

The Wildlife Trusts response to Ofgem's draft determination

Thank you for inviting comments on Ofgem's RIIO3 draft determinations. The Wildlife Trusts response focuses on questions OVQ2 and NGET Q11.

In summary

The Wildlife Trusts welcome National Grid's environmental ambitions, particularly in relation to Biodiversity Net Gain (BNG). National Grid's proposed Environmental Action Plan (EAP) for the upcoming regulatory period (2026–2031) sets out a suite of over 27 sustainability commitments, including BNG commitments which go above and beyond the statutory minimum 10%, marine restoration, and carbon reduction. We are deeply concerned however, by Ofgem's draft determinations and their implications for National Grid's positive environmental ambitions. Restricting funding to the statutory minimum 10% BNG requirement and excluding any funding support for non-mandatory BNG construction activities, will significantly limit National Grid's ability to deliver on its nature positive commitments.

Government has committed to national and international targets to halt and reverse biodiversity decline, including legally binding targets to increase species abundance, restore habitats and reduce extinction risks; and an international commitment to protect 30% of land and sea by 2030. Ofgem's determinations are in tension with these commitments and will impact on the meaningful role the industry can make in contributing to these targets.

Over the current decade (2020-2030), UK faces an estimated nature funding gap of £44-97 billion¹ - a sum that cannot be met through public financing alone. Capping ambition on contributions to nature recover directly undermines the imperative for all sectors -regulators, businesses, investors - to mobilise the collective capital required to close this gap and build a safer and more resilient environment for present and future generations.

We urge Ofgem to amend their draft determinations to support funding to go beyond the statutory BNG minimum and to support non-statutory BNG projects on land, the coast and at sea.

About The Wildlife Trusts

The Wildlife Trusts are a grassroots movement of 46 charities with more than 900,000 members and over 38,000 volunteers - working to transform the environment in which we live: restoring, creating and connecting wildlife-rich spaces to secure nature's recovery at land and sea; and helping to ensure that nature is part of everyone's lives. We are actively engaged in the planning system working with local planning authorities and developers to both: avert threats and

¹ <https://www.greenfinanceinstitute.com/wp-content/uploads/2025/03/Press-Release.pdf>

negative impacts on the natural environment; and promote positive opportunities and solutions to support its recovery.

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Detailed Response

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

NGETQ11. Do you agree with the level of proposed NIA funding for NGET

No

The Wildlife Trusts welcome National Grid's environmental ambitions, particularly in relation to Biodiversity Net Gain (BNG). National Grid's proposed Environmental Action Plan (EAP) for the upcoming regulatory period (2026–2031) sets out a suite of over 27 sustainability commitments, including BNG commitments which go above and beyond the statutory minimum 10%, marine restoration, and carbon reduction.

We are deeply concerned however, by Ofgem's draft determinations and their implications for National Grid's positive environmental ambitions. Restricting funding to the statutory minimum 10% BNG requirement and excluding any funding support for non-mandatory BNG construction activities, will significantly limit National Grid's ability to deliver on its nature positive commitments.

Government has committed to national and international targets to halt and reverse biodiversity decline, including legally binding targets to increase species abundance, restore habitats and reduce extinction risks; and an international commitment to protect 30% of land and sea by 2030. Ofgem's determinations are in tension with these commitments and will impact on the meaningful role the industry can make in contributing to these targets.

The draft determinations, state the primary commitments made by all Transmission Operators (TO) to deliver 10% BNG for projects that require planning consent already provides increased environmental outcomes for in scope projects compared to 'no net loss' commitments in RIIO-ET2. This is not justification for rejecting funding to support ambitions to go above and beyond 10%. Given the scale of new energy infrastructure required and the current scale of the nature crisis - new schemes must go further to support nature's recovery.

The importance of taking action to jointly address climate change and biodiversity loss, which unlock benefits for people, nature and climate have been recognised by Government². It is extremely concerning to see a key regulator effectively discouraging voluntary leadership on nature, at a time when we need to be scaling up ambition, not scaling it back. The climate and nature crises threaten our way of life and are inseparable as challenges. We cannot afford to solve one crisis at the expense of another. Efforts to reach net zero which jeopardise the health

²HM Government (2025) [Unlocking benefits for people, nature and climate: Actions to jointly address climate change and biodiversity loss in England](#)

of our natural environment and fail to support its recovery not only risk failure, but will increase energy insecurity by worsening the effects of climate change.

The Environment Act sets the legal requirement of 10% BNG in England as a minimum not a ceiling³. Ofgem and National Grid also have a duty under Section 40 of the NERC Act 2006 (as strengthened under the Environment Act 2021) to further the ‘general biodiversity objective’ (to conserve and enhance biodiversity in England through the exercise of their functions in relation to England). Given the inherent uncertainties surrounding habitat creation and the time it takes to deliver; coupled with the margins of error in calculating changes in biodiversity, 10% will at best hold the tide and provide a contingency against lost habitat to ensure no net loss of biodiversity. The Wildlife Trusts therefore strongly support and welcome the ambitions of National Grid to go beyond 10% and to apply BNG voluntarily to permitted development and other construction activities that are exempt from formal planning consent. This approach and ambition is consistent with fulfilling their general biodiversity objective. This duty which also applies to Ofgem, is being undermined by the determinations as proposed.

Not only will the determinations, impact National Grid’s ambitions to go above and beyond the statutory minimum requirement for BNG, they may also be in conflict with local policy. With justification, local planning authorities can and do⁴ set local plan policies which require a higher than 10% BNG requirement⁵, which Transmission Operator projects, approved under the Town and Country Planning Act, will be judged against.

From a customer perspective, this determination is also taking a reverse step. In the current regulatory period, Ofgem supported and incentivised biodiversity actions beyond legal compliance - an approach that is adopted by other regulators e.g. Ofwat. While Ofwat has placed significant emphasis on ensuring fair costs for customers, this does not necessarily mean minimising spend. The regulator recognises that there are cases where cheapest is not best, and indeed customers often *want* to see additional investment in its regulation of the water sector. Ofwat’s approach has not only been one of approving environmental expenditure that goes beyond the statutory minimum; it has increasingly been one of *actively encouraging and requiring* the sector to go further, reflecting the expectations of society and the desires of customers. See more on best value in the box 1 below.

Other examples of where water companies have been supported by the regulator to go beyond minimum standards and undertake discretionary spending for the benefit of the environment include:

- Bathing water standards. The minimum legal standard required for all bathing waters, as set out by the Bathing Water Regulations 2013, is ‘sufficient.’ At the Price Review in 2019 (PR19), Ofwat supported investment in companies’ plans, to maintain or improve the status of bathing waters at ‘good’ or even ‘excellent’ status. Ultimately permitting companies to go above the minimum requirements; and to charge customers more

³ [Environment Act 2021](#)

⁴ WCL (2024) [Biodiversity Net Gain progress report 7.2.2024.pdf](#)

⁵ National Planning Policy Guidance

than would otherwise have been the case, to fund this additional level of investment in public health and environmental improvement.

- The programme of actions⁶ to be taken by water companies to meet environmental obligations increased from £5.2 billion from the Assessment Management Period (2020-2025 – AMP7) to £24billion for the period 2025-2030. Despite the substantial increase, and the resultant upward pressure on customer bills, Ofwat were still able to support discretionary spend where companies proposed going over and above statutory minimum requirements.

Box 1: Best value Business Plans PR24 marked a significant shift in the sector, with the options appraisal process followed by companies in preparation of Business Plans (the 5-year plans submitted to Ofwat for approval through the Price Review process) moving fully from a ‘least cost’ model to one of ‘best value’. This saw options selected not on the basis of the lowest cost to customers, but on the overall value delivered by the spend.

The steer to base Business Plans (and the component plans that contribute to them) on best value was set out in a range of documents from regulators including those from Government. Guidance from Government on one set of plans for example said “*We expect companies to select options with a view to delivering the best value for money over the long term, considering the wider costs and benefits to the economy, society and the environment.*” (see guidance [here](#)). Thus, companies received approval for spend over and above the minimum cost for which their Business Plans could have been fulfilled, because to deliver more schemes, or to deliver them differently, would result in better outcomes overall.

Despite knowledge of significant bill increases to fund PR24 delivery (funding allowances for 2025- 2030), Ofwat continued to encourage discretionary environmental expenditure for the period, and introduced new expectations around biodiversity via the development of the Biodiversity Performance Commitment (see more on this in box 2).

All of these examples, reflect a recognition by the regulator of the high value that bill payers place upon companies taking action to reduce their environmental footprint and to protect and restore nature.

Limiting funding of biodiversity actions to minimum legal compliance, is not in line with stakeholder and consumer expectations and undervalues the importance of nature in the energy transition. National Grid’s proposals have been informed by stakeholder advice and consultation. By rejecting funding provision for nature enhancements beyond the minimum requirements, risks undermining public and stakeholder confidence in the developments as they come forward, including potential increases in the levels of opposition.

⁶ Known as WINEP in England and NEP in Wales

Box 2: Biodiversity Performance Commitments are another example of water companies receiving approval to deliver more than the minimum legal obligations. Biodiversity Performance commitments, were introduced at PR14 as part of a broader shift towards an outcomes-based approach. This saw companies make specific, measurable pledges to improve performance in certain areas, with financial incentives attached to some of these commitments. Companies received financial rewards for outperforming targets, financed by customer bills, and paid penalties in the form of rebates for underperformance. The commitments were closely linked to customer priorities, with many of the commitments bespoke to individual companies.

For the next spending period (PR24), Ofwat introduced a Common Performance Commitment on Biodiversity – applicable to all companies. The Biodiversity Performance Commitment requires companies to nominate areas of land for biodiversity enhancements. Uplift in biodiversity will be determined by baseline and post-delivery assessments. Over the course of the Assessment Management Period, companies will attempt to deliver the uplift in biodiversity that they have pledged, and will be in line for financial rewards or penalties depending upon their success or otherwise.⁵

Ofwat has made clear in its guidance to companies that the common performance commitment for biodiversity and BNG are complementary but separate. BNG units created or purchased for the purpose of complying with planning obligations cannot be used to meet the performance commitment, and units created under the performance commitment cannot be sold or used as BNG credits. The expectation upon the sector to deliver biodiversity uplift is clearly in addition to any BNG requirements created via planning obligations, and the rationale for encouraging the sector to conserve and enhance biodiversity stated by Ofwat includes reduced extinction risk, increased resilience to climatic changes and enhancements in ecosystem service provision. **This demonstrates not just a willingness by Ofwat to allow the sector to go beyond minimum legal requirements when it comes to improving biodiversity, but represents an active encouragement and an expectation that it will do so, backed up by financial incentives and the encouragement of scrutiny by stakeholders.**

We know, public support for nature recovery is high, with a growing expectation that development should deliver environmental and social benefits as an integral part of the project. New polling by research agency, Savanta, commissioned by The Wildlife Trusts, shows that 66% of the UK public believe nature is fundamental to economic growth⁷. Furthermore, a recent campaign run by The Wildlife Trusts to help support public engagement in a Government BNG consultation⁸, resulted in 13,606 responses from members of the public, of which 97% were individualised with personal views/comments. It demonstrated how important development supporting nature's recovery is to a broad breadth of individuals, including young people, health professionals, ecologists and landscape architects, to name a few. People

⁷ [New poll shows two-thirds of the public believes nature is fundamental to economic growth, so should the UK Government really be forging ahead at any cost? | The Wildlife Trusts](#)

⁸ improving the implementation of BNG for minor, medium and brownfield development

expressed clear knowledge and passion about the importance of protecting and recovering nature and the role that development should play in this (see a few examples box 3). A view that sits in tension with Ofgem's suggestion that going beyond 10% is an 'unnecessary' cost.

Box 3: Public support for BNG and nature enhancements

'It is essential that all human activity have a net positive impact for wildlife if we are to hope to address nature recovery and the climate emergency as the two biggest threats to our long-term wellbeing.'

'Nature friendly developments are not only possible, but would have a positive impact on the economy. Many cities worldwide are promoted as eco friendly, and people are willing to pay to live in them...We need to be held accountable for our eco initiatives, locally and globally. BNG is utterly vital in the development process.'

'Industry must continue to take responsibility for its actions and help wildlife to recover.'

'Biodiversity and carbon capture are vital for a green agenda.'

'We all need nature. It's part of us and nurtures our wellbeing. Plants and animals need space, from the smallest to the largest sites. How will we achieve 30 by 30 otherwise?'

'We are facing a climate crisis and catastrophic damage to nature. Let's make sure that every new development not only does no damage but actively supports nature in the area.'

'We as humans have the responsibility to protect wildlife as much as possible. Especially with the effects of global warming setting in...we should do more to protect nature'

'Development should always give back to nature because the environment is not a limitless resource. When green spaces, woodlands, and hedgerows are removed for housing or infrastructure, we lose vital habitats for wildlife, reduce biodiversity, and harm our own wellbeing. Nature provides benefits like cleaner air, flood prevention, and mental health support, these must be preserved and enhanced, not depleted.'

'The climate crisis and the degradation of nature in many respects over past decades requires that we not only ensure that nature is not further damaged but do whatever we can to restore what has been damaged by using development projects (of any size) to enhance nature as well as protecting or replacing what has to be sacrificed due to development projects'

'Nature is under increasing pressure and we need to help safeguard our natural world by making developers restore/repair and/or pay directly for redressing the harm caused by development.'

'Without conserving and managing nature for people, it will be impossible to achieve net zero and mitigate the impacts of climate change... we must scale up urgent action now ..The longer we delay, the greater the price we will pay for inaction.'

'Humans need nature around them to thrive and survive, in order to build we damage eco systems so we need to make good our harm, in order to meet net zero we must do lots for nature. The state of UK's nature is so depleted already we must do all we can to build it back up.'

'If it isn't done because it is morally and ethically right to give back to nature, do it because it's a no-brainer in terms of cost effectiveness.'

Supporting nature and its recovery also makes economic sense from a business perspective. Research by [IPC](#) found the energy industry has a moderate or high nature dependence⁹ for at least 38% of the economic value from their direct operations and supply chains. Healthy ecosystems are not just a nice to have, they provide stability for businesses by mitigating risks and providing safer operating conditions for energy infrastructure e.g. by reducing the risks of flooding, droughts and heat stress.

A growing body of evidence, from the *Dasgupta Review*¹⁰ to the UN Decade on Ecosystem Restoration¹¹, shows that the economic value of nature consistently outweighs the costs of restoration. A recent study by the CPD (Carbon Disclosure Project) found that for every \$1 invested in nature yields \$21 in broader societal and environmental benefits¹². Drawn from an analysis of nearly 25,000 companies that disclosed environmental data in 2024, this study highlights that organisations that systematically measure and act on their physical climate and nature risks are shown to unlock significantly more value than they invest. Limiting ambition on BNG runs counter to both economic evidence and policy imperatives for long-term business resilience that can be secured through nature based solutions, that deliver carbon sequestration and wider environmental and social benefits. The creation of more nature through ambitious BNG targets and nature-based solution programmes will be important for National Grid in mitigating the impact of increasing nature and climate related risk, such as the impacts of wildfires, extreme heat and flooding on its assets as climate volatility increases.

When it comes to evaluating the costs of BNG, the [Impact Assessment](#) for the 2018-19 Net Gain consultation stated that ‘the majority of costs associated with net gain are incurred to correct for the initial loss of biodiversity through development’. With good ecological design and efficient planning and delivery, going beyond 10% gain will not necessarily add significantly to the cost of development. For example, going beyond 10% will cost less on sites where the pre-development biodiversity baseline is low; or when efficiencies of scale can be made through off-site delivery as part of larger landscape-scale habitat creation / restoration schemes, or in combination with other nature-based solution schemes, such as natural flood management schemes.

Since this assessment, a study in Kent explored the strategic level viability of going beyond 10% BNG. While the study was focused on housing infrastructure, it looked at a range of housing development typologies in terms of scale and location within the county. As with the original impact assessment, [the findings](#) found that a shift from 10% to 15% or 20% BNG will not materially affect viability in the majority of instances when delivered onsite or off-site. The biggest cost in most cases is to get to the mandatory minimum 10% BNG, with the increase to 15% or 20% BNG costing much less and generally negligible in most cases¹³.

⁹ Nature dependence measures the degree to which the economic value generated by business activity is exposed to the risk of ecosystem disruption. High dependence means that economic value comes from business activities that could fail financially as a result of particular ecosystem disruptions. Moderate dependence means that economic value comes from business activities that are likely to experience a material reduction in financial returns because of particular ecosystem disruptions.

¹⁰https://assets.publishing.service.gov.uk/media/602e92b2e90e07660f807b47/The_Economics_of_Biodiversity_The_Dasgupta_Review_Full_Report.pdf

¹¹ <https://www.unep.org/news-and-stories/press-release/new-un-decade-ecosystem-restoration-offers-unparalleled-opportunity>

¹² [https://www.cdp.net/en/insights/disclosure-dividend-2025?utm_source=linkedin-](https://www.cdp.net/en/insights/disclosure-dividend-2025?utm_source=linkedin-global&utm_medium=organicsocial&utm_campaign=disclosure&utm_content=globalreport1&utm_term=disclosers)

[global&utm_medium=organicsocial&utm_campaign=disclosure&utm_content=globalreport1&utm_term=disclosers](https://www.cdp.net/en/insights/disclosure-dividend-2025?utm_source=linkedin-global&utm_medium=organicsocial&utm_campaign=disclosure&utm_content=globalreport1&utm_term=disclosers)

¹³ [Biodiversity Net Gain | Kent Nature](#)

National Grid has confirmed, construction activities not requiring formal planning permission or consent (e.g. permitted development or exemptions) are estimated to account for 10–15% of total BNG/Net Benefit for Biodiversity (NBB) costs in the T3 period. This is estimated to translate to a low additional cost on consumer bills, of less than 10 pence, on top of costs associated with statutory BNG/NBB delivery.

In addition to Biodiversity Net Gain (BNG), National Grid is planning a range of other, important initiatives to support nature's recovery and scale up nature-based solutions, including *The Natural Grid* programme and projects in the marine environment. Together with ambitious BNG targets, these initiatives are critical for delivering environmental benefits and strengthening the climate resilience of assets, infrastructure, wildlife, and communities across the UK. The public is a central beneficiary of these efforts, gaining not only improved access to nature but also the associated health, wellbeing, and safety benefits. Ultimately, every organisation has a responsibility to reduce nature-related climate risks, both within their operations and in the wider environments where they operate. This is also essential for future-proofing National Grid operations against upcoming changes in policy e.g. allowing voluntary BNG measures for areas where policy is soon to be introduced, such as NSIPs or marine projects. This will give National Grid the freedom to learn critical lessons now and prevent future delays.

Over the current decade (2020-2030), UK faces an estimated nature funding gap of £44-97 billion¹⁴ - a sum that cannot be met through public financing alone. Capping ambition on contributions to nature recover directly undermines the imperative for all sectors -regulators, businesses, investors - to mobilise the collective capital required to close this gap and build a safer and more resilient environment for present and future generations.

We urge Ofgem to amend their draft determinations to support funding to go beyond the statutory BNG minimum and to support non-statutory BNG projects on land, the coast and at sea - taking into account the long-term cost savings and ecosystem services this would secure e.g. such as flood resilience, cooling and improved public amenity.

¹⁴ <https://www.greenfinanceinstitute.com/wp-content/uploads/2025/03/Press-Release.pdf>