



Consultation Response to Ofgem Draft Determinations

On the Environmental Action Plan and SHET's Biodiversity Net Gain Re-opener

1. Introduction & Context

We welcome the opportunity to respond to Ofgem's Draft Determinations for RIIO-ET3. We are commenting on the proposed rejection by Ofgem (in paras 3.112 to 3.121 of the Electricity Transmission document) of National Grid's proposal approach to biodiversity, which involves going beyond statutory biodiversity net gain. National Grid's proposals had themselves been less ambitious than those which the environmental NGOs had suggested, seeking, they say, to achieve a balance for customers.

While we recognise the decision to align Biodiversity Net Gain (BNG) investment with the statutory minimum requirement, we believe this approach represents a missed opportunity.

Restricting BNG to compliance alone risks undermining environmental recovery, public trust, and long-term resilience of the transmission system — particularly in coastal and marine areas where infrastructure and biodiversity are deeply interconnected, but where BNG processes and markets are either less mature or entirely absent. Currently, habitat banks through which BNG credits can be purchased do not contain any coastal habitats, and Marine Net Gain has yet to be formally set through policy mechanisms.

By taking a mandatory minimum approach, Ofgem is ensuring that the transmission infrastructure built in the next five years — a once-in-a-generation investment with a projected lifetime of over 100 years — will miss the chance to restore urgently needed coastal and marine habitats. These habitats not only support coastal economies but also underpin national climate resilience.

Policy Context

- From 2026, developers in England must deliver at least 10% BNG for projects requiring planning consent.
- The UK Government has committed to net zero by 2050, alongside ambitions for a Nature Recovery Network and marine restoration.
- Ofgem's duties under the Electricity Act, Environment Act (biodiversity duty) and Levelling Up and Regeneration Act (protected landscapes) extend beyond affordability to include sustainability, resilience, and the protection of consumers' long-term interests.
- In Wales, the policy framework for nature recovery is underpinned by the Well-being of Future Generations (Wales) Act 2015, which places a legal duty on public bodies to consider the long-term impacts of their decisions on the environment, society and economy. The Act embeds sustainable development as the central organising

principle of governance in Wales and requires action to enhance biodiversity and support resilient ecosystems as part of achieving the well-being goals. Even though Wales has no mandatory minimum for BNG, this approach provides a strong statutory context for delivering Biodiversity Net Gain (BNG), ensuring that habitat restoration and nature recovery are not treated as isolated measures but are integrated into broader objectives of health, prosperity, and climate resilience.

Why Restricting BNG to the Minimum is a Strategic Mistake

- **Biodiversity opportunity cost:** Limiting investment to the minimum forecloses the chance to restore ecosystems that deliver multiplier effects for resilience and carbon sequestration.
- **Coastal and marine vulnerability:** Transmission corridors often traverse estuaries, saltmarshes, seagrass beds, and dunes. These habitats buffer against flooding, storm surges, and erosion — benefits that accrue directly to consumers.
- **Community benefit:** Many coastal communities face entrenched deprivation, low wages, intergenerational unemployment, and poor connectivity. Enhanced BNG can create jobs, apprenticeships, and skills pathways, improve residents' health and wellbeing, and generate sustainable tourism opportunities that contribute to local economies.
- **Public acceptability and consumer value:** There is clear public and consumer support for company spending on biodiversity. Evidence suggests this support can be even stronger than for spending on net zero. This support translates into reduced opposition to new infrastructure where projects are nature-positive.
- **Net zero alignment:** Marine habitats sequester carbon at higher rates than terrestrial systems, amplifying the climate value of enhanced BNG.
- **Regulatory precedent:** In the current regulatory period, Ofgem supported biodiversity actions beyond compliance, and Ofwat has done likewise in water regulation. Limiting BNG to 10% now represents a step backwards.
- **Biodiversity corridors:** Transmission networks could form potent biodiversity corridors, connecting habitats across regions, delivering landscape-scale resilience, and improving public acceptability.

In short: minimum compliance is not enough. The transition to a low-carbon energy system is an opportunity to deliver for both nature and communities. Ofgem's framework should enable, not limit, that ambition.

2. Responses to Consultation Questions

OVQ2. Do you agree with our proposed position on the Environmental Action Plan and Annual Environmental Report ODI-R for RIIO-3?

We do not agree. Restricting BNG to the statutory minimum undermines the ODI-R's stated aim of delivering an environmentally sustainable network and appears inconsistent with Ofgem's statutory duties under the Environment Act and Levelling Up and Regeneration Act.

- **Marine and coastal resilience:** Partnerships for Marine Nature Recovery (Natural England/TCCL, in review) shows that Coastal, Estuary and Marine Partnerships (CEMPs) are trusted mechanisms for delivering biodiversity and resilience but lack funding pathways. Limiting BNG to 10% removes the opportunity for CEMPs to attract co-funding from industry and government to scale restoration and community benefit.
- **Consumer protection through resilience:** Saltmarsh and seagrass restoration can deliver £3–8 in avoided flood damage for every £1 invested. Early investment reduces costly adaptation later.
- **Community benefit:** Communities on the Edge (Pragmatix, 2023) finds coastal households earn nearly £3,000 less than inland averages, with higher fuel poverty and lower educational attainment. Enhanced BNG projects can provide local employment, education, and transferable skills training, as well as boost sustainable tourism.
- **Policy alignment:** The Coastal Inquiry Report 2024 (APPG) calls for energy investment to support adaptation and resilience in coastal communities. Minimum compliance is inconsistent with this cross-party consensus.
- **Public and customer support:** Surveys demonstrate strong customer willingness to pay for biodiversity investment, with some evidence of greater support than for net zero expenditure. Ofgem’s draft position does not reflect this.
- **Regulatory precedent:** In RIIO-2, Ofgem supported actions beyond compliance. Restricting RIIO-3 to 10% would be a regressive step.
- **Biodiversity corridors:** Transmission routes could act as major biodiversity corridors, linking habitats across the UK and supporting landscape-scale nature recovery.

Recommendation: ODI-Rs should explicitly enable enhanced BNG investment above the statutory minimum where measurable ecosystem resilience, biodiversity corridors, and community benefit are demonstrated.

SHETQ10. Do you agree with our proposal to reject SHET’s Biodiversity Net Gain (BNG) Re-opener?

We do not agree.

- **Emerging requirements:** Marine Net Gain and new biodiversity duties are expected during RIIO-ET3. A re-opener is the proportionate governance mechanism to respond.
- **High ecological stakes:** SHET’s network intersects internationally important habitats (estuaries, seagrass beds) that provide carbon storage and flood defence.
- **Community levelling up:** Communities on the Edge evidences persistent disadvantage in coastal areas — low wages, high unemployment, poor connectivity. The Coastal Inquiry Report calls for energy investment to directly support adaptation

in coastal communities. Enhanced BNG could provide long-term green jobs and resilience.

- **Scottish policy context:** Unlike England, Scotland has no statutory BNG requirement. Instead, under NPF4 (Policy 3b), major and EIA developments must deliver “significant biodiversity enhancements.” A Scottish biodiversity metric is still in development (expected around 2026). Until this is in place, obligations are uncertain and varied. Rejecting the re-opener leaves SHET without the flexibility to respond when new biodiversity expectations crystallise, undermining Scotland’s national target of being nature-positive by 2030.
- **Levelling-up fallacy:** Ofgem’s suggestion that Scottish companies should simply be “levelled up” to the English 10% baseline misunderstands both the devolved settlement and the greater stress on biodiversity in England and Wales. Scotland requires a flexible, context-specific approach.
- **Governance safeguards:** A re-opener does not guarantee funding; it provides a transparent route for SHET to bring forward evidence-based proposals for Ofgem to assess on proportionality and consumer value. Rejecting it removes flexibility and risks non-compliance with future statutory duties.

Recommendation: Retain SHET’s BNG Re-opener, with clear governance tests (statutory requirement, quantified benefit, stakeholder support, efficiency).

3. Evidence Annex

- **CPN Championing Coastal Coordination Pilot Phase Report:** Recommendations for a National Framework for Coastal Coordination (Defra/CPN, 2022)
- **Partnerships for Marine Nature Recovery (Natural England/The Coastal Collaborative Ltd, 2024, in review):** CEMPs are potential coordinators for marine biodiversity restoration but are underfunded. Flexible funding mechanisms are essential to meet marine and coastal biodiversity net gain targets.
- [Communities on the Edge \(Pragmatix, 2023\)](#): Coastal households earn £3,000 less than inland households; nearly 1 in 5 jobs are below the living wage; fuel poverty is higher. Short-term funding cycles prevent long-term regeneration.
- [Coastal Inquiry Report 2024 \(APPG on Coastal Communities\)](#): Calls for energy infrastructure investment to support adaptation and transition in coastal areas, a dedicated Minister for the Coast, and cross-sectoral coastal strategies.
- **National Planning Framework 4 (Scotland, 2023):** Policy 3b requires “significant biodiversity enhancements” but with no statutory metric in place until c.2026, requirements remain uncertain.
- **Sustainability First:** Evidence shows clear customer support for biodiversity spending, a history of Ofgem supporting action beyond compliance, and the potential for transmission networks to act as biodiversity corridors.

4. Conclusion

Restricting biodiversity action to the statutory minimum is short-sighted. Ofgem has a unique opportunity in RIIO-ET3 to ensure the energy transition delivers not only

affordable, low-carbon energy but also resilient ecosystems and thriving coastal communities — now and for future generations.

This is especially important in coastal and marine areas, where ecosystems underpin climate resilience and community wellbeing but where BNG markets are currently immature or absent.

While the legislative frameworks differ — with the Well-being of Future Generations Act shaping delivery in Wales, and separate approaches emerging in Scotland and England — it is essential that Ofgem supports a coherent and consistent approach to BNG across all nations. Marine, coastal and terrestrial ecosystems cross administrative boundaries, and only by working in a joined-up, transboundary way can we deliver meaningful outcomes for nature recovery and resilience. A consistent approach across all nations is vital to avoid fragmented delivery, ensure fairness for communities, and achieve a coherent, transboundary ecosystem approach. Only by working in this integrated way can Ofgem fulfil its statutory duties and contribute meaningfully to national net zero and nature recovery goals.

By enabling enhanced BNG and retaining SHET's re-opener, Ofgem can deliver long-term value for consumers, support climate and biodiversity commitments, and address entrenched disadvantage in coastal communities, while ensuring a coherent and consistent approach across the UK's shared marine environment.

About the Coastal Partnership Network (CPN)

The Coastal Partnership Network (CPN) brings together over 55 local Coastal, Estuary and Marine Partnerships (CEMPs) and similar initiatives around the UK. These are trusted, place-based partnerships that integrate community voices, local authorities, conservation bodies, and industry in the planning and management of coasts and seas. CPN provides a national platform for knowledge exchange and coordination, enabling local delivery of marine and coastal nature recovery, climate resilience, and community benefit.