy and decision-makers, were aware of National Gas and understood the critical role we play in the country’s energy security. In 2025/26, we hosted 36 site visits for Members of Parliament (MPs) and Members of the Scottish Parliament (MSPs). We also led four parliamentary roundtables and secured 21 direct mentions of National Gas and our work in Parliament.

Growing our social media presence

This year, we have grown our social media presence, with more than 35.5k followers on LinkedIn, representing a 55% increase year-on-year. According to LinkedIn analytics, we were the fastest-growing gas network in Great Britain by follower growth and the most engaging channel by total engagements.

National Gas Energy Forum

Through the National Gas Energy Forum (NGEF) we brought together more than 1,200 stakeholders from across the energy sector, at five events, over the year. NGEF has provided the opportunity for stakeholders to share insights and operational information, as well as to explore opportunities for collaboration.

MORE INFO: click to see more [NGEF details](#).

Performance measures continued

Shape the future

In 2025/26, we made strong progress against our priority to shape the future, advancing our hydrogen, carbon capture and biomethane work – all with the aim of playing our part in supporting the transition to a low-carbon energy system.

Key achievements

1. Secured funding to develop a core hydrogen network.
2. Unveiled our plans for Project Union: East Coast.
3. Secured additional funding for our SCO₂T Connect project to develop an offshore pipeline to transport captured carbon dioxide to secure storage.
4. Achieved a significant industry first through the successful completion of the Brigg trial, working in partnership with Centrica.
5. Progressed plans to develop regional hydrogen hubs – in collaboration with Centrica, Equinor and SSE Thermal – to develop the Humber Hydrogen Pipeline.
6. Signed Memoranda of Understanding with GASCADE and Gasunie to explore cross-border hydrogen infrastructure and wider decarbonised energy solutions.
7. Continued to support the growth of biomethane, alongside hydrogen and CCS.

£124m

AWARDED TO PURSUE CORE HYDROGEN NETWORK

2%

GREEN HYDROGEN INJECTED INTO THE NTS

300 miles

PROPOSED HYDROGEN PIPELINE

Key activities

Funding for a core hydrogen network

In 2025/26, we secured £124m (2018/19 prices) in funding to pursue our core hydrogen network ambitions. This amounted to £43.26m (2018/19 prices) for Project Union: East Coast, £51.03m for Project Union: St Fergus to Teesside, and £30.13m for Project Union: Northwest.

Launching Project Union: East Coast

In March 2026, we unveiled our plans for Project Union: East Coast, setting out our proposals for more than 300 miles of hydrogen pipeline on the East Coast of England, representing the first phase of a national hydrogen network.

Securing support for carbon capture and storage

As part of the Comprehensive Spending Review (CSR) in June 2025, the Government announced around £200m in development funding for Acorn and the Scottish Cluster. The funding announced included funding for our SCO₂T Connect project, which is focused on developing an onshore pipeline designed to transport carbon dioxide from major industrial sites in Scotland to a permanent geological storage facility located under the North Sea.

A blending first

In July 2025, we welcomed the publication of the Government consultation which set out a ‘minded-to’ position to accept blends of 2% hydrogen into the National Transmission System (NTS). In October 2025, we worked with Centrica to successfully complete a landmark trial, marking the first time hydrogen had been blended into the NTS. The Brigg trial saw us inject a 2% blend of green hydrogen into the NTS, which was then used at Centrica’s Brigg Power Station to generate electricity for the grid.

Humber Hydrogen Pipeline

We announced, in February 2026, that we would be joining forces with Centrica, Equinor and SSE Thermal in a bid to develop Britain’s first ‘hydrogen heartland’ in the Humber. The Humber Hydrogen Pipeline is a proposed underground pipeline to transport hydrogen between local scale production, usage and storage locations in the Humber region.

Collaborating with our European counterparts

In April 2025, we announced a partnership with Germany’s national gas transmission operator, GASCADE, to create the UK-Germany Hydrogen Corridor. We signed a Memorandum of Understanding (MOU) with GASCADE to explore the feasibility of a hydrogen pipeline between the two countries. In the same month, we also formalised our collaboration with Gasunie (the Netherlands and Northern Germany’s national gas transmission operator). This MOU establishes a framework to work together to advance decarbonised energy solutions across multiple sources – from natural gas to hydrogen, biomethane and carbon capture and storage (CCS).

Improving the connections process for biomethane

Throughout the year, we have been working to improve the connections process for biomethane producers. In May 2025, working with Premtech, we launched the ‘Standardised biomethane connection designs’ project, looking at connection options to reduce detailed design timescales and to identify ways of streamlining the overall connections process. We have now developed standardised designs and developed a self-lay process, which we will implement in the coming year. In 2025/26, we also relaunched the National Gas Biomethane Forum, bringing together stakeholders from across the biomethane sector.

Performance measures continued

National Gas Metering

Key achievements

- Achieved and retained our accreditation as ‘A Great Place to Work’.
- Met all 20 service standards measured.
- Maintained external accreditations: ISO55001 and ISO14001, and recertification of GIRS and REC Combined Metering Code of Practice (COMCOP).
- Achieved a customer satisfaction score of +89.
- Delivered over 650 hours of employee volunteering.
- Achieved 86.7% compliance with Leading measures and 100% with Lagging measures.
- 100% of all waste from meters reused or recycled.
- Achieved an eNPS of +39.
- Completed more than 170,000 engineering jobs.

National Gas Services

Key achievements

- Improved resource utilisation to 90%, increasing operational efficiency.
- Secured a position on Wales & West Utilities framework.
- Digitalisation programme began to deliver measurable efficiency gains.
- Delivered over £60m of capex works.
- Achieved a customer satisfaction score of 9.54, exceeding the target of 9.0.
- Refreshed regional operational management to strengthen leadership and customer focus.
- Introduced a new safety team to enhance consistency and embed a strong safety culture.
- Won the Gas Industry Business Innovation Award for iDetect365.
- Awarded Pipeline Industries Guild iICE Award (Innovation, Cost-Saving & Efficiency).
- Awarded Pipeline Industries Guild Net Zero Transition Award for Mobile Gas Compression.
- Delivered over 200 hours of community engagement activity.
- Completed 34 high-pressure emergency callouts
- Achieved an eNPS of +34.

Premtech

Key achievements

- Focused recruitment has increased capacity across all engineering disciplines.
- Expansion of resources across all three office locations.
- Strengthened in-house technical capability with new Process Engineering team.
- Increased In-house Gas Design Approver and Appraisers across a variety of engineering disciplines.
- Supported several engineers to achieve an MSc in Professional Engineering and Chartered Engineer status
- Development of internal AI Knowledge hub “PAIGE” – Premtech Artificial Intelligence for Gas Engineering.
- 950 projects completed since the company was founded in 2010.
- Maintained ISO 9001, ISO 14001 and ISO 45001 accreditations.
- Maintained Achilles accreditation.
- Maintained Cyber Essentials Plus accreditation.

Strategic direction

Playing a pivotal role in securing energy for today and for the future

Natural gas is the largest primary source of energy in the UK, meeting a third of the country’s annual energy needs. Annually, we transport an average of 72 billion cubic metres (791TWh) of gas through our network. This is about three times the volume of energy transported through the country’s power networks.

While we are not responsible for the procurement of Britain’s gas supply, as the Gas System Operator we control the flow of gas from our National Control Centre (NCC), making sure it is moved safely and efficiently to more than half a million businesses, 24 million homes and more than 30 power stations. When demand is high or supply from wind and solar power is low, gas-fired power generators are needed to support the electricity system. These gas-fired power stations are directly supplied by our transmission system, and provide flexible and secure electricity generation to complement renewable power production.

Our role in the gas market

Infrastructure provider

We provide a reliable and secure network, efficiently transporting gas from supply points to our customers; heating homes, keeping businesses running and keeping the lights on.

Residual balancer

We balance supply and demand every gas day to minimise impacts on the gas market and our customers.

Market operator

We provide market services, including critical systems, information provision and market facilitation services.

Metering provider

We maintain and oversee millions of metering assets across Great Britain, from connection and installation to ongoing management and maintenance.

Emergency coordinator

We develop, coordinate and exercise emergency arrangements on behalf of the industry, whilst providing an independent authority via the Office of the Network Emergency Coordinator (NEC).

Engineering consultancy

We provide engineering consultancy and design management services for clients involved in the development and ownership of infrastructure projects in the energy sector.

Securing energy for today and for the future

The UK is committed to achieving net zero greenhouse gas emissions by 2050. While the destination is clear, the pathways, technologies and timelines remain uncertain. Delivering net zero will require transformational change across multiple sectors, including home heating, industry, power generation and transport. Given the complexity of the challenge, no single solution will be sufficient. A diverse mix of decarbonisation technologies will be required.

Clean power by 2030

This Government has set a milestone of ‘95% clean power by 2030’. This means that ‘unabated’ gas generation (where there is no technology installed to capture emissions) should make up a maximum of 5% of annual generation in an average year. The National Energy System Operator (NESO) has advised the Government on how to achieve this milestone. Delivering this level of infrastructure within the decade will be highly challenging.

NESO advice highlights the scale of change required by 2030

Technology	Offshore wind	Onshore wind	Solar power
Current capacity	16.6 GW	16.4 GW	21.7 GW
Required capacity	43–50 GW	27–29 GW	45–47 GW

A clean but secure system

Alongside other organisations, such as the Climate Change Committee and the National Infrastructure Commission, NESO recognises that a clean power system must also be secure and resilient. In its advice, it states:

- Gas generation will reduce but remains essential as dispatchable power.
- Long duration energy storage is not yet available at sufficient scale.

As a result, during periods of low wind and solar generation, which are expected to remain a feature of the UK system, the gap between electricity demand and renewable output is likely to continue to be met by conventional, dispatchable generation, fuelled by natural gas today and potentially by hydrogen or natural gas with carbon capture and storage in the future. Over time, this generation will increasingly act as strategic reserve capacity, rather than a primary source of power.

Gas as an insurance policy

Gas generation is increasingly comparable to an insurance policy, used less often, but which must be available, reliable and fast-responding when needed. NESO states that the country will need similar levels of unabated gas capacity in 2030 as we have today, as it will continue to be of vital importance to the operation and security of the energy system. Crucially, NESO’s advice also recognises that the networks supplying these power stations, such as the NTS, must remain reliable and flexible in order for the system to operate securely.

Beyond 2030: pathways to net zero

There are a range of whole-energy-system pathways that the UK could take. Each will likely use combinations of gas, electricity, demand management services, biomethane and emerging technologies, such as hydrogen and carbon capture and storage. In all pathways, it will be essential that energy security is maintained, at an affordable price for consumers.

Our role and commitment

The reliable connectivity of the NTS will remain critical in every credible pathway to net zero. Achieving this requires:

- Continued investment in national energy infrastructure.
- Systems that support secure supplies today while enabling future decarbonisation.

We are committed to supporting the UK’s emissions targets while ensuring energy remains secure, reliable and affordable. This is reflected in our updated purpose of ‘Securing Britain’s Energy’.

Strategic direction continued

Our strategy

Our strategy sets a clear, long-term direction, while retaining flexibility in the uncertain future energy landscape. Rather than relying on a single forecast for the future, we develop our strategy using a scenario-based approach, which considers a range of plausible energy-system outcomes, reflecting uncertainty in key ‘megatrends’.

These include the global economy and its impact on co-operation between countries, government policy, technology development, and consumer sentiment. In combination, these megatrends will influence the scale and pace of decarbonisation and the future role of gas.

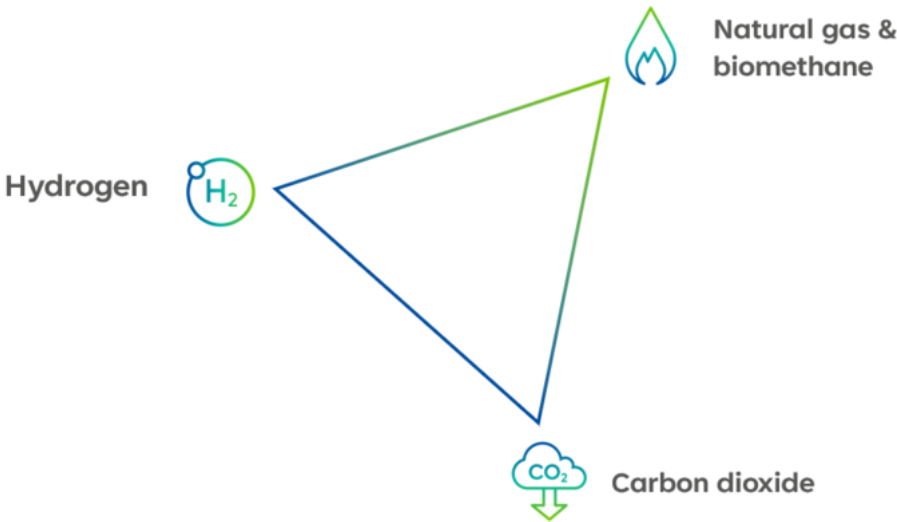
This approach enables us to identify strategic initiatives that are resilient across scenarios and to adapt our priorities as the UK’s pathway to net zero evolves. Using this framework, we continue to pursue a strategy focused on opportunities across three molecules, growing our business to transport green gases such as biomethane and hydrogen, as well as carbon dioxide, alongside natural gas.

Our scenarios

Increasing change compared to present day	
Status quo	Where the scaling back of energy transition pace leads to an energy system similar to today.
Hybrid	Where the role of electrification and molecules are balanced to secure supply and retain industrial competitiveness.
High electrification	Where electrons dominate and clean industry accelerates.
Decentralised	Where technology and consumer action reshape the UK energy system.

Three-molecule strategy

Delivering our ‘three-molecule strategy’ enables us to continue to provide a critical part of Britain’s energy needs today, and maintain reliable energy supplies for power stations, major industries (including data centres) and for the distribution networks that take gas into homes and businesses. It means working with our partners from across the energy landscape to create the policy, infrastructure and market conditions to develop the hydrogen and carbon dioxide transportation networks of tomorrow, connecting production sites, industrial clusters and storage facilities – supporting a whole-energy-system approach to decarbonisation.



By pursuing opportunities across all these molecules, we can continue to provide the secure energy the UK relies on today, while developing the infrastructure needed to enable a range of future decarbonisation pathways.

LOOKING AHEAD

For the financial year FY27 we will continue to adapt our priorities to ensure we deliver the key initiatives required to achieve our strategic goals. With this in mind, we will focus on a revised set of priorities for the coming year.

Strategic priorities 2026/27

- 1 Deliver energy security**
Ensure a safe, secure and resilient energy system and strengthen security.
- 2 Enable a low-carbon future**
Innovate and create the infrastructure needed for low-carbon molecules.
- 3 Champion an ambitious and inclusive culture**
Foster a culture that is purpose-led and enables everyone to thrive.
- 4 Embed a customer-first mindset**
Listen and understand our customers’ needs and shape our decisions around them.
- 5 Lead and influence as a trusted advisor**
Use our influence to shape the decisions that impact our work and the wider energy transition.

Innovation in motion

Innovation guided by robust evidence

Throughout RIIO-T2, our innovation focused on preparing the network for a low-carbon future. Our project portfolio has played a critical role in preparing the network for the energy transition by generating practical evidence, reducing uncertainty and enabling better decision making for the business.

Innovation projects have gathered robust evidence on how hydrogen and carbon dioxide can be safely transported, how existing assets could be repurposed, and what changes may be required to systems, standards and processes. This work has helped to reduce technical and commercial risk, inform strategic programmes such as Project Union and SCO₂T Connect, and helped ensure National Gas is ready to support the future of energy, as policy and market needs evolve.

Alongside this, a consistent focus throughout RIIO-T2 has been on the transition from research to implementation. The team has focused on embedding solutions identified through RIIO-T1 projects into business-as-usual activity and, where appropriate, learnings from across the innovation portfolio have fed into follow-on projects.

Overall, the RIIO-T2 innovation portfolio has supported the business to strengthen network performance today, reduce future uncertainty and ensure National Gas is well positioned to operate a safe, efficient and flexible transmission system in the future energy landscape.

MORE INFO: read more about our [‘Innovation Strategy’](#).

Funding mechanisms used to deliver innovation projects

There are two main funding mechanisms :

1. The Network Innovation Allowance (NIA)

The NIA is a set allowance received as part of our price control allowed revenue. The NIA provides funding for smaller technical, commercial or operational projects related to our network. A total of 69 NIA projects were run across 2025/26, bringing the final total of NIA projects to 152 across the RIIO-T2 period.

2. The Strategic Innovation Fund (SIF)

The SIF supports large-scale transformational research and development projects. Funding is provided for projects that can address the innovation challenges set by Ofgem.



Example of a biomethane plant. The Standardised Biomethane Connection Design project is looking to enable faster and cheaper biomethane connections.

Innovation in motion continued

Network Innovation Allowance

The Asset Cortex project

A core focus throughout RIIO-T2 was on strengthening our data and improving data collection methods, by exploring automated tools and processes and the applicability of Artificial Intelligence (AI) solutions. The Asset Cortex project tested whether AI can generate detailed asset information using existing system data, reducing the need for time-consuming manual surveys. By trialling the approach at two live sites, the work demonstrated how AI could support better asset visibility, smarter maintenance and future digital tools, such as digital twins. The findings provide a clear foundation for scaling up the approach and shaping future data and IT requirements, supporting long-term improvements to the efficiency and resilience of the network.

The Standardised Biomethane Connection Design project

To support the transition to a net zero future, green gases such as biomethane will play a key role, by reducing the carbon intensity of the gas we transport. The Standardised Biomethane Connection Design project focused on making it easier and more affordable for biomethane producers to connect to the National Transmission System (NTS). Working with industry partners, a low-impact alternative to traditional above-ground installations was developed, significantly reducing construction complexity, planning requirements and costs, while maintaining safety and technical standards. The new standardised approach offers quicker delivery and greater cost certainty, and we're looking to run a follow-up project exploring how these designs could be rolled out for future connections. (See image on previous page)

Other projects preparing for the energy transition

Another fundamental consideration when preparing for the energy transition is how existing processes, policies and procedures may need to change. This was the focus of several of the projects within the innovation portfolio:

The hydrogen site safety systems project

This project assessed whether existing fire and gas safety systems remain suitable for a blended natural gas/hydrogen network. It was initiated following feedback from the Health and Safety Executive (HSE), which highlighted the possibility of hydrogen leakage through compressor seals inside compressor enclosures. The project examined whether current protection systems were fit for purpose and where changes may be needed. The project showed that blends of up to 5% hydrogen can be accommodated with minimal change. If higher hydrogen blends are introduced, this work has ensured that National Gas is ready to adapt, having given us a good understanding of the likely cost and effort required to ensure that enclosed assets and complex terminals remain safe and resilient.

The engineering analysis and risk assessment of enclosed hydrogen assets has also been used in the development of design philosophies for ~100% hydrogen pipelines for East Coast Hydrogen. Many of the ignition risks, and detection and suppression solutions, can be carried over due to the potential for hydrogen to accumulate in elevated spaces.

This project will contribute to the safe introduction of hydrogen to the NTS should transmission-level blending be approved. It gives a clearer view of potential upgrades, costs and future safety requirements across the network.

The high-pressure venting and flaring project

The high-pressure venting and flaring project addressed a critical and previously under-explored challenge for the hydrogen transition: how excess hydrogen can be safely managed during high-pressure transmission and operational scenarios. From an innovation perspective, the project broke new ground for the gas transmission industry by developing one of the first structured, evidence-based comparisons of transmission pressure hydrogen and hydrogen blends venting and flaring. It moved beyond qualitative assumptions, combining safety analysis, regulatory review and environmental assessments to provide defensible technical, safety and environmental insights, while identifying where existing natural gas practices, standards and regulatory frameworks are not sufficient for hydrogen.

The project delivered strong strategic value by addressing high-consequence risks early and reducing uncertainty for future hydrogen infrastructure development. The outputs provide a robust evidence base to inform future design choices, operational strategies and policy discussions, including clearer visibility of regulatory gaps and environmental trade-offs between venting and flaring under different scenarios. By doing this work, the project provides greater confidence in how high-pressure hydrogen can be managed safely, strengthening the evidence base needed for informed engineering decisions, regulatory engagement and emergency planning as hydrogen systems develop.

The integrity management of hydrogen pipelines project

This project assessed whether existing pipeline inspection, defect assessment and repair methods would remain suitable if hydrogen was introduced into the gas transmission network. It reviewed current approaches across both pipelines and non-pipeline assets, examining how hydrogen could affect different types of defects and where changes to standards or practices may be required. The findings provide essential evidence to support the repurposing strategy for the NTS. Most defect repair methods in the relevant procedures are likely to be acceptable for hydrogen service, with minor design or procedural changes and additional validation of material compatibility. This project provides inspection guidance for those defect types not covered in existing procedures when considering high-pressure hydrogen. Literature indicates that hydrogen has a negligible effect on yield and tensile strength (typically <5%), which supports existing corrosion assessment methods. Further testing is recommended to establish lower bound hydrogen fracture toughness for NTS pipelines and to update defect limits where necessary.

In addition to this, a complementary carbon dioxide integrity management project was also completed. This focused on similar themes with some of the major findings being that the specification of carbon dioxide streams entering National Gas pipelines must be pure enough to stop corrosion (through carbonic acid/sulphuric/nitric acid) or other integrity threats, such as environmentally assisted cracking. The specification chosen for a carbon dioxide stream must undergo validation to show that it will not cause a continuous upset situation and should be monitored closely at each entry point. Additionally, while carbon dioxide carries a different risk profile to that of natural gas, similar repair methodologies and defect assessment criteria can be used to maintain pipelines and assets.

Innovation in motion continued

The Strategic Innovation Fund

SIF projects are split into three project phases:

1. **Discovery:** feasibility studies.
2. **Alpha:** for experimental development.
3. **Beta:** for building, operating and/or demonstrating.

Across RIIO-T2, a total of 70 SIF projects were carried out, including Discovery, Alpha and Beta projects. Alongside delivering our own SIF projects, we collaborated with other organisations, such as the National Energy System Operator (NESO), National Grid Electricity Transmission (NGET) and the Gas Distribution Networks, to support their SIF projects and provide input and expertise.

Throughout 2025/26, we saw the successful delivery of three Discovery projects: RemO₂val, AI opportunities for consumer-centric engagement, and quantum optimisation; two Alpha projects: B-Linepack+ and future operability of gas for system integration (FOGSI), and the successful application and launch of the FutureGrid CO₂ Beta project.

The completed SIF projects focused on several key topics supporting the energy transition, including potentially increasing biomethane entry to the network, improving consumer engagement and improving future energy planning, as well as strengthening network and maintenance planning and improving asset inspection challenges.

Discovery projects

Project RemO₂val

Project RemO₂val explored whether we can safely enable higher oxygen limits in the gas system, to support increased biomethane entry. The project explored solutions to protect underground storage assets from corrosion risks associated with elevated oxygen levels, and strengthened our understanding of the technical feasibility and commercial considerations. This work aligns with the broader ambition to enable greater biomethane volumes onto the National Transmission System (NTS).

AI opportunities for consumer-centric engagement

This project focused on understanding consumer engagement needs and explored how using innovative, AI-powered engagement tools could support this. We recently applied for the next Alpha phase which will assess the top solutions and select one for detailed prototyping and controlled testing. This work directly supports our RIIO-GT3 priorities by fostering trust, strengthening dialogue and enabling timely delivery of multi-molecule network upgrades, while improving accessibility for communities across the country.

Quantum optimisation

Quantum optimisation assessed the potential applicability of quantum and quantum-inspired optimisation techniques for future gas network planning. The work identified that quantum optimisation approaches are at an early stage of maturity and are currently most relevant for research and option exploration purposes, rather than operational or investment decision making. The project has contributed to improved understanding of where quantum optimisation may, or may not, be relevant to future gas system challenges.

Alpha projects

Future operability of gas for system integration (FOGSI)

FOGSI examined how future gas system operability could be affected by changing demand patterns, flexibility needs and coordination requirements with the electricity system. The project highlighted areas where closer alignment between gas and electricity planning may be required, including differences in operational timescales, forecasting approaches and decision-making processes. The outcomes have strengthened our ability to hold informed, evidence-led discussions about the potential future role of gas infrastructure. The insights from the project will support future innovation and strategic planning, helping to ensure that gas system considerations are appropriately reflected in the transition to an integrated, resilient and net-zero-ready energy system.

B-Linepack+

B-Linepack+ explored whether underground Lined Rock Shaft (LRS) hydrogen storage can replace lost pipeline linepack flexibility, as the system transitions from natural gas to hydrogen. The project delivered a mature concept design for a first-of-a-kind LRS demonstrator, supported by whole-system energy modelling, cost-benefit analysis and deployability studies across Britain. Detailed engineering confirmed that high-pressure hydrogen storage in lined rock shafts is technically feasible and scalable, with quantified safety, constructability and regulatory pathways. The project has materially de-risked a new class of operational hydrogen storage, providing a strong evidence base for a Beta demonstrator and informing future hydrogen network design, resilience and regulatory frameworks.

Beta projects

There are two ongoing Beta projects that are focused on identifying future opportunities for the UK's gas networks.

FutureGrid CO₂

This project is addressing key technical challenges associated with transporting carbon dioxide within the gaseous phase, by observing how carbon dioxide behaves when transported in repurposed pipelines and assets.

The project outcomes will contribute to Carbon Capture and Storage (CCS) projects such as SCO₂T Connect, helping to realise the goal of net zero by 2050 and the decarbonisation of hard-to-abate sectors.

CCS is the only viable way for some hard-to-abate sectors to decarbonise and is a crucial path to clean power and hydrogen production. For the UK, CCS paves the way for decoupling economic growth from emissions, enabling us to keep industry and jobs without failing to hit our legally binding environmental targets.

The project is making great progress and is currently moving ahead of the original schedule. The outputs include a range of areas to help critically analyse and validate theoretical models of gaseous CO₂ behaviour, contributing to safety and regulatory compliance, as well as helping to increase confidence for all stakeholders across the CO₂ transport value chain. Activities include routine operational studies, such as observation of CO₂ behaviour within the flow loop and venting operations. Hazard-focused testing is also a key focus, with pipeline integrity, impurities and corrosion management all being examined to reduce risk and support the safe deployment of CO₂ transport infrastructure.

The results from this project are key to building the evidence forming a major component of our safety case. This is especially important since CO₂ pipelines now fall under Pipeline Safety Regulations (PSR) as Major Accident Hazard pipelines. The team is fully focused on delivering valuable insights, in close collaboration with project partners, to support the safe and timely deployment of future CO₂ transport infrastructure.

Innovation in motion continued



FutureGrid deblanding

FutureGrid deblanding for transport is a pioneering initiative demonstrating how Great Britain’s existing gas infrastructure can be repurposed to deliver pipeline-fed hydrogen for transport and mobile power applications.

This project is a critical step in enabling zero-emission transport by showcasing how hydrogen can be separated, purified and compressed for use in fuel-cell vehicles and other clean energy systems.

Hydrogen blending into the NTS offers a scalable route to decarbonisation. However, many transport applications require high-purity hydrogen. Deblending technology allows hydrogen to be separated from natural gas blends and purified to fuel-cell grade, enabling reliable supplies for refuelling stations and mobile power.

Without deblanding, hydrogen refuelling stations are limited to local production or tube trailers, which often leads to supply constraints. This project aims to solve that, by demonstrating a pipeline-connected hydrogen refuelling solution whilst also working with stakeholders across the full supply chain to produce a rollout and commercialisation strategy to understand the future potential of this demonstration.

The programme for the FutureGrid test facility has been revised to allow testing for the FutureGrid CO₂ project to be accelerated, to meet key milestones related to the deployment of CCS in Scotland. The deblanding project timeline has been updated, with delivery now expected to extend by around 12 months. Installation and commissioning of the deblanding equipment will commence once CO₂ testing is complete, with operations expected to start in early 2027.

During this period, we will continue to provide hydrogen refuelling capability and welcome further vehicle demonstrations, alongside continued stakeholder engagement. In parallel, we’re advancing our commercialisation strategy to define key requirements and outline the roadmap for hydrogen deblanding beyond the testing phase.

Innovation in summary

Throughout RIIO-GT3, innovation will be central to maintaining a safe, resilient and efficient transmission network while supporting the transition to net zero. Building on the strong evidence base developed through RIIO-T2, our innovation programme will focus on improving network resilience and safety, reducing operational and construction emissions, and accelerating the use of digital and data-led solutions. Activity will increasingly be aligned to clear business outcomes, supporting the move from research into practical implementation.

Operating in a regulated environment

Ensuring reliable energy resilience

We are regulated by several regulators, and we work collaboratively with them to ensure our network is operated in a way that delivers the best outcomes for consumers by keeping energy affordable, reliable and environmentally responsible.

Our licence to participate in transmission activities is established under the Gas Act 1986, as amended (the Act). This requires us to develop, maintain and operate economic and efficient networks and to facilitate competition in the supply of gas in Britain. It also gives us statutory powers, including the ability to use compulsory powers, to purchase land so we can conduct our business. should this be required.

Our licensed activities are regulated by Ofgem, whose statutory duty under the Act is to protect the interests of consumers. To ensure people pay a fair price for the essential services we provide, Ofgem sets price controls that limit the revenues monopoly network companies can earn and simulate the effect of competition. These controls provide a framework in which we can recover efficient costs of running and maintaining the network, helping to ensure that the UK remains energy resilient. Agreeing each price control is a collaborative process between us and the regulator, ensuring that we are held to account for how we use consumers’ money and that consumer needs remain central to every decision we make. We also own and operate another gas metering business which Ofgem deregulated on 1 January 2026. However, National Gas has undertaken a voluntary agreement to continue to operate under similar conditions until 1 January 2027, as gas suppliers agree binding targets against the Government’s smart metering policy framework post-2020.

Ofgem has multiple responsibilities as a regulator, please visit its [website](#) for more information.

MORE INFO: learn more about ‘[How we are regulated](#)’.

RIIO framework
Revenue = Incentives + Innovation + Outputs

RIIO price controls

The RIIO-T1 price control came into effect on 1 April 2013 for the eight-year period until 31 March 2021. The next price control, called RIIO-T2, came into effect on 1 April 2021 and ran for five years ending 31 March 2026. We’re now embarking on RIIO-GT3 which started on 1 April 2026 and runs until 31 March 2031. Each of RIIO-T1, T2 and GT3 follow the RIIO framework established by Ofgem. This framework is designed to ensure consumers receive a safe and reliable energy system at the lowest efficient cost.

To help achieve these objectives, the RIIO framework includes incentives that encourage us to:

- Efficiently and safely deliver our activities to minimise our impacts and meet our customers’ requirements, for example by agreeing maintenance plans/outages, releasing additional capacity to enable customers to supply additional gas, minimising our environmental impact and providing accurate forecasts to support the operation of the market.
- Innovate so we can continuously improve the services we give our customers and stakeholders.
- Minimise our impact on the gas market when taking commercial actions to effectively balance the network.

Our gas transmission and system operator businesses operate under a single price control. These cover our roles as Transmission Owner (TO) and System Operator (SO).

The building blocks of the RIIO price control are broadly similar to the price controls historically used in the UK. There are, however, some significant differences in the mechanics of the calculations.

Under RIIO, the outputs we are funded to deliver are specified in our licence and are called ‘Price Control Deliverables’ (PCDs).These mechanisms allow the regulator to hold us to account for the delivery of outputs linked to price control funding. Our allowed revenues are linked to their delivery in some cases. In others, a reputational rather than financial incentive is used to drive our performance. The outputs reflect the attributes of network services that are of most value to our stakeholders, as determined through consultation.

Ofgem sets allowances which ensure that we have sufficient, but not excessive, funding to deliver our outputs and other deliverables. Under RIIO, this is known as total expenditure (totex), which covers both the cost of operating the network (operating expenditure) and the cost of developing the network (capital expenditure).

Where costs can be forecast with a reasonable degree of accuracy, ‘baseline’ allowances are set ex ante for the period of the price control. Where this is not the case, Ofgem permits allowances to be adjusted within period, once there is greater certainty, using so-called ‘uncertainty mechanisms’. Requests we make for additional funding using these mechanisms are assessed by Ofgem to ensure that consumer interests are protected and that only efficient costs are funded.

In the event that we under- or over-spend against the allowed totex, a portion is shared with consumers through an adjustment to allowed revenues in future years in accordance with the Totex Incentive Mechanism. The sharing arrangement provides an incentive for us to deliver efficiently, as we can keep a portion of savings we make, with the remainder benefiting consumers. Likewise, it provides a level of protection if we need to spend more than our allowances.

We can also increase or decrease our allowed revenue, depending on how we perform against a number of specified Output Delivery Incentives (ODI). Rewards and penalties are capped, meaning that the maximum upside potentially available is £20.5 million of allowed revenue each year across the RIIO-GT3 regulatory period (2026-2031), with a potential downside of £23.4 million (2023/24 prices). This excludes the Business Plan Incentive (an award for submitting a robust, well-justified business plan) that we achieved of £9.6 million, to be claimed over the RIIO-GT3 period.

Operating in a regulated environment continued

Allowed revenue to fund totex costs is split between RIIO ‘fast’ and ‘slow’ money categories, using specified ratios that are fixed for the duration of the price control. Fast money represents the amount of totex we are able to recover in the year of expenditure. Slow money is added to our Regulatory Asset Value (RAV) – effectively the regulatory IOU.

In addition to fast money, each year we are allowed to recover regulatory depreciation, i.e. a portion of the RAV, and a return on the outstanding RAV balance. For RIIO–GT3, this return consists of a real return for the notional proportions of RAV that relate to equity and index-linked debt and a nominal return for fixed-rate debt, referred to by Ofgem as a ‘semi nominal’ return. The allowed return is calibrated by Ofgem for the RIIO–GT3 period, but is updated each year for certain inputs derived from market indices, such as debt markets or the cost of government borrowing. The equity and index-linked elements of RAV (a total of 58%) are indexed by actual inflation each March, with the fixed debt element no longer being indexed in RIIO–GT3. Consumer Price Index with Housing Costs (CPIH) continues as the inflation index for RIIO–GT3. In respect of depreciation, both the regulatory asset lives applied and depreciation methodology remain consistent with RIIO–T2 and, as such, continue on a sum-of-digits basis, so that depreciation is front loaded but then lower in the later years of the asset’s life. We are also allowed to collect additional revenues related to non-controllable costs and incentives.

RIIO–GT3 price control

After submitting our RIIO–GT3 business plan in December 2024, we engaged with Ofgem and received its Draft Determination in July 2025. We responded in August 2025 with further evidence to support our proposals. Ofgem published its Final Determination in December 2025, and we subsequently collaborated with Ofgem to finalise our licence, which was published in February 2026. We are now focused on embedding our regulatory outputs and obligations for the 2026–2031 period through ongoing internal engagement and education.

The RIIO–GT3 licence includes additional measures designed to ensure networks remain financially resilient, enhancing the requirements and obligations already in place in the RIIO–T2 licence. These measures include the requirement for regulated entities to hold more than one investment-grade credit rating, to consider a longer period of time when providing assurance to Ofgem that entities are set up to deliver their obligations while remaining financially resilient, and measures to block the payment of dividends to shareholders under certain circumstances.

Financial resilience is at the core of our own financing strategy; credibility in the financial markets is essential for performing our duties and investing in the network at a reasonable financing cost. As such, we already hold two investment-grade credit ratings (Moody’s Baa1 (stable outlook) and Fitch BBB+ issuer rating (stable outlook))¹ and our lending agreements and agreed financing policies include similar dividend lock-up thresholds to those contained in the RIIO–GT3 licence.

We continue to work with Ofgem to ensure financial resilience measures included in the licence remain relevant and achieve an appropriate balance between consumer protection and allowing networks to operate efficiently in financial markets.

MORE INFO: learn more about our [RIIO–GT3 business plan](#).

Totex allowances

The following key parameters from Ofgem’s RIIO–GT3 determination are applicable from 1 April 2026 (the start of the RIIO–GT3 period).

Gas Transmission	
Allowed return on equity*	6.12% (real, relative to CPIH at 60% gearing)
Allowed debt funding	Calculated and updated each year using a 14-year trailing average of iBoxx GBP A and BBB non-Financials 10+ corporate indices, plus a 61 bps calibration adjustment and 32 bps additional borrowing costs
Depreciation of RAV	TO: 45-year sum of digits SO: seven-year straight line
Notional gearing	60%
Split between fast/slow money	Fast: TO baseline 41%; SO baseline 61%; TO uncertainty mechanisms 10% Slow: TO baseline 59%; SO baseline 39%; TO uncertainty mechanisms 90%
Sharing factor	39% NGT element
Core baseline allowances in 2023/24 prices (cumulative for the five years of RIIO–GT3)	£3.2 billion

*The cost of equity in RIIO–GT3 is subject to annual adjustments that are calculated using the Capital Asset Pricing Model, through indexation of the ‘risk-free rate’ parameter.

RIIO–GT3 commitments

Our plan sets out 12 bold commitments. These commitments support our ambition to deliver a resilient network, whilst keeping bill increases and impacts on consumers and our customers as low as possible.

MORE INFO: learn more about our [RIIO–GT3 commitments](#).

¹ Moody’s issued February 2026, Fitch issued March 2026.

Stakeholder engagement

Maintaining high-performance relationships

As the backbone of Britain’s energy system, we strive to align our ambitions with those of our key stakeholders: consumers, customers, employees, investors, local communities, regulators and suppliers, the wider energy industry and government.

As we conclude RIIO-T2 and transition into RIIO-GT3, we remain committed to meaningful and proportionate engagement that ensures our plans and delivery reflect the needs of those who rely on, regulate and are impacted by the National Transmission System (NTS). Our engagement approach is aligned with the AccountAbility 1000 Stakeholder Engagement Standard (AA1000SES) and is embedded across our governance, planning and decision-making processes. During the year, we have increased our focus on engaging with new and emerging stakeholders, strengthened relationships through in-person engagement, and continued to use feedback to improve performance, transparency and outcomes.

Engagement outcomes

Stakeholder insights gathered throughout RIIO-T2 and into RIIO-GT3 will continue to inform our priorities, investments and delivery as we work collaboratively to meet the evolving needs of Britain’s energy system.

Across all our stakeholder groups, meaningful engagement enables National Gas to:

- Deliver safe, reliable and resilient network operations.
- Improve service delivery and customer satisfaction.
- Co-design solutions to complex system challenges.
- Shape regulation and policy through evidence-based dialogue.
- Support the transition to a secure, net zero energy system.

Read our [S172 statement](#) for more detail on how the Board engaged and balanced the needs of different stakeholders to inform principal decisions, from page [53](#).

100+

MEETINGS AND WORKSHOPS WITH SUPPLIERS

9.00

CUSTOMER SATISFACTION SCORE VS 8.89 LAST YEAR

Consumers

Gas consumers play a key role in driving demand, providing key revenue streams, influencing regulatory priorities and providing valuable insights that shape our future development.

Our engagement activities

Consumers who benefit indirectly from the NTS are represented through a combination of targeted engagement, consumer bodies and our Independent Stakeholder Group (ISG). Consumer perspectives are also reflected through public consultations supporting major infrastructure and decarbonisation projects.

Value and outcomes

Consumer insights inform our service priorities, environmental, social and governance (ESG) programmes and long-term network planning. Feedback gathered through stakeholder and materiality assessments has helped shape our approach to security, climate resilience and environmental impact, and ensuring consumer interests remain central to RIIO-GT3 delivery.

Key priorities and engagement topics

- Consumer interests and affordability of energy bills
- Access to energy as and when required
- Security of supply, resilience and reliability
- Environmental performance, methane emissions and delivery of a sustainable energy system
- Transparency, trust and provision of good service

Customers

Our customers play a key role in driving demand, shaping infrastructure development and supporting the overall efficiency and resilience of our network.

Our engagement activities

We engage with NTS-connected customers (shippers, storage operators, Gas Distribution Networks, interconnectors, power stations and large industrial users) through regular and ad-hoc meetings, webinars, site visits, control room visits and forums. This year, we engaged over 1,200 attendees through our National Gas Energy Forum (NGEF). We have used customer engagement to improve our data provision through the National Gas Data Portal. We also engage with future customers as part of the new connections process and to feed into development and routing for Project Union.

Value and outcomes

Customer feedback has driven improvements in transparency, data accessibility and operational coordination. Our average customer satisfaction score reached 9.00, reflecting strong performance in communication, responsiveness and issue resolution. Customer engagement supported a strong close-out of RIIO-T2 and improved the alignment of RIIO-GT3 investment and incentives with customer needs.

MORE INFO: find out more about the [NGEF](#).

Key priorities and engagement topics

- Security of supply, capacity, outages, resilience to disruption and operational coordination
- Fair and transparent pricing
- RIIO-T2 delivery, RIIO-GT3 planning, and inputs into future developments and innovation
- Gas quality transparency and data access
- New connections: carbon capture and storage, streamlining biomethane connections, Project Union and hydrogen-blend readiness

Stakeholder engagement continued

Employees

The delivery of our business plan commitments and longer-term strategic objectives are dependent on the talent, innovation and values of the people we employ.

Our engagement activities

We engage employees through internal forums, leadership communications, training programmes and direct involvement in stakeholder engagement activities. Employees play a central role in customer interactions, regulatory engagement, community outreach and innovation delivery, supported by learning and development aligned with future skills needs.

Value and outcomes

Employee engagement supports safe, reliable operations and high-quality stakeholder relationships. Internal insights have contributed to improvements in ESG performance, innovation delivery and customer service, while targeted skills programmes help ensure our workforce is prepared for the energy transition.

READ MORE: about our engagement activities in ‘Powering our people’ from page [43](#).

Key priorities and engagement topics

- Fostering a safe, supportive and inclusive culture where everyone is heard, valued and supported to reach their full potential
- Flexibility, opportunities for growth and development and fair remuneration
- Safety, health and wellbeing
- Skills for net zero and digital transformation
- Innovation and continuous improvement
- Community and stakeholder engagement

Local communities

The cooperation of the local communities in which we operate is key to our ability to deliver major infrastructure works.

Our engagement activities

We engage communities affected by our assets and projects through early consultation, local authority briefings and ‘behind-the-fence’ site visits. Community engagement is supported by our Community Grant Fund (CGF), volunteering initiatives and educational outreach programmes. This year, activities included community engagement at local sites, social funding, partnerships addressing loneliness, and educational outreach.

Values and outcomes

Engagement helps us build trust and long-term relationships with communities, supporting safe operations and successful project delivery.

READ MORE: about our engagement activities in ‘Partnering with others’ from page [46](#).

Key priorities and engagement topics

- Safe and minimal local impacts of construction and operations, including emergency preparedness
- Transparency in communication, with contribution into community planning and development
- Social value, including employment opportunities, local economic benefits, education and skills
- Environmental stewardship

Investors

Our investors provide essential funding to support our longer-term investments and planning. They enhance our credit and overall financial resilience, alongside robust strategic planning and governance.

Our engagement activities

We engage investors through structured regulatory processes, performance reporting, governance disclosures and targeted engagement supporting RIIO-GT3. This includes interaction on regulatory returns, resilience, sustainability and long-term value creation.

Value and outcomes

Clear engagement supports investor confidence, regulatory transparency and delivery certainty. Our engagement through the RIIO-GT3 consultation process contributed to increased investment allowances between Draft and Final Determinations and reinforced confidence in our governance and evidence-led approach.

Key priorities and engagement topics

- Regulatory performance and compliance
- Reliable and consistent revenue streams
- Input into innovation and development
- Long-term network resilience
- ESG, climate adaptation and decarbonisation
- Capital investment and efficiency
- Strong governance and risk management

Wider industry and supply chain

Our wider stakeholders play a key role in ensuring the delivery of energy to our consumers and customers. They help forecast demand and can influence regulatory frameworks and market stability. Maintaining strong relationships with our supply chain and innovator community helps to streamline work, improve delivery efficiency and build confidence in our delivery strategies.

Our engagement activities

We engage through regular performance and planning meetings, supplier surveys, innovation programmes, cross-sector working groups (such as UNC Workgroup) and international forums, as well as via direct engagement on CCS, hydrogen, biomethane and security of supply. This year, we also held over 100 meetings with suppliers and innovators.

Value and outcomes

Supplier and industry engagement supports innovation, resilience and efficient delivery. Feedback has informed improvements to our processes, innovation strategies and our approach to collaborating with our supply chain .

READ MORE: about innovation in ‘Strategy in action’ from page [20](#).

Key priorities and engagement topics

- Security of supply and our critical infrastructure
- Fair and transparent pricing
- Innovation, CCS and hydrogen development
- Biomethane and new connections
- Supply chain capability and opportunities to input into development of new work

Stakeholder engagement continued

Government and regulators

Regulatory bodies monitor our operations to ensure they are reliable, and that our infrastructure offers value for money. They ensure we work with due regard to the environment and support investment in innovative development. Our compliance with their standards enforces public trust in our operations. Engagement with government enables us to help shape the regulation that will underpin net zero projects, resilience and security of supply, and unlock funding for projects that support decarbonisation efforts, such as SCO₂T Connect and Project Union.

Key priorities and engagement topics

- Security of energy supply, network planning, network resilience and emergency preparedness
- RIIO-T2 close out and RIIO-GT3 delivery
- Providing fair value to customers, financial resilience and compliance with price control frameworks
- Safety of our infrastructure and operations
- Environmental performance, including emissions management, climate resilience and adaptation
- Supporting Britain’s net zero ambitions
- Customer engagement and support

Our engagement activities

We maintain constructive and transparent relationships with regulators, including Ofgem, the Health and Safety Executive (HSE) and environmental regulators, governmental departments including the Department for Energy Security and Net Zero (DESNZ) and the Department for Business and Trade (DBT), as well as 10 Downing Street, HM Treasury and the Cabinet Office. Our engagement includes regular bilateral meetings, involvement in industry working groups, hosting site visits, formal reporting and consultation responses. This year, we have hosted more than 30 politicians – including constituency MPs and ministers – on site visits as part of party-wide engagement to help explain the vital role we play. We also have obligations to engage with government and NESO on our long-term system planning to ensure that we are investing in the appropriate measures to protect gas security of supply for our customers and consumers. We engage with our environmental regulators, as well as with cross-sector industry forums, to support our approach to climate resilience, safety and environmental performance.

Value and outcomes

Regulatory engagement supports compliance, informs policy development and ensures our plans align with future regulatory requirements. Through ongoing engagement we have helped shape guidance on climate resilience, secured agreement on our RIIO-GT3 licence and supported a robust transition between price controls. Collaboration with government and industry partners will continue to unlock decarbonisation and security-of-supply opportunities.

1. Industry Minister Sarah Jones MP, Andrew Pakes MP and Sam Carling MP at Peterborough Compressor Station (April 2025).
2. Shadow Energy Minister Andrew Bowie MP, Shadow Energy Minister Harriet Cross MP and Leader of the Scottish Conservatives Russell Findlay MSP at Aberdeen Compressor Station (November 2025).
3. Welsh Government Cabinet Secretary Rebecca Evans MS at Felindre Compressor Station (November 2025).
4. Industry Minister Chris McDonald MP, Andrew Pakes MP and Sam Carling MP at Peterborough Compressor Station (January 2026).
5. Scottish Government Cabinet Secretary Fiona Hyslop MSP at Avonbridge Compressor Station (February 2026).
6. First Minister of Scotland John Swinney MSP and Karen Adam MSP at St Fergus Gas Terminal (March 2026).

Stakeholder snapshots

Below is a selection photos from a host of stakeholder engagement events – through site visits we are able to showcase our initiatives and innovations, the vital role that our infrastructure plays in Securing Britain’s Energy, and bring to life major investments on critical parts of our network.



Being a responsible business

Environmental, social and governance strategy

Continued delivery of sustainable value

By recognising environmental, social and governance (ESG) factors that are important to our business, we can proactively manage commercial risks and embrace opportunities beyond statutory and regulatory compliance to create sustainable value.

ESG strategy

Our ESG strategy is aligned to our purpose, priorities and values, and sets out how we identify, manage and report on the environmental, social and governance issues most relevant to National Gas. Supported by clear governance, performance metrics and time-bound targets, it is embedded into decision-making across the organisation and enables transparent oversight and accountability.

Reflecting significant regulatory, political and stakeholder developments, the strategy was reviewed in FY25 using a double materiality assessment to confirm its continued relevance for the final year of RIIO-T2 and ahead of RIIO-GT3. A subsequent internal stakeholder review in January 2026 confirmed the robustness of the framework, recommending limited refinements, including the reclassification of pollution and communities as high importance topics, alongside the identification of several emerging risks requiring monitoring (biodiversity, waste, working conditions and supply chain management).

Pollution	●
Safety, health and wellbeing	
Security (cyber and physical)	
Business ethics	●
Climate change	
Communities	
Equal treatment	
Stakeholder management	
Supply chain management	
Training and development	
Working conditions	
Biodiversity	●
Waste	
Water	●

●

 Very high importance

●

 High importance

●

 Medium importance

●

 Low importance

Overall, the strategy continues to provide a comprehensive and future-focused framework to manage material ESG risks and opportunities, and to support our long-term role at the heart of Britain’s energy system.

READ MORE: in our ‘Risk management’ section from page [49](#).

Our framework pillars

Environmental

Improving the environment: We strive to achieve minimal adverse environmental impacts across all our operations whilst also seeking ways to enhance the local environment.

Key environmental pillars

- Air quality
- Caring for the natural environment
- Climate change
- Leadership for change
- Responsible asset use

Social

Acting with a social conscience: We deliver sustainable social impact, promoting the wellbeing of our people and adding value to both the communities within which we operate, and wider society.

Key social pillars

- Charitable giving
- Community engagement
- Customer engagement and protection
- Employee health and wellbeing
- Future skills and education

Governance

Running our business ethically: We have a robust internal system of practices and procedures that allow us to make effective decisions, comply with the law, and provide assurance to our stakeholders.

Key governance pillars

- Ethics and compliance
- Financial and operational risk
- Structure and oversight
- Supply chain management
- Transparency and reporting

Being a responsible business continued

Safe every day

Safety, health and wellbeing remain fundamental to our purpose and central to how we operate. Throughout FY26, we reinforced our safety culture and continued to enhance occupational health and wellbeing support available to our people.

Our ‘safe every day’ ambition is delivered through four core pillars, which underpin our transition towards a proactive, learning-led safety culture and support sustained, high-quality performance across our operations. These include:

1. Keeping our assets and processes safe every day.
2. Demonstrating safe behaviours every day.
3. Supporting health and wellbeing every day.
4. Improving safety every day.

Key deliverables to close out RIIO-T2

- Continued delivery of a consistent Safe Every Day strategy, with annual plans addressing priority risks and improvement areas
- Ongoing rollout and embedding of the Seven Deadly Risks programme to reinforce critical risk controls
- Continued simplification of the Safety Management System, improving content availability and accessibility
- Updated safety governance structure to ensure escalation opportunities and an increased focus on value-add safety, health and wellbeing conversations at all levels
- Strengthened health surveillance processes and enhanced wellbeing support, including improved case management, new working groups and updated resources
- Focused review of supply chain safety performance, confirming consistency with internal performance and strong responsiveness to learning
- Work towards our next safety culture survey in Autumn 2026, for which our ambition is to be proactive on the Hudson Safety Culture Model

0.04

LOST TIME INJURY FREQUENCY RATE (2024/25: 0.02)

53%

INCREASE IN SAFETY, HEALTH AND ENVIRONMENT LEADERSHIP SITE VISITS

Safety performance and regulatory engagement

Lagging safety performance

Lagging safety performance remained strong, with low levels of lost time injuries (LTIs). Three LTIs were recorded during the year, resulting in a 12-month rolling LTIFR of 0.04 per 100,000 hours worked (0.44 per million). While slightly higher than FY25, performance remains within stretch targets.

High Potential Controllable Events (HPCEs)

Nine HPCEs were reported and investigated across risk areas including temporary works, driving, lifting operations, fatigue management and operational readiness. Reporting reflects a mature learning culture and supports early risk identification. No tier-one process safety events occurred, and there were no public safety injuries linked to operations.

Reporting of leading indicators

Reporting of leading indicators remains a key focus. Safety, Health and Environment (SHE) leadership visits increased by 53%, improving site visibility and strengthening two-way communication between teams and leadership. Progress continues on action closure and investigation quality through new incident templates, Local Incident Review Panels, and planned improvements to the incident management system.

System and process improvements

We continue to invest in improving core systems and processes that support safety performance:

- Progress on the Electronic Permit to Work programme.
- Improved governance and assurance over operational drawings.
- Strengthening of incident investigations and action management.

LOOKING AHEAD

We remain steadfast in our commitment to providing safe, secure and reliable operations, protecting our people and the public, and continually strengthening the systems, culture and leadership that underpins our safety, health and wellbeing at National Gas.

Safe every day priorities 2026/27

- 1

Deliver core safety initiatives
These include Seven Deadly Risks, Back to Basics, Safety Compliance and Maturity
- 2

Enhance systems and processes
Priorities include organisational learning, and safety and incident management systems
- 3

Improve quality, assurance and compliance
Enhance investigation quality, improve assurance and compliance, and develop leading indicators
- 4

Promote health and wellbeing
Focus on mental health and wellbeing and occupational hygiene

Being a responsible business continued

Securing our people, assets and data

Strengthened security foundations

Protecting our people, assets and data ensures we can secure energy supply, drive a clean energy future and maintain industrial competitiveness.

In 2025/26, we strengthened the security foundations that underpin the safe and reliable operation of Britain’s National Transmission System (NTS), while preparing for a future defined by energy transition, accelerating digitalisation and a more contested global security environment. We approach security in the same way we approach safety – as a core discipline that protects people, enables operations and sustains confidence among customers, regulators, government and industry stakeholders. Security is not a static end-state, it is a continuous cycle of understanding threats and assets, designing proportionate controls and adapting as risks evolve.

Key focus areas

- Reduce risk to National Gas.
- Protect security of supply.
- Meet and exceed regulatory expectations.
- Enable innovation and productivity through trusted data, technology and partnerships.

Delivering in challenging security contexts

Threat landscape

The threat environment for Critical National Infrastructure continues to intensify. The energy sector’s growing strategic significance has increased the attention of a wide spectrum of adversaries, from cybercriminals through to hostile state and state-aligned actors, as well as disruptive climate and political activists. We plan on the basis that hybrid activity – combining cyber, physical, insider and supply chain campaigns – will remain a defining feature of the security landscape. Our response is to prioritise intelligence-led, threat-informed security to strengthen situational awareness and decision-making.

Legal and regulatory landscape

Security expectations for essential services are rising. New and evolving policy and regulatory developments, including reforms intended to update the UK’s cyber security regime, are increasing governance, assurance and accountability expectations on critical operators, while also creating uncertainty as secondary legislation develops. We proactively assess implications, engage with stakeholders and invest to keep pace with compliance expectations.

Technology landscape

Technology is increasingly embedded, distributed and interconnected across modern operations. At the same time, the rapid acceleration of advanced technologies creates both opportunity and complexity – exemplified by the role of artificial intelligence. We have therefore prioritised secure digitalisation: ensuring data foundations are trusted, security is designed into change, and controls evolve alongside technology.

Economic landscape

We have focused on targeted, risk-based investment and strong governance to ensure security spend is efficient, accountable and tied to outcomes. Our rigorous technology choices and prioritisation ensure resilient outcomes while demonstrating prudent cost management.

Political and geopolitical landscape

A broad-based change in the international order, conflict dynamics and heightened focus on national resilience continue to shape expectations on UK critical infrastructure. We strengthened collaboration with UK government partners and sector bodies, supporting shared resilience objectives and ensuring National Gas has the relationships and insight needed to operate confidently in a more contested environment.

Strength and dependability

Our approach is encapsulated by eight inter-linked capabilities. These are:

1. **Understanding the threat:** We maintained a threat-led security posture, combining intelligence-driven assessment with operational reporting and governance. This enables prioritisation of the risks that matter most to the security of supply and the safe running of the network.
2. **Understanding our assets (people, data, systems, infrastructure) and supply chains:** We continued to strengthen our security foundations, particularly where legacy technology, complex operational environments or third-party dependencies can introduce vulnerabilities. This includes improvements to asset lifecycle governance and structured approaches to understanding where sensitive information resides and how it flows.
3. **Understanding risk to National Gas and security of supply:** We have maintained our threat-informed, risk-based approach aligned to regulatory expectations and national resilience priorities, with governance mechanisms to ensure risks, issues and mitigations are visible, owned and progressed. This supports consistent risk-informed security decision-making across cyber, physical, personnel and supply chains.

Being a responsible business continued

Securing our people, assets and data continued

4. **Designing and implementing relevant and effective controls:** We continued to invest in controls that materially reduce risk, including:
- Enhanced security measures (e.g. detection, access control and monitoring), including delivery that exceeded original scope in some areas.
 - Modernisation and resilience improvements in operational technology, addressing obsolescence and strengthening security capabilities over time.
 - Secure-by-design assurance, embedding security across change programmes and ensuring security considerations are built into delivery frameworks and stage gates.
5. **Monitoring and adapting as threats, assets and risks evolve:** We strengthened ongoing oversight through structured operational and steering governance, enabling trend-based insight and timely escalation where needed. This helps ensure our controls remain effective as our environment changes.
6. **Meeting and exceeding Cyber Assessment Framework (CAF) contributing outcomes:** We aligned security outcomes to the National Cyber Security Centre (NCSC) CAF, supporting consistent practice across governance, risk management, culture and technical controls, and sustaining progress across baseline and enhanced profiles.
7. **Automation where possible – working smarter:** We are progressing towards smarter, more automated security operations and reporting; reducing manual effort, improving consistency and focusing expert time on higher-value risk-reduction activities.
8. **Defence in depth:** Given the breadth of modern threats, we continued to apply layered protection – ensuring that the failure of any single control does not result in unacceptable risk. This principle remains central to protecting security of supply and maintaining operational confidence.

Ambitious future commitments aligned to the energy transition

The energy transition will increase reliance on data, connected operations and collaboration across the value chain. Our future security commitments are designed to enable that transition safely – supporting innovation and productivity while protecting the network Britain relies on.

Building on post-separation success and RIIO-T2 investments: We will build on the foundations strengthened through RIIO-T2 investments, using evidence of delivery and risk reduction to guide the next phase of security investments.

Investing for success in RIIO-GT3 (targeted and efficient investments): We will pursue targeted investment that is clearly tied to measurable outcomes: risk reduction, resilience improvement and regulatory assurance – supported by strengthened investment governance and programme discipline.

Strengthening partnerships with government and industry (UK and internationally): Security is a shared national endeavour. We will continue strengthening relationships with government and sector partners to support shared situational awareness, coordinated security planning and credible national preparedness.

Security on par with safety: We will continue to strengthen the alignment between security and safety mindsets, ensuring security requirements are understood, practical and embedded into everyday operations.

Measure and demonstrate value and risk reduction: We will continue evolving the way we measure security performance and risk reduction, focusing on transparent, decision-useful metrics that demonstrate control effectiveness and good security outcomes.

Leverage technology and collaboration to drive security excellence and productivity: We will use secure digitalisation to enable the next chapter of National Gas performance – protecting the systems and data that power efficient operations and improved decision-making. Security sits at the heart of:

- Data-driven decision-making.
- World-leading operations.
- Innovation through advanced technologies.
- A culture of collaboration.
- Trusted data, AI and automation.
- Asset management and lifecycle optimisation.

A clear purpose guiding decisions

- Protect National Gas and reduce risk by prioritising controls and investments that have the greatest impact on protecting security of supply and safe operations.
- Ensure appropriate partners and funding (for sustainable, efficient operation) through strong investment governance and outcome-based delivery discipline.
- Remain compliant through close alignment to regulatory expectations and CAF outcomes, and prepare for evolving legislation and accountability requirements.
- Support digitalisation strategy by enabling secure progress across: data foundations, data sharing, digital twins and enhanced decision-making tools.

A focus on people behind the performance

Security excellence depends on people: their skills, their judgement and their confidence to act.

- We invest in people – security skills and careers. We continued to strengthen capability through structured and targeted training to support sustained competence in critical security roles.
- We protect and empower people – security awareness and training. We continued to build a culture where security is part of everyday work, strengthening security awareness, training and engagement across the business.
- We motivate and reward people – clear security objectives and strategy. We set clear objectives focused on performance and achievement, whilst equipping people with the resources and skills they need under strong leadership.
- We foster trusted and sustainable relationships – across teams and external stakeholders. Security is delivered through collaboration across operational teams, technology teams and external partners. We will continue to build trusted relationships that improve understanding, accelerate decisions and strengthen security for National Gas and the UK.

Being a responsible business continued

Running our business ethically

Upholding and demonstrating high standards of conduct are critical to maintaining business confidence.

We have established policies and governance that set and monitor our approach to preventing financial crimes, fraud, bribery and corruption, including our Anti-Bribery and Corruption Policy (the ABC Policy) and our Code of Ethics (the Code).

Ethical business standards

These are reviewed annually and are supported by a company-wide framework of controls designed to prevent and detect bribery or corruption. Our Code sets out the standards and behaviours we expect from all our employees. The ABC Policy applies to all employees and those working on our behalf and sets out our zero-tolerance approach to bribery, fraud, money laundering, tax evasion and other corrupt business practices. These policies are supported by communication and training programmes, including mandatory e-learning for all employees and direct contractors, to promote a strong ethical culture. To ensure compliance with the UK Bribery Act 2010 and other relevant legislation, we operate an anti-financial crime risk assessment process across the business to identify higher-risk areas and act on the results to make sure adequate procedures are in place to address them. The Audit and Risk Committee oversees the policies, systems and controls in place for the areas covered by the Code and the ABC Policy. We investigate all allegations of ethical misconduct thoroughly and take corrective action, and share learnings and trends where appropriate, which are reported to the Audit and Risk Committee.

Whistleblowing

It is important that everyone who works for us can raise any concerns they might have, without fear of retaliation, and that they can do so anonymously. We have augmented our Code of Ethics with a Speak-Up Policy to encourage open reporting, and we have a confidential, externally managed ‘Speak-Up’ helpline, which is available 24 hours a day, 365 days a year. We publicise the contact information to all colleagues on our intranet and through direct engagement, particularly with those teams identified as higher risk through our anti-financial crime risk assessment process.

We use an annual anonymous colleague listening survey to measure our ethical culture and the confidence that our employees have in raising ethical concerns. We target actions based on the survey outcomes.



Being a responsible business continued

Our environmental commitments

Protecting our environment in a sustainable way

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 we ensure that we are flexible in how we provide and use energy. A gas like hydrogen, for example, is expected to be an integral part of the UK’s 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 is to protect the environment and act sustainably every day:

Key achievements

- Halved nitrogen oxide (NOx) emissions from our compressor stations over the five-year period of RIIO-T2
- Recertified to ISO 14001 for Environmental Management, demonstrating sustained commitment to best practice and leadership in addressing our environmental risks and opportunities
- Published our RIIO-GT3 business plan which includes a network decarbonisation reopener investment mechanism and our Environmental Action Plan
- Successfully tested the first set of our new pipeline recompression machines that will significantly reduce our pipeline venting emissions
- Expanded our fugitive leak-detection programme, which is on track to deliver a measurement-based fugitive emission performance baseline for the NTS

Environmental Action Plan

Our Environmental Action Plan 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). The section below highlights the progress we have made.

Key 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 five 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 our asset base.

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) process, 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.

3. Responsible asset use

A programme has been in place to decommission our redundant assets responsibly, refurbishing them for reuse 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.

4. Caring for the natural environment

We have developed an approach to protecting and enhancing biodiversity during construction and decommissioning, through targeted effort and community engagement. The Hatton Compressor Station upgrade project met its biodiversity net gain (BNG) commitment 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.

5. Leadership for change

We have been working to ensure that 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.

Energy efficiency

The most energy-intensive activity within National Gas is operating our gas-fuelled compressors, which are operated in line with supply and demand. To ensure that we improve energy efficiency, in the period covered by this report, we have upgraded LED lighting, installed solar PV panels at two compressor stations and disconnected unused units at two other compressor stations, saving energy on cab ventilation and lube oil heating.

Being a responsible business continued

Our environmental commitments continued

Leading the way to a net zero future

We are looking to the future by helping to develop the hydrogen transmission system of tomorrow – building the capability and flexibility required for a clean energy future.

Our gas transmission specialists are designing the infrastructure which could, in the future, transport low-carbon hydrogen as a replacement for natural gas, and transport carbon dioxide for carbon capture and storage (CCS). By applying our expertise to develop the potential energy systems of the future, we are proud to play a leading role in supporting the UK’s net zero ambitions.

Net zero pathway

Natural gas contributes a third of the UK’s carbon budget and, as such, in our role as gas transporter, we have a key part to play in supporting the UK Government’s net zero goals. We are committed to developing a business model that is consistent with the objectives of the Paris Agreement, which includes expanding our measurement and reporting of indirect Scope 3 emissions. While we expand our Scope 3 reporting, we are committed to achieving net zero for Scope 1 direct and Scope 2 indirect emissions by 2050, with an ambition of 2040, for scope 1 direct and 2 indirect emissions.

To achieve our commitment of net zero by 2050 we have initially focused on reducing Scope 1 methane emissions from our operations. This has included expanding our fugitive leak-detection programme and its associated defect management, and reducing operational venting by approving pilots of vent-capture technology during RIIO-GT3. National Gas Services has also taken new recompression machines into operation, currently under testing, which are designed to reduce pipeline pressure prior to venting, thereby supporting further reductions in methane emissions and improving network efficiency. This could cut greenhouse gas emissions from these activities by up to 90%,

We have also implemented Scope 2 emission-reduction opportunities, including procuring renewable energy at our Warrington archive offices and installing photovoltaic (PV) panels to generate electricity at two of our sites. In addition, we are reducing transport-related emissions by transitioning our company car fleet towards electric and hybrid vehicles. Electric vehicles (EVs) now account for over 70% of the company car fleet, significantly lowering CO₂e emissions from business mileage.

A bespoke decarbonisation strategy and glidepath to net zero were completed in October 2023. The glidepath is aligned to the Science Based Target initiative (SBTi) Corporate Standard methodology (v1.1) which was the applicable framework in place at the time. While the SBTi has since indefinitely paused its development of a sector-specific standard for oil and gas, National Gas remains committed to progressing its decarbonisation strategy in line with best practice and scientific evidence.

As part of our RIIO-GT3 plan, we have included a network decarbonisation reopener investment mechanism and our Environmental Action Plan for the next five years.

Greenhouse gas (GHG) reporting

Our baseline for greenhouse gas (GHG) reporting as National Gas was set for 2022/23 when we separated from National Grid Group. Therefore, historical data prior to this year is not provided, due to differences in the emissions inventory. During 2025/26, we strengthened our internal GHG assurance processes to enhance data quality, consistency and governance across our carbon reporting. This included the appointment of a dedicated carbon specialist to provide additional oversight and assurance of validated data.

We also updated our Standard Operational Procedures (SOPs) across all emission scopes and categories to improve clarity, control effectiveness and assurance. Our reporting methodology remains aligned to the GHG Protocol Corporate Standard. To further prioritise improvement efforts, we developed a risk-based assurance framework that combines the magnitude of emissions with process risk to generate a combined risk score. This has enabled us to identify and focus on the highest-risk areas within our business carbon footprint (BCF), supporting improvements in data quality and internal controls.

The Scope 1 and 2 emission sources included within our 2025/26 BCF are below:

Scope	Emission	Category
Scope 1	Energy consumption (excluding electricity)	Energy consumption
	Transport	Direct commercial vehicle Business mileage
	Fugitive emissions	Leak detection and repair Pipeline and above-ground installations (AGIs)
	Venting emissions	Venting (compressor only) Venting (others) Incidents
	Fuel combustion	Diesel Natural gas Other minor combustion
Scope 2	Electricity consumption	Electricity consumption and generation (including PV generation, fleet and company EVs)

Venting (others) includes maintenance venting, gas using devices, pipeline venting, PIG trap venting and NRO vents. Emissions from ‘incidents’ and ‘other minor combustion’ have been calculated and included in our BCF from 2023/24 onwards.

Data sources

Our 2025/26 BCF data sources include a combination of direct measurements and calculated estimates. Primary data has been obtained from meter readings, on-site emissions surveys, internal records, supplier emission reports and invoice data. In addition, modelled data has been applied using recognised industry methodologies alongside National Gas-specific measurements. Where actual data has not been available, estimates have been calculated using a combination of operational activity data, historical trends and established calculation methodologies to ensure accurate reporting. All data sources and estimation methods are documented in our SOPs.

Being a responsible business continued

Our environmental commitments continued

Greenhouse gas (GHG) emissions

The table below details our BCF inclusive of additional categories added to our emission inventory from 2022/23:

Business carbon footprint (BCF)					
Scope of emissions	Units	2025/26	2024/25	2023/24	2022/23
Scope 1* ■	ktCO ₂ e	329.3	296.7 (correct for 2024/25) [†]	343.1	443.3
Scope 2 (Location based) ■	ktCO ₂ e	28.8	33.5	37.4	37.7
Scope 3** ■	ktCO ₂ e	0.7	0.8	0.9	0.6
Total BCF ***	ktCO ₂ e	358.9	331.1 (correct for 2024/25) ^{††}	381.4	481.6

*This total includes two estimated components of other venting (maintenance venting and gas-using devices) totalling 37.3ktCO₂e, as well as a predominantly estimated category for Pipelines and AGIs, amounting to 28.73 ktCO₂e. Excluding these categories, total Scope 1 emissions are 263.3 ktCO₂e.

**Based on two reported Scope 3 categories

***Totals are reported on a rounded basis and are considered accurate. As a result, the aggregation of individual scope values may not precisely reconcile to the total BCF due to rounding.

[†]294.6 (reported for 2024/25) amended for this report.

^{††}329 (reported for 2024/25) amended for this report.

■Refer to the independent assurance statement below.

Independent assurance statement

Deloitte has provided independent third-party limited assurance in accordance with the International Standard for Assurance Engagements 3000 (ISAE 3000) and Assurance Engagements on Greenhouse Gas Statements (ISAE 3410) issued by the International Auditing and Assurance Standards Board (IAASB) over the selected information, identified by this symbol (■) in the above table.

Deloitte’s full unqualified assurance opinions, which includes details of the selected information assured in FY26, can be found on our website at www.nationalgas.com/responsibility/environment/environmental-action-plan.



Being a responsible business continued

Our environmental commitments continued

Streamlined Energy and Carbon Reporting (SECR)

To effectively manage and monitor our greenhouse gas (GHG) emissions, we report our business carbon footprint (BCF) on an annual basis, with internal performance tracked monthly. Our BCF currently focuses on Scope 1 and Scope 2 emissions, measured in kilotonnes of CO₂ equivalent (ktCO₂e), providing a clear view of emissions from our direct operations and purchased energy.

We also disclose selected Scope 3 emissions, including business travel and operational waste. During RIIO-GT3, we are expanding the reporting of Scope 3 emissions by identifying material categories, developing methodologies and enhancing data collection. Additional categories will be incorporated into future BCF disclosures to improve transparency.

Streamlined Energy and Carbon Reporting	2025/26	2024/25	2023/24	2022/23
Energy consumption used to calculate emissions (kWh)	Invoiced gas: 1,821,920 Invoiced electricity: 161,892,653 Fuel for operational fleet: 8,246,284 Compressor fleet and minor combustion plant: 709,006,493	Invoiced gas: 1,751,892 Invoiced electricity: 159,820,501 Fuel for operational fleet: 7,585,284 Compressor fleet and minor combustion plant: 743,103,086	Invoiced gas: 2,170,454 Invoiced electricity: 180,157,031 Fuel for operational fleet: 6,969,106 Compressor fleet and minor combustion plant (diesel and natural gas): 1,033,197,428	Invoiced gas: 2,643,978 Invoiced electricity: 194,875,629 Fuel for operational fleet: 7,042,563 Compressor fleet and diesel minor combustion plant: 1,545,780,863
Emissions from combustion of gas (Scope 1) (includes invoiced gas in buildings and compressor fleet combustion, and natural gas minor combustion plant from 2023/24 onwards) (tCO ₂ e)	175,249	*156,113 (correct for 2024/25)†	192,322	308,470
Emissions from combustion of fuel for transport purposes (Scope 1) (includes operational fleet and business mileage) (tCO ₂ e)	2,512	2,314	2,276	2,392
Emissions from business travel in rental cars or employee-owned vehicles, where company is responsible for purchasing the fuel (Scope 3) (tCO ₂ e)	273	238	233	207
Emissions from purchased electricity (Scope 2, location-based) (excluding EVs) (tCO ₂ e)	28,655	33,398	37,306	37,695
Total gross tCO ₂ e based on above	206,689	**192,063 (correct for 2024/25)†	232,137	348,764
Intensity ratio: tCO ₂ e gross figure based on mandatory fields above /mcm throughput of natural gas	2.88	2.6	3.05	3.7
Methodology	Data sources aligned to comparison years with use of 2025 DESNZ/BEIS conversion factors for tCO ₂ e conversions and the UK Greenhouse Gas Inventory carbon emission factors and calorific values for compressor combustion.	Data sources aligned to comparison years with use of 2024 DESNZ/BEIS conversion factors for tCO ₂ e conversions and the UK Greenhouse Gas Inventory carbon emission factors and calorific values for compressor combustion. The emissions from the combustion of gas and resulting total emissions have been restated due to previous year’s underreporting of tCO ₂ e.	Data sources aligned to comparison year with use of 2023 DESNZ/BEIS conversion factors for tCO ₂ e conversions. There is a minor difference between the reporting and comparison year with inclusion of natural gas minor combustion plant data for 2023/24.	Data sources include energy invoices, meter reads, run hours and supplier reports. The above figures have been converted into kWh from litres or TJ or from activity data to tCO ₂ e using the 2022 DESNZ/BEIS conversion factors.

*156,022 (reported for 2024/25) amended for this report.
**191,972 (reported for 2024/25) amended for this report.

Being a responsible business continued

Climate-related financial disclosures

Managing our climate-related risks and opportunities

Effective for periods commencing on or after 6 April 2022, the Climate-related Financial Disclosures (CFD) Regulations 2022 have been introduced in the UK to report on material climate-related matters.

For the year ended 31 March 2026, the Group met the relevant threshold of having more than 500 employees and a turnover of more than £500m. The Group has therefore set out below the disclosures covering how climate change is addressed in corporate governance, the principal climate risks and opportunities and their potential impacts, how climate-related risks and opportunities are identified, assessed and managed, and the performance metrics and targets applied in managing these issues in compliance with CFD disclosure requirements.

In our third full year as a stand-alone business, we have achieved greater maturity in the management of climate-related issues. This report builds on previous disclosures and provides details on our approach to understanding and managing climate-related risks. This includes governance, strategy, risk management, metrics and targets.

We are actively preparing for upcoming changes to UK law, most significantly the introduction of the UK Sustainability Reporting Standards, to ensure that we are ready to report on new regulations when required to do so. Climate change remains a core issue in our double materiality ESG framework, and we continue to work on mitigating the risks against the business, whilst lowering our impact on the environment.

Governance

Board

Board composition

As of the date of this report, the Board is made up of five Shareholder Appointed Directors, two Sufficiently Independent Directors (SIDS), our Chief Executive Officer, Jon Butterworth, and Chief Financial Officer, Nick Hooper. The full composition of the Board can be seen on page [##](#). The Board has six scheduled Board meetings a year, with a particular focus on overseeing operational performance and the strategic direction of our business as agreed by the Board.

The Board has overall responsibility for setting the long-term strategic direction of the Group, and in doing this considers factors related to climate change. The Board has delegated the setting of the Group’s climate-related strategy and achievement of associated initiatives and targets to the Safety, Security and Sustainability Committee. The role of Board committees in managing climate-related issues is detailed below:

- Safety, Security and Sustainability Committee (SSSC or the Committee): Assists and supports the Board in fulfilling its responsibilities and commitments to climate initiatives. Responsible for assessing climate-related risks and opportunities, and managing them alongside the Audit and Risk Committee. Assists the Board in providing guidance and direction to the Group’s safety, health and sustainability strategies and monitoring performance against the Group’s safety, health and sustainability ambitions, including climate-related risks and opportunities and monitoring the Group’s pathway to achieving its net zero carbon ambitions. The SSSC reviews climate-related risk and recommends any changes to risk profiles to the Board.

- Audit and Risk Committee (ARC): Supports the Board in ensuring that the sustainability and climate-related risks and opportunities are effectively managed by overseeing the risk management framework and ensuring principal risks are comprehensive and mapped to key business priorities. Responsible for identifying risks and opportunities, and jointly managing them alongside the SSSC.
- Remuneration and Nominations Committee: Ensures alignment of the executives’ remuneration to the Group’s climate-related targets by incorporating environmental measures into their short and long-term incentives.
- Regulation Committee: Oversees the Group’s compliance with its licence and other regulatory obligations. Through its work in overseeing the development of the Group’s business plan, it ensures commitments in the plan support the Group’s ambitions.

Management

National Gas operates a ‘three-lines’ approach to risk management. Responsibility for managing risk rests with each separate, first-line business function. The executives own and maintain risk for their function; they are responsible for conducting regular risk assessment reviews and ensuring the adequacy of their controls and mitigations to manage the risks. First-line executive committees manage oversight of the individual business functions.

The process is underpinned by our Risk and Assurance functions in the second line, with additional governance from the Executive Risk Committee (ERC) who escalate to the ARC and SSSC. A third line of defence is provided by our internal audit function.

The CEO has day-to-day responsibility for sustainability and climate-related matters and is responsible for executing the Company’s climate change strategy, supported by the Executive Committee. Oversight of the delivery of our ESG metrics is considered by the Executive Committee on a monthly basis, ensuring management is fully aware of our progress against our commitments, including climate-related metrics.

The SSSC met three times during the year. Progress against our climate change related commitments, as set out in our RIIO-T2 Environmental Action Plan, was an integral part of the Committee’s agenda throughout the year. The Committee also reviewed and recommended commitments for our RIIO-GT3 Environmental Action Plan, and will continue to perform this function in the new regulatory period.

The membership of the SSSC consists of non-executive Shareholder Nominated Directors or members appointed by the shareholders. The Committee is chaired by one of our Shareholder Nominated Directors, and all Board members can attend the meetings. The Chief Executive Officer, the Chief Financial Officer, the Engineering & Asset Management Director, the Head of Safety, Health and Wellbeing, the Head of Risk, Internal Audit and Assurance, and the General Counsel attend meetings and provide management oversight. The Committee Chair reports back to the Board after every meeting on key discussions and decisions taken.

The Board has overall responsibility for oversight of risk and for maintaining a robust risk-management and internal control system. It monitors our strategic, reputational, financial and operational risks, and other longer-term threats, trends and challenges facing us. Climate change is a consideration in the Environmental and Net Zero strategic risks. This is reviewed as part of the Board’s annual review of the Group’s risk profile.

The SSSC considers the impact of the Group’s operations on the environment, workforce, communities and other stakeholders with whom it interfaces, and how it adapts its business with respect to climate change. It provides guidance and recommendations to the Board and ensures that the safety and sustainability strategy is embedded in both business-as-usual practices and the Group’s overall business strategy.

The Chair of the SSSC updates the Board, as required, on the following areas with regards to climate change:

Being a responsible business continued

Climate-related financial disclosures continued

- Strategy: challenge and approve the Group’s sustainability strategy, including associated Key Performance Indicators (KPIs).
- Performance: review delivery against agreed KPIs and other reporting measures in relation to climate-related risks and opportunities.
- Emissions: consider and challenge the Group’s climate-related performance, including the reduction of carbon emissions target and the progress made against the ambition to reach net zero.
- Risk: review climate-related risks and recommend any changes to the risks and the risk profiles to the ARC.
- Legislation: report on forthcoming legislation and other requirements relating to climate-related risks and opportunities likely to affect the Group, and consider how it will comply.
- Investigations: oversee key issues relating to material environmental incidents as a result of the Group’s business operations.

Strategy

Risks and opportunities

In addition to the climate-related risks encompassed within our strategic risks, National Gas has a further four climate-related risks which are considered to have a potentially material impact on the business. These risks consider the impact the Group has on the environment and reducing the carbon emissions associated with operating our business, and the impact a changing climate may have on our assets.

When considering the assessment of physical climate risks, the Group defines the time period associated with these to be in alignment with the availability of UK climate-projection scenarios and the frequency with which these are updated.

It considers risks associated with changing climate up to 2030 to be short-term, up to 2050 medium-term and 2100 long-term. In consideration of physical climate risk, we have also taken account of the return period included within the climate projections, i.e. the likelihood of a climate-related extreme weather event occurring.

Transition technological risk (short and medium-term)

There is a risk that the Group fails to manage the impacts of climate change and to meet its net zero targets because of complex systems, ageing assets and inadequate adaptation of the National Transmission System to meet Britain’s future energy requirements – leading to reputational damage, falling investor confidence, legislation non-compliance, enforcement actions and fines.

Since the last disclosure, the Group has received allowances from Ofgem for the next regulatory period, RIIO-GT3. Although no baseline allowances were requested in the business plan submission for Scope 1 and 2 reduction initiatives, Ofgem agreed with our request for an opportunity to submit a reopener application to the regulator to secure investment for decarbonisation initiatives. The investment mechanism is known as the Network Decarbonisation and Emissions Compliance reopener.

Transition reputational and policy risk (short and medium-term)

There is a risk that the Group fails to meet its net zero by 2040 ambition (2050 commitment) because of no clear glidepath to net zero Scope 1 and 2 emissions or associated decarbonisation strategy – leading to reputational damage and a fall in investor confidence, legislation non-compliance, enforcement actions and fines.

As a regulated utility, this is linked to our ability to secure investment from the regulator in assets and equipment to reduce operational carbon emissions. The regulator now has supporting net zero ambitions within its mandate, but initiatives will only be funded if they demonstrate good value for consumers. This uncertainty increases the likeliness of the risk occurring. The Group has a Science Based Target Initiative (SBTi) corporate standard v1.1 aligned Scope 1 and 2 emission reduction glidepath, however this glidepath cannot be validated due to the SBTi not accepting applications from oil and gas sector organisations. Oil and gas sector guidance from the SBTi is paused with no date set for resumption. The three-molecule strategy discussed below in the Business Strategy section provides an additional mitigation action against the net zero risk, as hydrogen and carbon dioxide transport assets can assist in the decarbonisation of the transmission system.

Transition market risk (short and medium-term)

There is a risk that market demand for the usage of the National Transmission System decreases due to the political and regulatory environment favouring alternative energy sources over gas, leading to reduced revenue and asset value.

Our three-molecule strategy, detailed in the Business Strategy and Scenario Analysis sections, provides mitigation against this risk by allowing National Gas to maintain agility in a dynamic market, maximising our core methane businesses and entering adjacent sectors to support mid- and long-term growth. Rather than committing the business to a single future pathway, the strategy defines a set of four credible scenarios across the methane, hydrogen and carbon dioxide networks, each with different operational, regulatory, technological and market implications.

Physical acute and chronic risk (short, medium and long-term)

There is a risk that acute and chronic changes to climate patterns will cause harm (damage) to a National Gas asset because of a failure to respond to known climate hazards and appropriately manage asset vulnerabilities, based on asset type characteristics and location of assets in relation to the hazard. This could lead to loss of supply, increased maintenance and asset-replacement costs. This could result in reputational damage, legislation non-compliance, enforcement actions, fines and safety/health/environment incidents.

As part of our Climate Adaptation Report, published in 2024, we identified two high risks (raised temperatures and erosion) and seven moderate risks (flooding from rivers and rainfall, tidal flooding, ground movement, wind damage, vegetation growth, lightning and snow). We completed site-specific climate change risk assessments of our compressor stations in 2024 to identify the locations that have the highest exposure to physical climate risk. We have secured investment to undertake detailed flood survey and design assessments at 19 sites, and temperature risk assessments at 27 sites, in the RIIO-GT3 period – enabling us to assess these risks at a site level, and develop long-term mitigation strategies.

Opportunities

The business has various climate-related opportunities associated with our three-molecule approach. This involves the use of our network for the transportation of hydrogen and carbon dioxide, as well as natural gas. More details can be found in the Business Strategy section.

The National Gas Innovation Strategy includes a number of climate-related opportunities.

Being a responsible business continued

Climate-related financial disclosures continued

Asset development (short and medium-term): Developing net zero ready, resilient assets with optimised maintenance systems, including developing novel hydrogen and carbon dioxide assets, waste heat recovery and electrochemical compression.

Business development (short and medium-term): Enabling future markets and customers of the gas network by ensuring business systems and processes are relevant for net zero, including developing new employee skills for operating our three-molecule network, exploring alternative uses for pipes to support a decarbonised energy system, and increasing biomethane connections.

MORE INFO: read about our [Innovation Strategy](#).

Business strategy

Consideration of physical climate risk and the potential impact on the safe and resilient operation of the transmission system has been embedded within the Strategic Asset Management Plan for the Group. Dedicated asset-management objectives associated with environmental impact and the energy transition are within our RIIO-T2 commitments. Within the RIIO-GT3 business plan, a Climate Resilience Strategy (CRS) was submitted to Ofgem. The CRS sets out our holistic approach to maintaining an appropriate level of climate resilience for our current natural gas network, and includes investments to address the climate hazards scoring highest in our Adaptation Reporting Power (ARP) report to the Department for Environment, Food & Rural Affairs (DEFRA) in December 2024. These are listed in the physical acute and chronic risks above. For the regulated business, strategy and financial planning is linked to the regulatory process with Ofgem which is a five-yearly cycle.

MORE INFO: read about our [RIIO-GT3 Climate Resilience Strategy](#).

National Gas is using a three-molecule approach to ensure the business is resilient in relation to transition risks in our sector. The three-molecule approach encompasses the continuation of natural gas delivery, while reducing the carbon content through biomethane and hydrogen blending and the use of carbon capture and storage (CCS) to capture emissions; alongside the rollout of 100% hydrogen pipelines as we transition to net zero.

Our flagship projects:

- Project Union: repurposing existing gas transmission pipelines and building new pipelines to create a core hydrogen network for the UK.
- FutureGrid: providing vital insights into hydrogen transporting and blending, to support the full-scale conversion to hydrogen.
- SCO₂T Connect: supporting the development of CCS in the Scottish cluster.

For more details on our business model and strategic direction, see pages [11](#) and [18](#).

National Gas believes our business model and strategy is resilient to the identified climate-related risks over the short- and medium-term time horizons identified as 2030 and 2050.

Scenario analysis

Transition risk

To understand the climate-related risks and opportunities that could impact our business in the future, we have carried out transition risk scenario analysis. This analysis was updated in March 2026. We have considered scenarios up to 2050, aligning with our net zero pathway and our medium-term risk timescale. The scenarios are bespoke and based on our scenario-based business strategy, approved by the Board in FY26, and have been selected to show a range of possibilities for the future usage of the National Transmission System. They align with our short and medium-term risk timelines as these are relevant to our transition risks listed in the section above, and our current strategy runs until 2050. Whilst all scenarios present significant risks to the business, which must be appropriately managed, there are also opportunities to adapt our network and operations to support the net zero transition.

Rapid decarbonisation scenario (low temperature increase) – 1.5 degrees

In this scenario, the UK operates within a growing global economy with low interest rates, stable inflation and minimal trade barriers. Governments prioritise globalisation, free trade and devolved policymaking.

Industrial competitiveness remains low, but the UK shifts towards battery manufacturing and clean energy technologies, supported by high carbon prices. Society enjoys high living standards and low energy costs, as energy demand declines due to strong consumer-led efficiency measures and a shrinking population.

Technological progress accelerates, driving down renewable costs and fuelling a boom in behind-the-meter solutions and distributed energy systems. Regulatory frameworks decentralise, with Independent Distribution Network Operators proliferating and transmission networks losing value as local generation grows. Carbon budgets are strictly enforced.

Wholesale energy prices fall amid declining demand, widespread demand-side response (DSR) and growth in off-grid solutions. Fossil fuel demand plummets, reducing imports significantly. Consumers exhibit very high engagement, embracing DSR, vehicle-to-grid and energy-efficiency measures, while prioritising clean energy and environmental goals over affordability.

Likely business impacts:

- Methane sees a significant reduction in domestic, industrial and power generation demand. Roughly two-thirds of compressor stations will be decommissioned by 2050.
- Hydrogen sees some growth, but it is limited to transport and power sectors. Limited infrastructure is developed beyond initial clusters.
- CCS infrastructure will be used to decarbonise industry, with large-scale opportunities associated with early clusters. However, energy-efficiency gains reduce the need to store carbon in the long-term.
- Due to the large reduction in methane demand and limited growth in the hydrogen and CCS sectors, National Gas will see a significant reduction in revenue and asset value.

Hybrid scenario (medium temperature increase) – 2.5 degrees

In this scenario, the UK operates within a strong global economy characterised by robust growth, low interest rates and stable inflation. Governments look to strike a balance between achieving net zero goals and sustaining economic growth, with energy supply diversification as a top priority.

The industrial landscape is highly competitive across the UK and EU, driven by high carbon prices that incentivise emissions reduction while supporting strategies to retain and grow heavy industry. Society enjoys high living standards, stable energy costs and strong energy demand, even as the population gradually declines.

Being a responsible business continued

Climate-related financial disclosures continued

Technological progress accelerates across sectors, making low-carbon hydrogen more affordable and pushing CCS into the mainstream. Regulatory frameworks tighten, with centralised energy policy and stricter adherence to carbon budgets, while regulators focus on building a diversified energy network spanning both molecules and electrons.

Wholesale energy costs fall due to abundant global production, and the UK prioritises reducing energy imports to limit price exposure. Consumers remain relatively disengaged and resistant to behavioural change, placing security of supply above environmental considerations.

Likely business impacts:

- Methane sees a reduction in domestic and industrial demand, but plays an increasing role in power generation. Roughly one-third of compressor stations will be decommissioned by 2050.
- Hydrogen plays a significant role in power generation and transport. Multiple clusters and interconnections are needed.
- CCS infrastructure supports carbon dioxide use across several sectors and is supported by high carbon prices.
- Continued methane usage along with significant roles for hydrogen and CCS result in a diversified and resilient business model for National Gas, providing strong revenue for the business.

Slow decarbonisation scenario (high temperature increase) – 4 degrees

In this scenario, the global economy faces a recession, marked by high inflation, elevated interest rates and trade tariffs between major economies. Governments prioritise energy security and domestic resource maximisation over climate commitments.

Industrial competitiveness declines, with carbon pricing removed and fossil fuel subsidies sustaining demand. Governing bodies and regulators pull back on net zero commitments.

Socio-economic conditions worsen, with lower living standards. Energy costs fall due to cheap fossil fuels and the removal of renewable subsidies, keeping energy demand stable. Technological progress slows as material costs rise, halting reductions in renewable costs and limiting innovation.

Wholesale energy prices remain low due to global oil and gas oversupply, while the UK prioritises domestic production but still relies on imports. Consumers show minimal engagement, sticking with gas heating as heat pumps lose favour. Electricity demand grows modestly due to electric vehicle adoption and low energy efficiency, but affordability becomes the overriding priority.

Likely business impacts:

- Methane sees continued domestic and industrial usage and is still required for power generation.
- Hydrogen infrastructure has limited development beyond initial clusters due to unfavourable economics.
- CCS infrastructure has limited development due to lack of environmental concern limiting build out.
- High methane usage offsets limited growth in hydrogen and CCS, and the National Gas business model and revenue remains resilient.

Overall, National Gas remains resilient in the hybrid and slow decarbonisation scenarios, with regards to transition risk. However, the rapid decarbonisation scenario results in a much lower usage of the National Transmission System.

Physical risk

National Gas undertook its last physical climate risk assessment as part of the fourth round Adaptation Reporting Power (ARP4) report to the Department for Environment, Food & Rural Affairs (DEFRA) in December 2024. As a Critical National Infrastructure (CNI) owner, we are invited to report through this process, typically on a five-yearly cycle. This is in addition to the assessment of physical climate risk to assets, which is undertaken annually. The Climate Change Act 2008 gives the Secretary of State the power to direct reporting authorities (bodies with ‘functions of a public nature’ and ‘statutory undertakers’) to produce reports on what they are doing to adapt to climate change. The power is referred to as the ‘Adaptation Reporting Power’. The Government’s Adaptation Sub-Committee reviews the outputs of the ARP process, which in turn supports the Government’s National Adaptation Programme (NAP) and future UK Climate Change Risk Assessments. The ARP4 reporting round took place two years early, following a recommendation from the Climate Change Committee (CCC) that the Adaptation Reporting Power cycle should be synchronised with the NAP.

In the 2024 report, we formally assessed 26 climate-related risks and scored these on a likelihood/impact matrix, which was common and agreed amongst Great Britain’s gas networks during the ARP3 reporting round. In the development of our ARP4 report, the Group reviewed the ARP3 risks and removed those linked to previous ownership. In undertaking this review, four additional National Gas specific risks were added to the 22 gas-sector specific risks considered by the gas transmission and distribution networks in ARP3. In ARP4, reporters were asked by DEFRA to consider a present-day risk score, plus a 2050 and 2100 risk score, based on business as usual.

The ARP4 assessment found that since ARP3, the considered present day risk from erosion (specifically pipeline crossings) has increased. There has however, been minimal change in the remaining risks. The view to 2050 sees the continued impact of raised temperatures alongside increased impacts from flooding and erosion. Our 2100 assessment sees the impact from these climate risks continuing, but their likelihood and overall risk score slightly increasing, consistent with UKCP18 projections of increasingly warmer and drier summers, wetter winters, sea level rises and increased frequency of weather extremes.

The site-specific climate change risk assessments for all compressor stations on the transmission system were completed in 2024, to fulfil a specific requirement set by the Environment Agency, and used to inform the updated ARP4 risk assessment.

National Gas is committed to continuing activities linked to reviewing standards and specifications, flood risk assessment and river scour modelling, to help mitigate the present and anticipated impacts of climate change.

As with the previous round of reporting, climate risk scores for 2050 and 2100 are based on the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP) 8.5. RCP8.5 assumes an increase in global mean surface temperature of 4.3°C over 2081 to 2100, compared to the pre-industrial period (average between 1850–1900). The RCP8.5 scenario is expected to occur by the close of the current century, if global emissions continue unabated at their current rate. Electricity and gas systems justify the decision to omit the 2°C degree projections (RCP 2.6, RCP 4.5 and RCP 6.0) as the industry adapts to worse-case scenarios and any adaptation and mitigation progress towards the 4°C scenario will encompass 2°C scenarios by default. However, a 2°C degree scenario will be explored by National Gas and risk scores reported as part of our second annual reporting submission to Ofgem for RIIO-GT3 and in ARP5.

While high and medium risks have been identified, the National Gas assessment is consistent with previous reports and those of the gas and electricity distribution and transmission sector, detailed in the Energy Networks Association (ENA) sector report. National Gas and Britain’s gas transmission system remain inherently resilient to physical risk, but we recognise the need to continually reappraise our climate risks and engage with regulators on financing adaptation measures to ensure this remains the case. More information can be found in our [Climate Adaptation Report](#).

Being a responsible business continued

Climate-related financial disclosures continued

Risk identification

The potential risks of climate change to the business are taken extremely seriously. National Gas is committed to assessing these risks on an ongoing basis and taking appropriate mitigation and adaptation action, where necessary. These risks and associated mitigations are managed through our risk-management framework, with appropriate executive oversight via the Executive Risk Committee (ERC) and line of sight to the National Gas Board via the Safety, Security and Sustainability Committee (SSSC).

To further support the development of our risk capability and improve transparency, we have implemented operational risk taxonomies. The environmental and climate change taxonomies have been rolled out to the business in line with ongoing improvements to the risk-management process. As part of the rollout, business areas have been asked to review their risks and raise any additional risks, including climate-related risks, where appropriate.

Through a new system, we are implementing process markers to support the identification of environmental, social and governance (ESG) risks as part of ongoing refinements to our risk-management process.

In accordance with the Enterprise Risk Management (ERM) system and the three-lines approach to risk management, each business area is responsible for identifying relevant risks. For climate-related risks, these are primarily identified by the Environment and ESG teams, using the ESG Steering Committee to discuss emerging issues with members of the Executive Committee. The risks are managed at a local level using the ERM, with oversight from the Executive function owner. Regular review occurs through the Executive Risk Committee (ERC), with relevant issues raised to the SSSC for assessment as deemed necessary. In turn, these will be escalated to the Board as required. A third line of defence is provided by internal and external audit functions.

Furthermore, at the January 2025 ERC meeting, the decision was taken to incorporate climate-related risk as a factor within each individual principal risk, to ensure robust assessment across key strategic business areas. This remains the focus of the strategic risk review for FY27.

Risk management

Climate change risks are considered as part of our ERM process. This process is the framework through which National Gas identifies, assesses, manages, monitors and reports risks. More details on our ERM can be found on page 53. It is refreshed annually, and climate-related risks undergo the same process as all other risk categories in the ERM system. This process includes identifying a series of company-wide controls and actions to mitigate the climate-related risks.

The environmental risks are owned by the Engineering and Asset Management Director. These risks form the foundation of our climate risk adaptation and mitigation, which we are continually assessing and updating. Emerging risks are managed under our risk-management framework, with results reviewed by senior leadership through the Horizon Scanning and Emerging Risk Forum, which reports into the ERC and SSSC as required.

Climate-related risks are an integrated part of the operational risk framework and are allocated against the climate change taxonomy.

The risk assessment process has been designed to be clear and practical, giving the business readily measurable principles aligned with our purpose and values. It enables us to assess what we are, and are not, willing to do to deliver on our strategy, so that we can provide robust assessments of the risk – including environmental and climate risks. These processes are refreshed annually.

Metric	Target FY26	Achieved FY26	Target FY27	Related risk/opportunity
NO _x from compressor unit combustion*	6 kg/hour	4.50 kg/hour	6 kg/hour	All transition risks
Scope 1 and Scope 2 carbon emissions	443 ktCO ₂ e	358.1 ktCO ₂ e	430.1 ktCO ₂ e	All transition risks
Percentage of top-50 suppliers with carbon-reduction targets in place	75%	82%	N/A, metric for RIIO-T2 only	Transition reputational and policy risk
Percentage of employees who have completed environmental training	95%	99%	95%	All

Risk integration

We operate an integrated risk-management framework, which manages all categories of risk across the business, i.e. strategic, financial, operational and emerging. Business taxonomies integrate climate considerations into the overall risk-management framework.

Metrics and targets

Risk metrics and targets

National Gas has 21 environmental, social and governance (ESG) metrics used in the business across all three pillars of environment, social and governance. Each metric has a business process owner and an accountable lead on the Executive team. Four out of 21 metrics are deemed to be related to climate-related risks and opportunities. These are detailed in the table below:

GHG emissions

National Gas measures and reports on its Scope 1, 2 and 3 emissions on an annual basis, these can be found in our [SECR report](#).

Nitrogen oxide (NO_x) emissions dropped from 4.74 kg/hour in the previous financial year, the percentage of our top-50 suppliers with a carbon-reduction target fell slightly from 84% to 82%, and the percentage of employees who have completed environmental training increased from 97% to 99%. More details on the trends in Scope 1 and 2 emissions can be seen in our [SECR report](#).

*The NO_x emissions are calculated for each unit by the Predictive Emissions Monitoring System (PEMS) which is installed at each site. An extractive emissions measurement test is completed on each unit by our UKAS certified lab, which covers the full operating range of the compressor unit. These emissions are then used with a number of gas turbine and compressor train parameters (such as exhaust temperature, unit speed and fuel flow) to produce an emissions model of the unit. This model is then loaded in to the PEMS and, when the unit runs at the specific run parameters, the model calculates the relative NO_x emissions.

National Gas set out 30 targets in our RIIO-T2 Environmental Action Plan (EAP) across the pillars of climate, leadership, air quality, resources and nature. Updates on these targets can be read in our [Annual Environmental Report](#). Additionally, we are currently investigating the possibility of creating and publishing a climate transition plan.

Being a responsible business continued

Powering our people

Encouraging employees to be the energy behind the change

We believe that our future success is predicated on our ability to attract, recruit, develop and engage a capable, diverse, safe and healthy workforce who will deliver our business strategy and maximise the opportunities ahead of us.

During the year, we continued to focus on the four pillars of our employee value proposition (EVP): flexibility, growth, inclusivity and caring – empowering colleagues to excel and build rewarding careers. With these pillars in mind, and guided by our ambition to be known as an employer of choice, we delivered a range of initiatives to lead us forward.

READ MORE: about activities for value from page [44](#).

Key achievements

- Advanced workforce capability through expanded development programmes, leadership acceleration and early careers pathways, strengthening succession and internal progression
- Maintained high employee engagement during organisational change, with a favourable eNPS score of +26, while also achieving strong cultural inclusion
- Strengthened our employee offering, introducing more flexible and competitive benefits aligned to colleague needs
- Deepened employee voice and collaboration, supporting responsive action and stronger alignment with business priorities

+26

EMPLOYEE NET PROMOTER SCORE (2024/25: +29)

2.7%

MEAN GENDER PAY GAP (2024/25: 1.6%)

Five-year People Strategy

Over the next five years, our people will remain a critical lever for organisational resilience, growth and delivery against the RIIO-GT3 business plan. Aligned with our purpose to ‘Secure Britain’s Energy’ our People Strategy builds on existing strengths whilst addressing ongoing challenges.

Our People Strategy, developed and launched in FY26, is shaped around four priorities which will be critical to the success of the RIIO-GT3 period. These priorities are designed to ensure that we have a skilled and flexible workforce who are inspired to contribute fully to our business.

People Strategy priorities

1. **A skill-based approach to capability:** We will build a future-ready, agile workforce equipped with the skills to deliver the business strategy.
2. **Leaders who inspire performance at all levels:** Inspirational leaders who role model our values and drive performance through coaching and accountability.
3. **A purpose-led and inclusive culture:** People who feel connected and committed to the work we do and feel valued for their contribution.
4. **Maximising human impact through digital:** Simple and effective HR systems, that drive operational efficiency and real-time decision making.

To ensure the successful delivery of our five-year People Strategy, we have established a clear framework for tracking progress and measuring impact. Strategic milestones are aligned to each priority area and supported by a focused set of KPIs that reflect both operational effectiveness and cultural outcomes.

Progress will be monitored through a mix of quantitative and qualitative data, including engagement scores, retention rates, leadership effectiveness and employee feedback. This will be presented through a strategic dashboard to support informed decision-making and transparent reporting.

This disciplined approach will ensure our People Strategy remains dynamic, relevant and impactful, driving measurable improvements in workforce capability, culture and business performance. This is about creating clarity and connecting our people at an individual level to our purpose to ‘Secure Britain’s Energy’.

Being a responsible business continued

Powering our people continued

Flexibility: balancing work and life

Having some flexibility around when, where and how we work helps us all manage the demands of our lives at home and work, whether that’s hybrid working, varying shift patterns or more formal adjustments to our working hours.

Flexible working

We recognise that everyone has different responsibilities, priorities and ways of working, so we aim to provide the freedom for colleagues to shape how they work day to day. This includes options such as hybrid and flexible working to enable colleagues to balance personal and professional commitments, while ensuring business needs are met.

Regionalised operating model

We are evolving how we organise our workforce through our regional operating model, which brings people closer to where they live and work, reducing commuting time and strengthening connections to local communities.

This helps create a more supportive and inclusive environment, where individuals feel trusted, valued and able to bring their whole selves to work.

Family provisions policy

To support health and wellbeing, we undertook a full review of our family provisions policy to ensure it continues to meet the needs of colleagues and their families. Our ambition is to go beyond statutory requirements by providing greater security, flexibility and reassurance at important moments in our colleagues’ lives, reinforcing our commitment to being a supportive employer.

Key outcomes

- Enhanced flexibility and autonomy through hybrid and flexible options
- More locally connected workforce through new regional operating hubs
- Full review of family provisions policies to go beyond statutory requirements



Growth: developing our people

We want everyone to have the opportunity to develop, both personally and professionally. That means providing room for growth through clear pathways, development programmes and opportunities for our people to build their careers on their terms.

Learning and development

Employee development is critical to delivering our ambition, as well as to enriching our employee experience. Our established programmes develop talent at all levels, from graduates and apprentices through to leaders and executive successors.

LinkedIn Learning provides opportunities to learn for every employee. This year, the addition of curated learning around building commercial awareness and capability, as well as enhancing project management, have been a priority in preparation for RIIO-GT3. We also focused on inclusive development through initiatives like Ascend (women’s development) and Elevate (for ethnically diverse colleagues), enabling individuals to maximise their potential while supporting a more diverse leadership pipeline.

To further accelerate capability, we introduced a Talent Accelerator programme and Leadership Excellence masterclasses, enhancing leadership effectiveness, supporting internal progression and increasing succession readiness across critical roles. Recognising the impact of leadership on engagement and performance, we are prioritising building coaching capability across our leadership population. This will support improved performance, unlock innovation and create a more empowering employee experience in the year ahead.

Early careers

Our early careers programmes remain a vital source of future talent and capability. Established graduate, and operational and functional apprenticeship programmes were expanded this year to include internships, broadening access and entry routes into the organisation. We also introduced a new collaboration with the National Energy System Operator (NESO), enabling System Operator graduates to undertake exchange placements and build broader industry insight and capability.

Key outcomes

- Increased access to career pathways through new entry routes
- Strengthened future capability through cross-industry collaboration
- Increased internal progression and succession readiness
- Enhanced diversity within development pipelines



Being a responsible business continued

Powering our people continued

Caring: looking out for each other

We work towards our important goals together, while looking out for each other. Caring deeply about the reward and recognition of our employees, we make sure we have a diverse range of benefits that support our colleagues inside and outside of work.

Employee engagement and voice

Creating meaningful two-way dialogue remains central to how we support our people. Our senior leadership team regularly engages directly with colleagues through local sessions, as well as in larger forums such as our leadership summit and quarterly town halls, ensuring open and transparent communication across the organisation.

We continue to maintain constructive relationships with our Trade Union representatives, working collaboratively on key areas such as terms and conditions, as well as future-focused topics including hydrogen, skills development and the transition to green jobs.

Employee insight is gathered through a combination of agile quarterly eNPS surveys and our enhanced annual culture and engagement survey, enabling both rapid response and deeper analysis of the employee experience. During the year, we achieved an eNPS score of +26, maintaining a favourable rating despite a year of significant organisational change, including the transition to a regional operating model. Feedback insights have been used to drive targeted improvements.

In response to colleague feedback on leadership consistency and decision-making, we introduced a manager toolkit and training to strengthen one-to-one conversations, alongside embedding more localised decision-making within our new operating model to improve pace and accountability.

Reward and benefits

We continue to evolve our reward and benefits offering to meet the changing needs of our workforce and remain competitive in attracting and retaining talent. This year, enhancements included the introduction of new benefits such as technology schemes, ISA savings options and bonus sacrifice arrangements, providing greater flexibility and choice for colleagues.

Key outcomes

- Progress towards a more balanced and inclusive workforce
- Improved inclusion practices embedded into processes and leadership expectations
- External recognition of our commitment to inclusion
- Improved workforce insights enabling effective interventions



Inclusivity: a supportive culture

We have a supportive and inclusive culture where everyone is heard, valued and supported to reach their full potential. The introduction of our ‘Belonging’ survey in 2024 helps us develop an environment where we can connect, collaborate and be the best we can be.

Diversity, equity and inclusion

We continue to strengthen our inclusive culture through targeted actions, robust governance and clear accountability. Oversight is provided by the Remuneration and Nominations Committee, which monitors progress against our diversity, equity and inclusion (DEI) commitments, including transparency through our gender pay gap reporting.

We enhanced our understanding of colleague experience by integrating our Belonging survey into our annual Culture and Engagement survey. This delivered an 86% response rate (2,422 responses) and a Belonging Index of 75%, exceeding the Gartner inclusive benchmark of 70%.

To further strengthen inclusion across National Gas, we launched a five-year DEI strategy aligned to our broader People Strategy and the RIIO-GT3 period. This focuses on:

- Embedding inclusion to prepare for future workforce challenges.
- Strengthening visible leadership accountability for DEI.
- Integrating inclusive practices into everyday business processes.
- Expanding collaboration across our sector, supply chain and communities.

We also made tangible progress through key initiatives, including targeted engagement campaigns, continued investment in inclusive leadership capabilities, our second Women in Leadership Conference, and increased focus on LGBTQ+ inclusion and allyship, including participation in Birmingham Pride. External recognition included achieving Silver status in the Armed Forces Employer Recognition Scheme and attaining Disability Confident Employer (Level 2) status.

Representation and gender pay

This year our gender pay gap has remained broadly stable and we are pleased that our pay gap remains lower than the UK average. Our mean gender pay gap increased to 2.7% (from 1.6%), whilst our median pay gap improved to 0.1% (from -3.33%). While our workforce remains 72.7% male and 27.3% female, we remain focused on improving gender balance and are encouraged by the direction of travel, particularly in leadership where 31% of our leadership population are female.

MORE INFO: read about our [‘Gender Pay Gap Report’](#).

Key outcomes

- Sustained employee advocacy, reflecting positive engagement during a period of change
- Improved leadership effectiveness through capability building
- Collaborative employee relations supporting business priorities and workforce transition



Being a responsible business continued

Partnering with our communities

Supporting communities and tackling loneliness

As a national business, we’re well positioned to offer support to our local communities across Britain. Our range of social impact activities ensure we’re giving back to our neighbours and tackling inequalities for vulnerable consumers.

Our four areas of social impact activity

Community Grant Fund (CGF)

Business plan commitment to fund grants of up to £100,000 per year for causes located close to our operational and construction sites, which deliver positive social, economic and environmental impact in line with our ESG strategy.

Education and skills

Engaging the next generation in net zero and the energy transition, and inspiring those from diverse and under-represented backgrounds to consider careers in the energy sector.

Charitable giving and employee volunteering

Our approach to corporate citizenship, including charitable partnerships, employee fundraising and donations, and volunteering activities to support a range of good causes across the UK.

The Tackling Loneliness initiative

Our initiative aimed at proactively tackling loneliness in the communities where National Gas operates, with the aim of reaching isolated members of the community, engaging our employees and fostering a sense of belonging across the National Gas operational footprint.

£98,730

DONATIONS VIA OUR COMMUNITY GRANT FUND (2024/25: £93,072)

Community Grant Fund

Our Community Grant Fund allows us to support and invest in the local communities in which we operate, mitigating impacts caused by our presence, and establishing ourselves as a good neighbour. Causes and charities based near to our operational and construction sites can apply for funding of up to £20,000 to support projects that deliver positive social, environmental and economic impact in the area. We use a scaled approach to funding to ensure that any disruption caused by our activities is fairly mitigated:

- Up to £20,000 for projects based near to our construction sites.
 - Up to £10,000 for projects based near to our operational sites.
- In FY26 we provided almost £100,000 of grant funding to causes across the UK.

Social impact in action

Farm Urban

Farm Urban, located in Liverpool, is an environmental education charity empowering young people to engage with sustainable food, health and climate action through hands-on learning.

With £10,000 from the Community Grant Fund, Farm Urban delivered its Future Food Heroes programme to two primary schools in Kirkby, supporting pupils in areas of high deprivation through a six-session STEM-focused programme. Classrooms received zero-waste aquaponics produce pods, mushroom-growing kits and interactive workshops, enabling pupils to grow food while learning about circular economies and healthy choices. The project concluded with a celebration at Farm Urban’s headquarters, where pupils shared their learning, received certificates and toured Liverpool’s only vertical farm.



Peakirk Church Estate

The Peakirk Church Estate manages Foxcovert Newt Field, a 1.6-hectare area of informal open space on the edge of Werrington, Peterborough, with the aim of protecting and restoring biodiversity.

The space offers free access for walking, cycling and nature observation, and is also an important wildlife habitat, supporting grassland, hedgerows, ponds and great crested newts. Funding from the Community Grant Fund supported the Pathways and Ponds project, restoring overgrown paths, improving accessibility for wheelchairs, pushchairs and mobility scooters, and protecting sensitive habitats from invasive species. £17,000 was awarded to deliver initial restoration work with local conservation partners and to train volunteers to support ongoing maintenance, community action days and nature monitoring.



Being a responsible business continued

Partnering with our communities continued

Education and skills

We have been building national and local education and skills development partnerships and initiatives to engage the next generation in net zero, the energy transition and future career pathways.

Over the past year, we’ve continued to strengthen our educational outreach to inspire young people from diverse backgrounds into science, technology, engineering and maths (STEM), the energy sector and careers supporting the transition to net zero. By the end of RIIO-T2, we exceeded our Business Plan Commitment target, engaging more than 1,350 young people through school visits, careers events, work experience, panels and conferences.

Work experience

We welcomed 90 students from across the UK to our Warwick headquarters for a week-long work experience programme, developed with the support of the UK’s leading responsible business network, Business in the Community, and underpinned by the modern work experience standards outlined by the Careers and Enterprise Company (CEC). We use the CEC’s Universal Skills Builder Framework as the basis of our programme, and to assess our cohorts on their progress during their time with us. The Skills Builder Framework is a set of eight key employability skills that provide practical and personal development for students, applicable across all careers. The programme runs across two cohorts:

- **General business:** Providing a comprehensive, holistic view of the teams responsible for day-to-day business operations, and the variety of roles and opportunities available. The programme offers insight into core business functions including Finance, HR, Legal, Innovation and Corporate Affairs.
- **Physical and cyber security:** Built specifically to address one of our most material business areas, this programme takes a deep dive into physical and digital security. Students joined sessions on data defence, business and personal security, and created their own phishing emails. This year, students from the Sutton Trust accounted for 50% of the cohort. The Sutton Trust is a charity that champions social mobility, ensuring young people from diverse and disadvantaged backgrounds have equal access to opportunities. At least 50% of our FY26 work experience participants were from ethnically diverse backgrounds, supporting and promoting greater inclusion within engineering and business careers.

School engagement

As part of their early careers development, our graduates and apprentices developed curriculum-aligned education outreach resources through the Raising the Bar project, supporting employee-led school engagement across the UK. These resources provide relevant, ‘off-the-shelf’ activities that can be taken to schools and careers fairs, and used in-house for student visits. Colleagues also contributed to wider education outreach across the year, including joining Physics Partners for their annual Girls in STEM conference, visiting schools near our operational sites and hosting student visits at our national control centre – providing young people with real-world insights into careers leading the energy transition.

£132,784

DONATIONS TO OUR CORPORATE CHARITY BARNADO’S SINCE 2022

3,385

EMPLOYEE VOLUNTEERING HOURS (2024/25: 3,401)

Charitable giving, employee volunteering and community partnerships

We are committed to adding value to the communities where we operate, and to wider society. We enable our employees to do good work through ongoing fundraising – including up to £400 per individual per year in matched giving – dedicated community partnerships and the opportunity to take up to two days of paid annual leave for volunteering activity. Together these initiatives help ensure the impact we have on society is sustainable, meaningful and focused on tackling pressing social issues.

Barnardo’s partnership

FY26 marked the conclusion of our partnership with Barnardo’s, one of the UK’s leading children’s charities. The fundraising target of £100,000 was exceeded, with colleagues raising over £132,000 through coordinated fundraising, awareness-raising and donation campaigns delivered across National Gas. This outcome reflects strong levels of engagement and a shared commitment to social responsibility across the business. Colleagues delivered a wide range of activities throughout the year, including sponsored challenges, team-led fundraising and seasonal donation campaigns. In addition to financial contributions, colleagues provided in-kind support and helped raise awareness of key issues affecting vulnerable children and families. Initiatives included the Christmas ‘Tree of Joy’ appeal, Mother’s Day hamper creation, the ‘Safe in the Sun’ and ‘Back to School’ campaigns, and an Easter egg donation programme, collectively supporting children’s wellbeing, safety and access to essential items. The partnership concluded with a celebration event recognising the collective contribution and impact achieved. Overall, the collaboration demonstrates how colleague-led engagement can deliver meaningful, measurable social value and positive outcomes for communities across the UK.

Looking ahead: moving to a regional charity approach

From April 2026, National Gas will move from a single national charity partnership to a regionally led model, enabling deeper, more locally relevant social impact aligned to our operating structure. Building on the success of our Barnardo’s partnership, regions and central functions will each partner with a dedicated charity selected through a colleague-led nomination and voting process. Supported by fundraising, volunteering and awareness-raising activity within our established charitable-giving framework, this approach strengthens employee voice, enhances governance and helps deliver lasting impact in the communities where our people live and work.

£29,556

MATCHED GIVING VIA BENEVITY (2024/25: £16,831)

£12,200

COMPANY GIFTING VIA BENEVITY (2024/25: £5,575)

Being a responsible business continued

Partnering with our communities continued

The Tackling Loneliness initiative

The National Gas Tackling Loneliness initiative addresses a significant social challenge by strengthening connection, reducing isolation and supporting community resilience in the areas where we operate.

Launched in 2024, the initiative is delivered through locally led community hubs, strategic charity partnerships and colleague volunteering, which enables activities to respond directly to local needs and contribute to national social impact. The initiative focused on supporting people at different life stages, including young people, older individuals and those experiencing digital exclusion, with colleagues providing time, skills and local insight. The initiative was shortlisted for the edie Awards 2026 in the Social Sustainability: Funding and Livelihoods category, which reflects its robust delivery model and measurable social value.

Working with charities

Working with UK Youth, National Gas supported 237 young people to participate in Adventure Away Days, providing day and residential outdoor learning experiences that help build confidence, resilience and social connections. In partnership with Age UK, colleagues supported the Telephone Friendship programme, helping older people experiencing loneliness to build regular, meaningful connections. Through WaveLength, National Gas donated technological goods, such as tablets and televisions, to help people who are digitally excluded or socially isolated stay connected to the wider world.

Working with communities

Across the UK, colleagues delivered a diverse programme of locally led Tackling Loneliness initiatives, creating welcoming spaces and strengthening community connections. Activities ranged from community lunches, bingo events and seasonal celebrations, to creative workshops and hands-on volunteering. Together, these initiatives brought people of all ages and backgrounds together, particularly those who were living alone, new to an area or facing mental health challenges – demonstrating the scale, reach and human impact of the programme nationwide.

50

LOCALLY LED COMMUNITY EVENTS

2,101

ENGAGED COMMUNITY MEMBERS

1,300

EMPLOYEE VOLUNTEERING HOURS FOR THIS INITIATIVE

Tackling Loneliness: social value

The Tackling Loneliness initiative delivers social value by aligning colleague inputs with targeted activity and measurable community outcomes.

- Financial and in-kind support for delivery partners, including funding, facilities, refreshments and donated technology.
- Partnerships with specialist organisations, including UK Youth, Age UK and WaveLength, providing expertise and delivery capability.
- Technological equipment donated to support digital inclusion and sustained connection.
- Strong external engagement, with 39,967 views and impressions across social media during the year.
- Reduced social isolation and increased opportunities for meaningful connection across different life stages.
- Improved confidence, resilience and social skills among young people.
- Regular, trusted social contact for older people experiencing loneliness.
- Increased digital access for people who are socially or digitally isolated.
- Stronger community relationships and enhanced colleague engagement in social impact delivery.

Social impact in action

Helping Hands

We held multiple soup kitchen takeovers and community support events with Helping Hands, located in Leamington Spa, Warwickshire.

Colleagues partnered with Helping Hands to support people experiencing homelessness, isolation and hardship. Volunteers contributed more than 100 hours to soup kitchen takeovers, meal preparation and cleaning. The activity supported service users, providing food and conversation. Feedback from Helping Hands highlighted the tangible positive impact on both the space and the experience of those supported.



Tackling Loneliness at St Fergus

St Fergus in Aberdeenshire has become a flagship example of grassroots community engagement through Tackling Loneliness.

Colleagues have partnered with local organisations, including the Mission Café, to host monthly ‘Claik and Mait’ community meals, bingo nights and a range of seasonal activities. During the festive period, volunteers wrapped 120 gifts and hosted Christmas parties for older community members. Collectively, the site hosted 12 events, welcomed 711 attendees and contributed 123 volunteering hours.



Risk management

Continuous enhancement of risk management

Our strategic vision and ambition have been created and are now embedding. Since National Gas became a stand-alone business, the Board and Executive have focused on creating a strong risk culture which is aligned with our strategic vision and values. This starts with a solid tone from the top, a proactive approach to managing our risks, and clarity of roles and responsibilities within National Gas. Our risk culture will continue to develop within the organisation through focused risk training and the implementation of a new governance, risk and compliance tool within the next financial year.

Board responsibility

The Board has overall responsibility for the Company’s system of risk management and internal control: ‘Enterprise Risk Management’ (ERM). The Board’s key functions with regards to ERM include:

- to promote the interests of our shareholders, stakeholders, employees and the public.
- to set and monitor the amount of risk we are prepared to seek and accept in pursuing our strategic and operational priorities; this is our risk appetite and tolerance.
- to delegate the oversight of ERM to the Audit and Risk Committee (ARC) and the Safety, Security and Sustainability Committee (SSSC). The ARC and SSSC support the Board by regularly reviewing and monitoring the Company’s strategic risks.

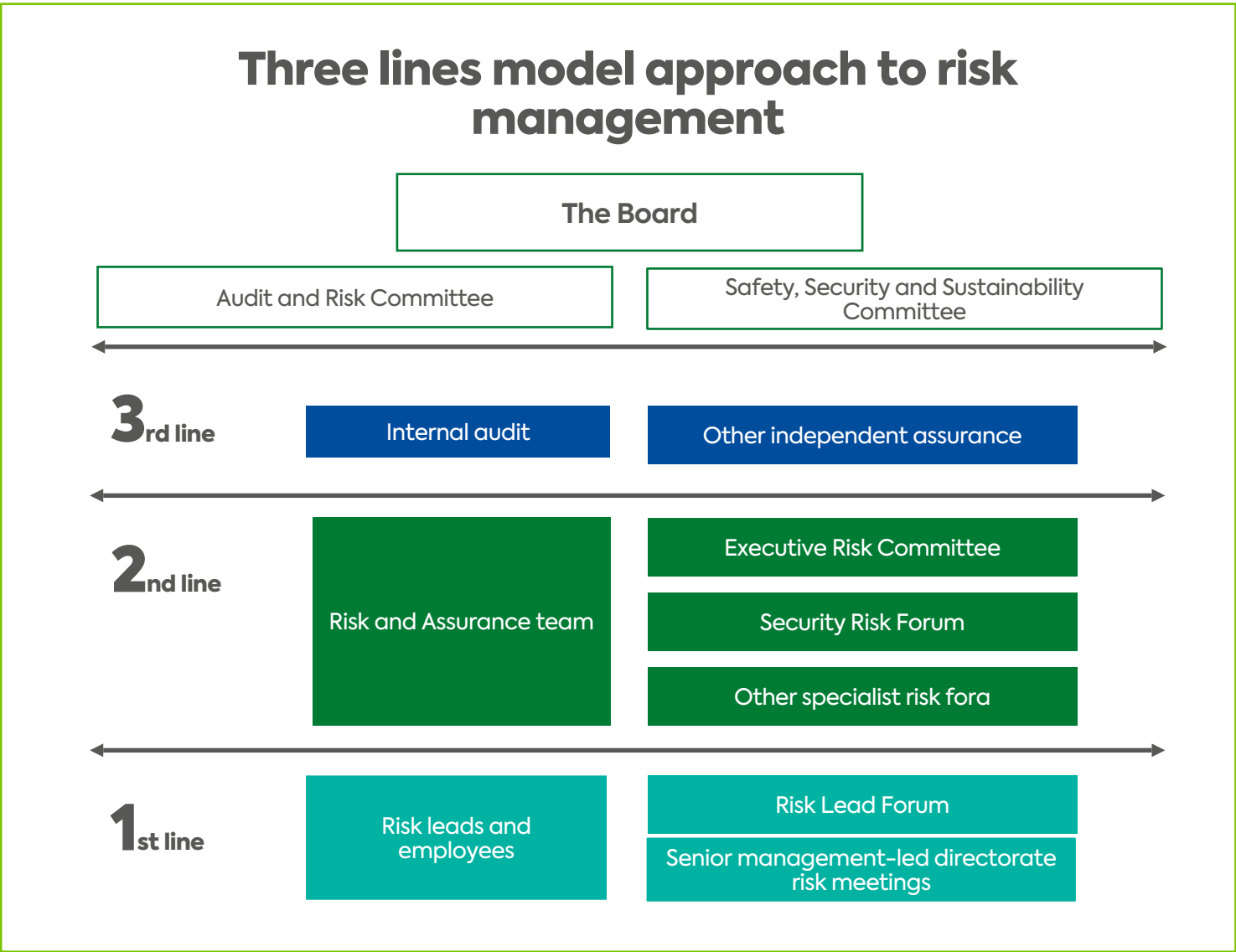
Risk management

National Gas operates a three lines approach to risk management. Responsibility for the day-to-day management of risk rests with each first-line business function. The Executive own those risks within their areas of accountability; they are responsible for conducting regular risk assessments and ensuring the adequacy of their controls and the mitigations in place to manage the risks.

The risk-management process is underpinned by our Risk, Assurance and Compliance (RAC) function in the second line. The RAC function designs, develops and oversees the implementation of the risk-management framework and provides oversight, monitoring and targeted assurance in relation to the Company’s material risks. This is supplemented by other second-line assurance activities embedded within individual business functions.

The Internal Audit function provides our third line through the delivery of its risk-based internal audit plan, alongside other independent assurance, such as our accredited ISO management systems.

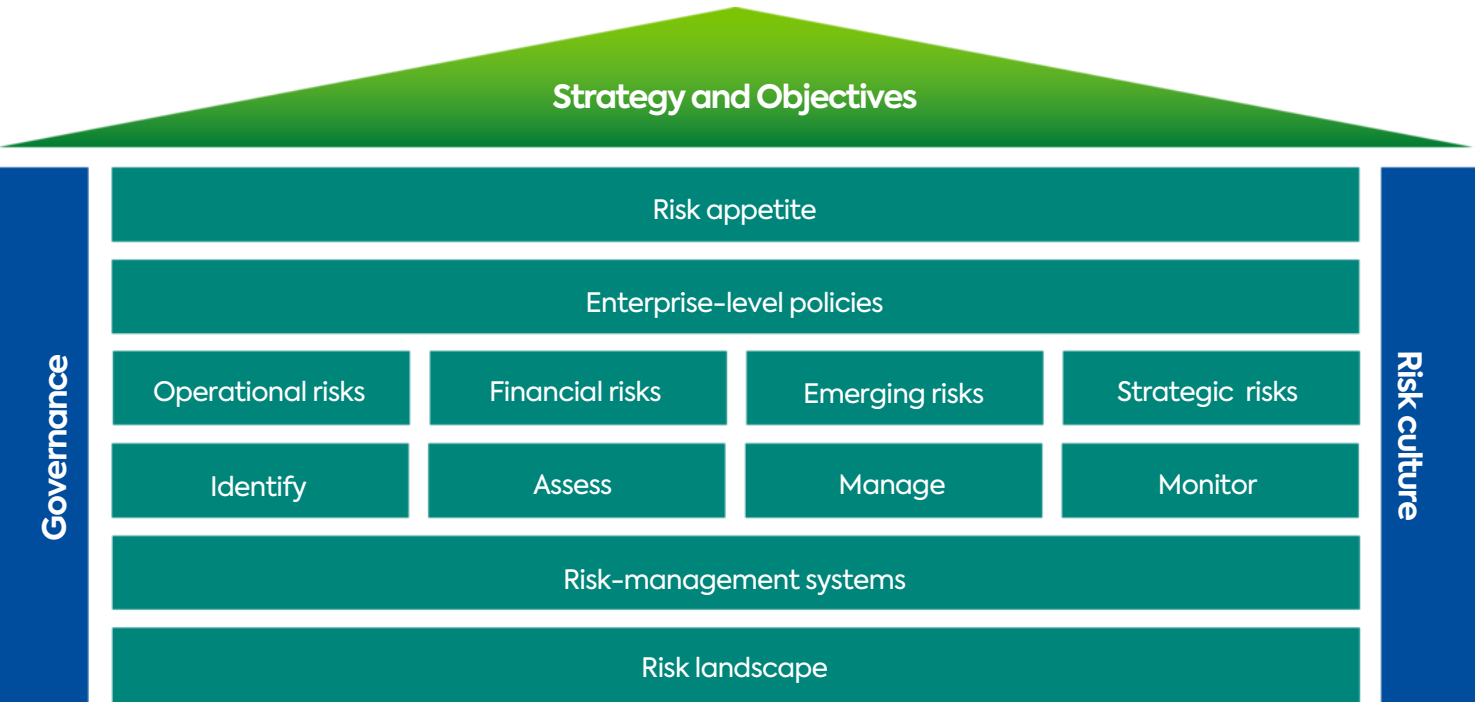
The Company’s strategic risk profile, related significant operational risks and emerging risks are presented to the Executive Risk Committee (ERC), SSSC and ARC on a quarterly basis. The SSSC and ARC will also receive the outcomes from assurance activities over the effectiveness of controls to manage strategic, operational and financial risks.



Risk management continued

Risk-management framework

Our ERM framework provides a structure for National Gas to identify, assess, manage, monitor and report risks across operational, financial, emerging and strategic risk. Risk is an inherent part of doing business, and our ERM framework is designed to be comprehensive and consistent with our broader criteria for success (especially as it is not possible to identify, anticipate or eliminate every risk that may arise).



Operational risk

Our operational risks are the risks of doing business. Understanding the specifics of our operational risks is vital to help us achieve our strategic objectives. We proactively identify and manage threats and vulnerabilities that could impact the business. A framework of operational risk categories enables improved reporting and analysis, and provides the business with a clear, consistent overview of our operational threats and opportunities.

We identify, assess, manage and monitor risks that we face in delivering our strategic and operational priorities. Risks are assessed based on their inherent, residual and target position, applying consistent impact and likelihood criteria that incorporate legal and regulatory, financial, reputational and occupational people impacts. Risks exceeding the target position have action plans setting out additional mitigating actions and timelines.

Controls are implemented by first-line business areas and monitored across first-line, second-line assurance and third-line audits. Metrics in the form of key risk indicators (KRIs), key control indicators (KCIs) and key performance indicators (KPIs) support our understanding of our risk and control environment, and ensure effective monitoring. Enterprise-level policies set consistent direction for National Gas, helping to inform our culture and provide high-level control.

A key focus for FY27 will be the new Governance, Risk and Compliance (GRC) system, which has been scoped and will be embedded to enhance reporting and insight capabilities. This will be supported by training and a new suite of documents to upskill those in the business who actively manage risk. We will continue to develop our tools and training to support the risk-management framework and ensure it remains appropriate for the business.

Financial risk

Our suite of financial risk management measures enables us to address the risk of insufficient oversight of our financing activities and exposure to financial uncertainties.

READ MORE: about our financial statements from page [##](#).

Emerging risk

Emerging risks remain an area of focus for National Gas. Looking to the horizon is important for understanding where we may experience impacts to our strategic planning. Our process identifies and monitors emerging risks based on impact and proximity, and aligns them to the categories captured below. The Horizon Scanning and Emerging Risk Forum supports the discussion and monitoring of emerging risks across the business. Emerging risk is a key theme for discussion at ERC and ARC meetings. Through identification, proactive steps can be taken to manage the potential impact of emerging risks.

Emerging risk categories

Our business is exposed to a variety of uncertainties that could have a material adverse effect on its financial, operational and reputational position. Geopolitical changes can create instability and unexpected consequences. The dynamic and increasingly sophisticated nature of cyber threats increases levels of uncertainty. Technological advancements around quantum cryptography pose an increased level of risk. Climate and biodiversity requirements are increasing and could impact our ability to create value, but can also provide us with opportunities to grow value and support positive reputational outcomes. Other emerging risk categories include:

- Economic
- Environmental
- Legal
- Political
- Sociological
- Technological

Strategic risk profile

Our strategic risks provide an overarching picture of our risk landscape, aligned to our key strategic objectives. The Board has completed a comprehensive review of the Company’s strategic risks for FY26. The Company’s eight strategic risks remain consistent with FY25. Further details on each strategic risk are set out on the next two pages.

Following the transition into the RIIO-GT3 regulatory period and our refreshed strategic priorities for FY27, a comprehensive review of the Company’s strategic risks is currently underway. This process will include a detailed assessment process to determine the risk exposure, controls in place and any further mitigation required. Once finalised, the FY27 risks will be approved by the Board and reported to the Audit and Risk Committee, in line with our governance processes, and reflected in the FY27 Annual Report and Accounts.

READ MORE: about our strategic objectives in our ‘Business Model’ on page [11](#).

Risk management continued

Strategic risks and narrative

Overview	Changes	Mitigation	Impact
Process safety			
There is a potential that we suffer a significant process safety event. Leading to a significant safety event, asset damage, lasting reputational impact (legal, regulatory and stakeholder), damage to shareholder confidence and potential disruption to GB energy supplies, financial impact and enforcement action by the regulator up to and including prohibition notices and prosecution.	Process safety is well managed, and work is always underway to identify ways to strengthen our processes. Overall, while the risk landscape has become more challenging, we have strengthened governance and established new working groups to accelerate improvement. As such, current mitigations are considered effective in managing the risk.	• Workforce competence • Permit to work • Asset design, modification and operational readiness • Records management • Third-party protection • Audit, investigation and close out	Risk trend Link to strategic objectives: 1, 2, 3 Impact VERY LOW VERY HIGH Likelihood VERY LOW VERY HIGH
Occupational safety			
There is a potential we suffer a significant occupational safety or health event. Leading to significant ill health/injury, lasting reputational impact (legal, regulatory, and stakeholder), damage to shareholder confidence, a financial impact and enforcement action by the regulator up to and including prohibition notices and prosecution.	The year saw continued strengthening of occupational safety through our Building for Growth programmes, improving clarity of roles, responsibilities and accountability. We remain vigilant and continue to work to enhance health and wellbeing through occupational health surveillance and longer-term prevention.	• Health management • Workforce competence • Standards / procedures / work instructions • Audit, investigation and close out	Risk trend Link to strategic objectives: 1, 2, 3 Impact VERY LOW VERY HIGH Likelihood VERY LOW VERY HIGH
Environment			
There is a potential that we fail to protect the environment. Leading to significant environmental damage, lasting reputational impact (legal, regulatory, and stakeholder), poor investor confidence and potential prosecution/financial impact.	We strengthened our environmental risk management through improved governance, training, data quality and environmental processes, with a focus on embedding responsibilities, workforce planning and fugitive emissions management.	• Environmental Action Plan delivery • Contract management	Risk trend Link to strategic objectives: 1,2, 3 Impact VERY LOW VERY HIGH Likelihood VERY LOW VERY HIGH
Energy disruption			
There is a potential of significant disruption to GB energy supply. Leading to customer harm, loss of life, lasting reputational damage with regulators, politicians and customers, material financial losses, damage to investor confidence and possible loss of licence.	During the year, we continued to strengthen the control environment, supporting ongoing stability in our risk profile. Our understanding of key risk barriers has improved, alongside the development of a more robust governance framework for managing this strategic risk.	• RIIO-T2 investment programme • RIIO-GT3 business plan and investments • Resilience Summit with DESNZ/Ofgem • Energy Resilience Leadership Board • Gas Systems Programme Board • Document and policy review	Risk trend Link to strategic objectives: 1, 2, 3, 4 Impact VERY LOW VERY HIGH Likelihood VERY LOW VERY HIGH

Risk management continued

Strategic risks and narrative

Overview	Changes	Mitigation	Impact
RIIO-T2 delivery			
There is a potential that we are unable to achieve the financial commitments that the business has made for RIIO-T2 regarding underlying operating profit, asset growth, controllable cost reductions and return on equity (ROE) outperformance. Leading to financial underperformance, including potentially credit metric impacts, shareholder dissatisfaction and reputational impact.	The RIIO-T2 period closed on 31 March 2026, meaning this risk has now evolved into a closure-focused one. The overall risk assessment remains unchanged, and the existing control framework continues to operate effectively, providing confidence in the successful delivery of closure.	• RIIO-T2 project war room to oversee capital projects • RIIO-T2 close-out reviews across regulation, finance and business teams • Monthly business and financial performance reviews of tactical mitigations	Risk trend Link to strategic objectives: 2 Impact VERY LOW VERY HIGH Likelihood VERY LOW VERY HIGH
Security			
There is a potential that a security breach or failure of cyber, physical or personnel security controls could lead to a loss of confidentiality, availability or integrity of IT systems and operational data, reduced safety, reliability (disruption to gas supply) or productivity of operational technology, and potential physical damage or harm to property or personnel. Impacts also include environmental, reputational, regulatory sanctions, and potential financial loss.	We have carried out a deep dive of the security risk in response to the evolving threat landscape. The assessment of this risk has been updated in line with this piece of work.	• Continual testing and review of our defences (security controls) • Delivery of the Network and Information Systems (NIS) improvement plan underpinned by the cyber and physical security RIIO-T3 portfolio of work	Risk trend Link to strategic objectives: 1, 2, 3, 4 Impact VERY LOW VERY HIGH Likelihood VERY LOW VERY HIGH
Net zero transition			
There is a potential that National Gas fails to maximise the use of and return from its transmission network and onshore gas transmission knowledge in the transition to net zero. Leading to a reduced opportunity for a net zero transmission network; therefore reduced business scale and income.	Whilst there have been steps towards a net zero transmission network, uncertainty from government policy setting and delays to the formal launch of key frameworks and decisions mean that the risk continues. However, our assessment of the risk has reduced.	• Hydrogen and CCS project delivery • Development of Humber Hydrogen Pipeline • Development of Hydrogen blending options	Risk trend Link to strategic objectives: 1, 4, 5 Impact VERY LOW VERY HIGH Likelihood VERY LOW VERY HIGH
RIIO-GT3 deal			
There is a potential that we fail to secure an acceptable RIIO-GT3 regulated settlement. Leading to failure to deliver the strategic and financial ambitions agreed with our shareholders, levels of network reliability and delivery through the energy transition (including climate change commitments).	We received our Final Determination for RIIO-GT3 from Ofgem on 4 December 2025, setting out the investment and outcomes we will deliver through to March 2031. Consequently, the Board has approved the closure of this risk.	Not applicable (N/A)	Risk trend Link to strategic objectives: 3, 5 N/A Impact/Likelihood: N/A

Section 172 statement

Our directors fulfil their duties under section 172 of the Companies Act 2006 to act in good faith to promote the long-term success of the Company through a well-established governance framework.

The Board recognises that stakeholder engagement is essential to the development and execution of our strategy and our ability to create long-term value whilst ensuring that business is conducted ethically and responsibly. The governance framework (outlined from page [##](#)) underpins decision-making across the Company and the belief that stakeholder views should be considered when making long-term plans and day-to-day decisions.

The Board has identified seven stakeholder groups: our people, our regulators and the Government, our customers, suppliers, end consumers, investors and our local communities. More information about our stakeholder groups and engagement activity can be found from page [26](#).

The Board considers that, in the decisions taken during the year ended 31 March 2026, it has done so in accordance with section 172 of the Companies Act. In reaching these decisions, the directors carefully considered the differing priorities of stakeholders, seeking to promote and protect the long-term success and reputation of National Gas.

The different interests of our stakeholder groups are also embedded in everyday decisions made across the business and are reflected in our purpose, strategic priorities and values.

This section outlines how the Board discharges its duty under section 172, followed by some specific examples of how stakeholder factors have been considered for some of the decisions made by the Board during the year. A list of key items considered by the Board and its committees can be found in the Governance report from page [##](#) and for further detail on our approach to engaging with our various stakeholders, please see page [26](#).

S172 factors		
Consider the likely consequences of any decision in the long term		- Gas energy landscape: page 9 - Business model: page 11 - Strategic direction: page 18 - Risk management: page 49 - Finance risk management: page ##
Consider the wellbeing and interest of the Company’s employees		- Strategic direction: page 18 - CEO review: page 7 - Operating in a regulated environment: page 24 - Stakeholder engagement: page 26 - Powering our people: page 43
The need to foster relationships with suppliers, customers and others		- Stakeholder engagement: page 26 - Partnering with our communities: page 46
Consider the impact of the Company’s operations on the communities in which it operates and the environment		- Our environmental commitments: page 34 - Climate-related financial disclosure: page 38 - Partnering with our communities: page 46
Act in a way that maintains a reputation for high standards of business conduct		- Running our business ethically: page 33 - Powering our people: page 43
Act fairly between the shareholders of the Company		- Highlights at a glance: page 3 - Business model: page 11 - Dividends: page ##

How the Board is involved and has oversight of stakeholder engagement	
Our employees	- The Board leads and monitors the Company’s culture by setting the tone and framework for the Company’s values and behaviours. - The Board reviews the annual employee engagement survey results and the actions taken in response. - The Remuneration and Nominations Committee takes employee remuneration into account when determining Executive pay. - During the year, the Board approved the employee strategy for the RIIO-GT3 regulatory period. - The Board engages with employees throughout the year through site visits, Board dinners and visits to offices. - At each Board meeting, the Board receives an update on performance against people-related KPIs. - The Audit and Risk Committee oversees the policies and processes in place to ensure the Company and its employees uphold the highest standards of business integrity and receives regular updates on any significant ethics and compliance cases.
End consumers	Impact on end consumers informs Board discussions on security of supply and energy resilience.
Our customers	- At each Board meeting, the Board receives updates on meetings, site visits and forums held with our customers, including shippers, storage operators and gas distribution networks. - The Board reviews performance against the customer satisfaction score throughout the year.
Our local communities	- The Chief Executive’s report provides the Board with regular updates on corporate responsibility, community and volunteering activities. - Performance against the agreed social ESG metrics is reported to the Safety, Security and Sustainability Committee. - The Safety, Security and Sustainability Committee oversees performance against initiatives to reduce controllable Scope 1 and 2 emissions from the use of our assets and progress against the net zero decarbonisation strategy.
Our suppliers	The Board receives regular updates on suppliers and contractor performance, including summits and other engagement activity.
Our regulators and the Government	- The Board discusses engagement with the regulators and the Government at each Board meeting and relevant Board Committee meetings on matters affecting the business. - The Chair engages with the key officials from regulators and the Government. - Responses to regulatory consultations and calls for evidence are considered regularly by the Board.
Our investors	- The Shareholder Nominated Directors represent our investors and help to ensure their perspectives and interests are appropriately reflected in the Board’s decision-making. - Finance and Treasury Steering Group meetings provide the Shareholder Nominated Directors with the opportunity to consider and contribute to the development of financial and treasury proposals, as well as longer-term financial priorities.

Section 172 statement continued

Key Board decisions

The Board considers the needs and priorities of stakeholders when making decisions. Below are some examples of how the Board demonstrated due regard to the matters set out in section 172(1).

Stakeholders	Considerations	Decisions and outcomes
RIIO-GT3 business plan		
• Our employees • End consumers • Our customers • Our local communities	In December 2025, we received the Final Determination from Ofgem in response to our RIIO-GT3 business plan submission. The Board carefully considered the Draft and Final Determination, including the deliverability of the plan within the total expenditure allowance and the potential opportunities for additional funding through uncertainty mechanisms to deliver major programmes that will improve the resilience of our operations and network.	The Board invested considerable time in reviewing the consequences of accepting the Final Determination, taking into account the impact that the delivery of the RIIO-GT3 business plan will have on all stakeholders, and in February 2026 agreed to accept the form published by Ofgem.
• Our regulators and the Government • Our investors	Customers, end consumers, our local communities, the impact on our employees and our investors were taken into account during the development of the business plan and in formulating responses to the draft and final determinations. The Board recognises the importance of keeping bills affordable for end consumers, ensuring energy security for our customers, considering the impact of our operations on our local communities and the impact of delivery of the business plan on our employees. The Board also carefully considered the deliverability of the plan and the impact on our investors. The Company also held frequent meetings with Ofgem throughout the process to ensure that its views and perceptions were factored into the Board’s deliberations and the development of the engagement strategy to respond to the draft and final determinations.	In reaching its decision, the Board reviewed the consequences of accepting the Final Determination and considered the RIIO-GT3 business plan to be deliverable, encompassing an appropriate range of activities and investments that will bring value for all the stakeholder groups. It will ensure that National Gas continues to serve the country’s energy needs reliably and affordably, while also helping to enable the nation to transition to a net zero energy system.
Digital strategy		
• Our employees • End consumers • Our customers • Our suppliers	Targeted and indiscriminate threats to the security and resilience of our digital infrastructure, and that of third parties, continue to evolve rapidly and are becoming increasingly prevalent across industries globally. In light of this, the Board considered a refreshed digital strategy aimed at strengthening our resilience against threats but also leveraging digital technologies to drive engineering and operational excellence.	The Board approved the refreshed digital strategy aimed at strengthening the Company’s management of data, and its ability to respond rapidly to advancements in artificial technology and cyber threats. The Board believes that the strategy will support opportunities for National Gas to protect itself against increases in threats, and underpins the Company’s commitment to play a part in safeguarding the country’s energy security.
• Our regulators and Government • Our investors	The Board considered the specific initiatives, priorities and opportunities and the importance for ongoing investment, diligence and responsiveness to the increase in associated risks. The digital strategy is heavily dependent on investment opportunities in RIIO-GT3, and insights gained from various stakeholder groups were reflected in the IT and cyber sections of the RIIO-GT3 business plan. In considering the updated strategy, the Board explored value leavers and took into account the perspectives of various stakeholder groups, including our customers, suppliers, investors and employees.	
Humber Hydrogen Pipeline project		
• Our employees • End consumers	The Board considered the Company’s involvement in the Humber Hydrogen Pipeline project, a proposal to build a network to transfer hydrogen between local-scale production, usage and storage in the Humber region.	The Board approved the Company’s continued participation in the Humber Hydrogen Pipeline project. In reaching its decision, the Board considered the potential benefits that the project will have for all stakeholder groups, including the opportunity for the Company to strengthen hydrogen infrastructure capability, support lower-carbon energy development, improve network resilience and optionality, create future supplier opportunities, enhance the Company’s strategic position in a government-backed growth area, and contribute to wider decarbonisation, energy resilience and regional industrial growth objectives.
• Our customers • Our suppliers • Our local communities	In considering approval of a joint development agreement with the project partners, the directors considered the long-term strategic benefits of participation in the project, including strengthening the Company’s position in hydrogen transport, supporting future growth opportunities and enhancing its competitive position. The Board also considered the financial exposure and associated risks, including staged decision gates, together with the broader impact on stakeholders, government engagement and the Company’s reputation in supporting the energy transition.	
• Our regulators and Government		
• Our investors		

Non-financial and sustainability information statement

Our Annual Report contains a range of non-financial and sustainability information. To comply with the non-financial reporting requirements (NFR) contained in sections 414CA and 414CB of the Companies Act 2006, we are providing the details below to help stakeholders understand our key non-financial and sustainability matters.

Subject matter	Reference in 2025/26 Annual Report and Accounts	Our policies and other relevant documents
a. Environmental matters	Our environmental commitments: page 43 Climate-related financial disclosure: page 47	National Gas Environmental Action Plan National Gas Annual Environmental Report Climate Change Adaptation Report 2024
b. Our people	Being a responsible business: page 36 Powering our people: page 56 Diversity, equity and inclusion: page 58 Our Board: page 80 Our Executive team: page 83	National Gas Gender Pay Gap Report National Gas Code of Ethics and Speak-Up Policy DE&I at National Gas
c. Anti-bribery and corruption	Running our business ethically: page 42	National Gas Anti-Bribery and Corruption Policy National Gas Modern Slavery and Human Trafficking Statement
d. Social matters	Partnering with others to help our communities: page 52	National Gas Community Grant Fund
e. Risk	Risk management: page 60	
f. Other matters	Our business at a glance: page 5 Our business model: page 13 Innovation in motion: page 24 Operating in a regulated environment: page 27 Stakeholder engagement: page 30 Safe every day: page 38 Securing our people, assets and data: page 40 Our group structure: page 78	National Gas Supplier Code of Conduct National Gas Tax Strategy National Gas Privacy Policy National Gas Innovation Strategy 2025

Financial review



Our continued focus on operational outcomes and financial discipline delivered strong results, ensuring value for our stakeholders, providing a resilient platform to deliver our ambitious plans for the next price control.

Nick Hooper, Chief Financial Officer

Key highlights

We continued to deliver strong regulatory performance in 2025/26. However, as is often the case, our financial performance under IFRS differs from our regulatory results due to timing and other accounting differences.

Operating profit was £695 million, growth of £100 million from £595 million in 2024/25. This was largely driven by a £74 million increase in revenue to £1,625 million and a reduction in operating costs by £26 million to £930 million. Operating costs decreased in 2025/26, largely reflecting £63 million lower exceptional costs following completion of our separation from National Grid. This was partly offset by a £37 million increase in non-exceptional operating costs, mainly due to other pass-through costs.

Adjusted operating profit increased by £37 million to £691 million in 2025/26 due to the revenue and non-exceptional operating cost movements referenced above.

The £74 million growth in revenue reflects:

- A £154 million net increase in allowed and other revenues reflecting higher activity levels in the final year of RIIO-T2, including additional work awarded under uncertainty mechanisms, and inflation;
- A £44 million increase in tax allowance revenue, primarily reflecting that the prior year was lower due to a £67 million return of revenue, arising from over-collection in 2023/24 following tax capital allowance legislative changes;
- Offset by a £124 million year-on-year timing¹ difference, largely due to the repayment of prior year over-recovery of collected revenue.

After adjusting for timing differences and exceptional items, operating profit improved by £161 million year-on-year, driven by higher totex allowances associated with increased activity during the final year of the price control period, and the impact of indexation.

¹For explanation on timing under/over recoveries, refer to the regulated financial performance section of the Financial Review and the glossary.

Financial highlights

£1,625m

(2024/25: £1,551m)

Revenue

£691m

(2024/25: £654m)

Operating profit before exceptional costs

£713m

(2024/25: £710m)

Profit before tax

£690m

(2024/25: £576m)

Total Capex additions

£7,953m

2024/25: £7,612m)

Regulatory closing asset value

4.5%

(2024/25: 4.2%)

Regulatory asset value growth percentage

9.0%

(2024/25: 9.4%)

RoE (return on equity)

£3,767m

(2024/25: £3,768m)

Net assets

Financial review continued

New accounting standards

There has been no major impact on the financial statements due to the adoption of any new accounting standards. Amendments to standards that have been adopted and new accounting standards yet to be adopted are listed within section G of note 1, Basis of preparation and recent accounting developments.

Use of adjusted profit measures

In considering the financial performance of our businesses and segments, we analyse each of our primary financial measures of operating profit, profit before tax, and profit for the year attributable to equity shareholders into two components. The first of these components is referred to as an adjusted profit measure, also known as ‘headline’ or a ‘business performance’ measure. Adjusted results exclude the impact of exceptional items and remeasurements that are treated as discrete transactions. These items are reported collectively as the second component of the financial measures – note 5 of the financial statements explains in detail the items which are excluded from our adjusted profit measures.

Adjusted profit measures have limitations in their usefulness compared with the comparable total profit measures, as they exclude important elements of our financial performance. However, we believe that by presenting our financial performance in two components it is easier to read and interpret financial performance between periods, since adjusted profit measures are more comparable having removed the distorting effect of the excluded items. Those items are more clearly understood when separately identified and analysed.

The presentation of these two components of financial performance is additional to, and not a substitute for, the comparable total profit measures presented. Management uses adjusted profit measures as the basis for monitoring financial performance. Internal financial reports, budgets and forecasts are primarily prepared on the basis of adjusted profit measures, although planned exceptional items, such as significant restructuring, are also reflected in budgets and forecasts. We separately monitor and disclose the excluded items as a component of our overall financial performance.

Reconciliation of adjusted profit measures

Reconciliation of adjusted operating profit to total operating profit

Exceptional items were included within operating profit for the year ended 31 March 2025, relating to the establishment of a stand-alone operating model. These activities have now been completed, and no further separation-related costs incurred in 2025/26. Exceptional items for 2025/26 relate to cost recoveries following project cancellations. Further details can be found in note 5.

Unadjusted and adjusted profit figures are provided below:

Years ended 31 March		
	2026	2025
	£m	£m
Adjusted operating profit	691	654
Exceptional items ¹	4	(59)
Total operating profit	695	595

¹ Additional detail is provided in note 5 of the financial statements.

Reconciliation of adjusted operating profit to adjusted profit after tax (earnings)

Years ended 31 March		
	2026	2025
	£m	£m
Adjusted operating profit	691	654
Adjusted net finance income/(costs)	23	115
Adjusted profit before tax	714	769
Adjusted taxation	(180)	(194)
Adjusted profit after tax	534	575
Adjusted profit after tax (earnings)	534	575
Exceptional items after tax and remeasurements	(1)	(44)
Profit after tax (earnings)	533	531

Reconciliation of adjusted profit excluding timing differences to total operating profit

Adjusted profit excluding timing differences is presented below. Timing differences relate to the over or under recovery of revenue in year. This is explained in detail in note 3 of the financial statements (Revenue).

Years ended 31 March		
	2026	2025
	£m	£m
Adjusted operating profit excluding timing differences	741	580
Timing differences	(50)	74
Adjusted operating profit	691	654
Exceptional items	4	(59)
Total operating profit	695	595

Adjusted operating profit excluding timing differences is one of management’s key performance measures, as it reflects the economic performance for the year under the regulatory model. Timing differences represents under/over collections against allowed revenues (refer to note 3 and the glossary). Our profits have increased by £161 million. Adjusting the prior year for the impact of the tax capital allowance legislative changes of £67 million, profits are up by £94 million due to higher allowances reflecting increased activity levels in the final year of the price control period, including additional work awarded under uncertainty mechanisms, and year-on-year indexation.

Timing differences of £50 million for 2025/26 primarily relate to repayment of prior year over-recovery of collected revenue.

Financial review continued

Consolidated income statement

The commentary below describes the continuing business results for the year ending 31 March 2026.

Years ended 31 March		
	2026	2025
	£m	£m
Revenue	1,625	1,551
Operating costs before exceptionals	(934)	(897)
Adjusted operating profit	691	654
Exceptional items	4	(59)
Finance income	219	308
Finance costs:		
Before remeasurements	(196)	(193)
Remeasurements	(5)	0
Profit before tax	713	710
Taxation:		
Before exceptional items and remeasurements	(180)	(194)
Exceptional items and remeasurements	—	15
Profit after tax	533	531

Revenue

Revenue for the year ended 31 March 2026 increased by £74 million to £1,625 million, primarily due to higher regulated allowances under the PCFM (Price Control Finance Model) and 2024/25 included the one-off impact of tax capital allowance legislation changes announced in the Autumn Statement in November 2023 (after the PCFM was finalised for 2023/24).

Operating costs before exceptionals

Operating costs increased by £37 million to £934 million, driven by increased other pass-through costs and depreciation, partially offset by lower purchases of gas costs.

Operating profit

Adjusted operating profit for the year ended 31 March 2026 of £691 million represents an increase against last year of £37 million, primarily due to higher revenue, partially offset by increased operating costs, as explained in the section above.

Exceptional items

Exceptionals are items that could distort the understanding of our performance for the year and the comparability between periods. Exceptional costs reduced from £59 million in 2024/25 to a credit of £4 million in 2025/26 mainly due to the completion of our separation from National Grid. The £4 million credit in 2025/26 represents cost recoveries from a customer, following the cancellation of a pipeline construction project.

Net finance costs

For the year ended 31 March 2026, net finance income before exceptional items and remeasurements decreased by £92 million from £115 million to £23 million net finance income. This is primarily due to lower interest income on a loan to our parent company and an increase in accretion on the RPI-linked debt, partly offset by higher capitalised interest. Remeasurements resulted in a £5 million cost in 2025/26 (2025: £nil) due to movements in unhedged derivatives.

Taxation

The 2025/26 tax charge on profits before exceptional items and remeasurements of £180 million is £14 million lower than 2024/25 due to the reduction in profit before tax, exceptional items and remeasurements. The tax credit in respect of exceptional costs decreased to £nil, reflecting the reduction in exceptional costs in the year. The overall income statement tax charge closely aligns with the statutory tax rate of 25%.

Consolidated statement of financial position

Years ended 31 March		
	2026	2025
	£m	£m
Non-current assets	9,584	9,204
Current assets	725	873
Total assets	10,309	10,077
Current liabilities	(673)	(889)
Non-current liabilities	(5,869)	(5,420)
Total liabilities	(6,542)	(6,309)
Net assets	3,767	3,768

Non-current assets

Non-current assets totalled £9,584 million (2025: £9,204 million), comprising property, plant and equipment of £5,718 million, financial and other investments of £3,426 million, a net pension asset of £284 million, intangible assets of £119 million, derivative financial assets of £25 million and non-current assets of £12 million.

The £380 million increase in the year was driven primarily by a £419 million rise in property, plant and equipment, partly offset by a £38 million decrease in the net pension asset and an £11 million decrease in intangible assets.

Further breakdown of non-current assets:

Property, plant and equipment

Property, plant and equipment increased by £419 million from £5,299 million in 2025 to £5,718 million in 2026, primarily driven by capital expenditure of £639 million, partly offset by £219 million of depreciation and net disposals of £14 million. Please see note 10 for details of our gas asset lives.

Intangible assets

Intangible assets decreased from £130 million in 2025 to £119 million in 2026, a reduction of £11 million in the year driven primarily by capital expenditure of £51 million, offset by depreciation of £48 million.

Financial and other investments

Financial and other investments comprise a contractual interest-bearing loan to our immediate parent company, National Gas Transmission Holdings Limited, of £3,426 million (2025: £3,426 million).

Pension asset

Pension assets, based on the latest actuarial valuation, decreased by £38 million from £322 million in 2025 to £284 million in 2026.

Current assets

Current assets totalled £725 million (2025: £873 million), comprising £423 million of financial and other investments, £248 million of trade and other receivables, £37 million of cash and cash equivalents and £17 million of inventory assets.

Financial review continued

The £148 million reduction in the year was primarily driven by a £195 million reduction in financial and other investments, driven by lower investments in Money Market Funds, combined with a £17 million decrease in amounts due from other group companies. This was partly offset by £54 million higher trade and other receivables comprising customer-funded work that was billed in March.

Current liabilities

Current liabilities totalled £673 million (2025: £889 million), comprising £488 million trade and other payables, £70 million of borrowings, £57 million of contract liabilities, £38 million of current provisions and £20 million of current tax liabilities.

The £216 million reduction was mostly due to a decrease in borrowings of £223 million, partly offset by an increase in contract liabilities of £14 million and trade and other payables of £6 million.

Further breakdown of current liabilities:

Borrowings

Borrowings reduced by £223 million from £293 million in 2025 to £70 million in 2026, primarily due to the extension of a £211 million bank loan (reclassified to non-current borrowings in 2025/26) and the maturity of bonds in 2025/26.

Trade and other payables

Trade and other payables increased by £6 million during the year from £482 million in 2025 to £488 million in 2026, primarily driven by higher social security and other taxes of £17 million, and a total increase across amounts owed to National Gas Group Companies and other payables of £17 million. This was partly offset by reductions in trade payables and deferred income, which decreased by £12 million and £16 million respectively.

Contract liabilities

Contract liabilities increased by £14 million to £57 million in 2026, primarily due to increased advance payments for customer-funded diversions.

Non-current liabilities

Non-current liabilities totalled £5,869 million (2025: £5,420 million), primarily comprising borrowings of £4,710 million, deferred tax liabilities of £926 million, contract liabilities of £133 million and provisions of £47 million.

The £449 million increase in the year was driven primarily by a £317 million increase in borrowings, £62 million higher deferred tax liabilities and £48 million higher contract liabilities.

Further breakdown of non-current liabilities:

Borrowings

Borrowings increased by £317 million to £4,710 million in 2026, primarily due to the extension and reclassification of a £211 million bank loan from current to non-current borrowings, accretion on RPI-linked debt, and exchange rate movements.

Contract liabilities

Contract liabilities increased by £48 million to £133 million in 2026, primarily due to increased advance payments for customer-funded diversions.

Tax, Provisions and Net debt

Current and deferred tax liabilities

The net deferred tax liability increased by £62 million to £926 million. This was predominantly driven by the increase in the deferred tax liability on fixed asset timing differences, as a result of the acceleration of current tax relief from capital allowance full expensing.

The current tax liability increased by £3 million in 2025/26 to £20 million, due to the repayment of prior year corporation tax liabilities, offset in part by payments on account in excess of the estimated current year liability.

Total provisions

Total provisions increased by £1 million to £85 million in 2026, primarily due to £15 million of additions, partly offset by £12 million utilisation in-year and £2 million of unwinding discount. Additions largely include £8 million relating to the expected costs of the Emissions Trading Scheme. For further details on provisions, please see note 23.

Net debt

Net debt increased by £292 million, from £4,043 million to £4,335 million, primarily reflecting higher capital investment to deliver our RIIO-T2 commitments. For detailed movements, see net debt note 26.

Net pension asset

A summary of the total assets and liabilities and the overall net IAS 19 (revised) accounting asset is shown below:

Net scheme asset	2026 £m	2025 £m
As at 1 April	322	312
Current service cost	(2)	(3)
Net interest credit	16	17
Administration costs	(3)	(4)
Actuarial gains/(losses):		
On plan assets	34	(308)
On plan liabilities	(89)	300
Employer contributions	6	8
At 31 March	284	322

The overall pension asset reduced by £38 million to a closing asset of £284 million, reflecting the latest valuation performed as at 31 March 2026. Further information on our pensions benefit obligations can be found in note 22 to the consolidated financial statements.

Off balance sheet items

There were no significant off balance sheet items, other than the contractual obligations shown in note 29 (b) to the consolidated financial statements, and the commitments and contingencies discussed in note 27.

Cash flow statement

The commentary below describes business results for the year ended 31 March 2026. Cash inflows and outflows are presented to allow users to understand: how they relate to the day-to-day operations of the business (operating activities); the money that has been spent or earned on assets in the year, including acquisitions of physical assets or other businesses (investing activities); and the cash raised from debt or share issues and other loan borrowings or repayments (financing activities).

Financial review continued

Reconciliation of cash flow to net debt

	2026	2025
	£m	£m
Cash generated from operations	956	950
Capital expenditure	(609)	(519)
Business net cash flow	347	431
Interest received ¹	221	452
Net interest paid	(136)	(129)
Tax paid	(89)	(183)
Movement in short-term financial investments	177	186
Acquisition of investments (net of cash acquired)	—	(3)
Movements in loans, short term borrowings and leases	(27)	(107)
Interest paid on derivatives ²	(35)	(27)
Interest received on derivatives ²	29	16
Dividends paid to the parent ¹	(488)	(623)
Increase in cash and cash equivalents	(1)	13
Increase/(Decrease) in financial investments	(177)	(186)
Movement in borrowings and related derivatives	27	107
Net interest paid on the components of net debt	(79)	(312)
Changes in fair value of financial assets and liabilities and exchange movements	(10)	5
Other non-cash movements	(8)	(6)
Net interest charge on the components of net debt	(44)	55
Net debt increase	(292)	(324)
Opening net debt	(4,043)	(3,719)
Closing net debt	(4,335)	(4,043)

¹ The £488 million of dividends includes £174 million paid to the parent (NGTH), which was used to service interest on intercompany loan (£202 million) and is reflected within total interest received of £221 million.

² Interest paid and received on derivatives have been separately disclosed in the current year to enhance clarity, with prior year comparatives represented accordingly.

Cash generated from operations

Cash flows from our operations are largely stable when viewed over the longer term. Our gas transmission operation is subject to multi-year price control agreements with Ofgem.

For the year ended 31 March 2026, cash generated from operations increased by £6 million to £956 million. This is largely due to higher operating profit before depreciation and exceptionals, offset by increased net cash outflows for changes in net working capital.

Capital cash expenditure

Capital expenditure in the year increased by £90 million to £609 million, driven by a £112 million increase in net property, plant and equipment expenditure, offset by a £22 million reduction in intangible assets capitalised.

Dividends paid

The Company declared and paid interim dividends: £145 million in July 2025, £174 million in October 2025, £49 million in January 2026 and £120 million in March 2026. The directors are not proposing a final dividend for 2025/26.

Dividends of £488 million were paid to the parent company (NGTH). £174 million of this was used by NGTH to settle interest on intercompany loans and was therefore immediately returned to the Company.

Regulated financial performance

Timing and regulated revenue adjustments

Our allowed revenues are set in accordance with our regulatory price control. We calculate the tariffs we charge our customers based on the estimated volume of energy we expect will be delivered during the coming period. The actual volumes delivered will differ from this estimate. Therefore, our total actual revenue will be different from our total allowed revenue. These differences are commonly referred to as timing differences. If we collect more than the allowed level of revenue, the balance must be returned to customers in subsequent periods, and if we collect less than the allowed level of revenue we may recover the balance from customers in subsequent periods. The amounts calculated as timing differences are estimates and subject to change until the variables that determine allowed revenues are finalised. Our operating profit for the year includes a total estimated in-year under-recovery of £50 million (2024/25: £74 million over-recovery). Our closing balance at 31 March 2026 was a £71 million over-recovery (2024/25: over-recovery of £106 million). In addition to the timing adjustments described above, as part of the RIIO price controls, outperformance against allowances as a result of the totex incentive mechanism together with changes in output-related allowances included in the original price control, will almost always be adjusted in future revenue recoveries. We are also recovering revenues in relation to certain costs incurred (for example, pension contributions made) in prior years. Pass-through costs (such as shrinkage and transmission owner licence fees) can also create timing differences, when actual costs differ from amounts recovered. Our current IFRS revenues and earnings will therefore include these amounts that will need to be repaid or recovered in future periods. Such adjustments will form an important part of the continuing difference between reported IFRS results and underlying economic performance based on our regulatory obligations.

Return on equity

Return on equity (RoE) is a measure of how much profit a business generates from investment by shareholders and is our key metric to compare how the business is performing against many of our peers, and also against our RIIO-T2 business plan. The RoE achieved in 2025/26 was 9.0%, which is 1.4% higher than the 7.6% allowed return on equity. We met our customer satisfaction targets, achieving a score of 9.00 and therefore earned the maximum financial performance, and performed well against other incentives in the RIIO-T2 price control.

Years ended 31 March	2026	2025
	%	%
Allowed return (including avg. 2% long-run inflation)	7.6	7.7
Totex incentive mechanism	0.8	0.9
Other revenue incentives	0.5	0.5
Unlicenced income	0.3	0.5
Return including in-year incentive performance	9.2	9.6
Pre-determined additional allowances	(0.2)	(0.2)
Return on equity	9.0	9.4

Our return on equity has remained robust in 2025/26, primarily due to consistent unlicenced revenues and performance against our incentives, reduced controllable costs and efficient performance compared to our allowances, which may not be reflected in our actual IFRS performance due to differences in phasing of allowances compared to spend and the build up of our regulatory revenues.

Financial review continued

Regulatory asset value (RAV)

In the year, RAV has grown by 4.5% (compared with the prior year growth rate of 4.2%) due to increased asset additions, offset by a decrease in inflation-linked RAV growth and higher regulatory depreciation.

Years ended 31 March	2026	2025
	£m	£m
Opening Regulated Asset Value (RAV)	7,612	7,304
Adjustments to Opening RAV	(21)	0
Asset additions (slow money) (actual)	573	485
Performance RAV or assets created	12	14
Inflation adjustment (actual CPIH)	240	248
Regulatory depreciation	(463)	(439)
Closing RAV	7,953	7,612

The Strategic Report was approved by the Board on 15 July 2026 and signed on its behalf by:

Jon Butterworth
Chief Executive Officer
15 July 2026