Nature-Based Solutions and Public Support for Biodiversity and Carbon in the RIIO-3 Context[1]

Summary Paper[2]

'*The twin crises of climate change and biodiversity loss are among the most urgent challenges facing our planet today, with profound consequences for human prosperity and wellbeing. These crises are deeply interconnected. Climate change accelerates biodiversity loss, while the loss and degradation of nature releases greenhouse gases and simultaneously undermines our ability to adapt to a changing climate. There is no route to tackling climate change that does not involve nature, and no pathway to nature recovery that does not take into account climate change*' [3]

This paper summarises a longer slide deck looking at the rationale Ofgem has used to reject National Grid Electricity Transmission's (NGET's) proposed enhancements to biodiversity, over and above statutory Biodiversity Net Gain (BNG).

The paper:

a) Reviews the duties on regulators and utility companies with regard to nature.
b) Summarises wider political and policy rationales for going beyond statutory targets.
c) Evidences the customer support for action.
d) Separately explores the customer value from such action.
e) Explores Ofgem's argument that it would be better to 'level up' Scotland and Wales to England's statutory position.

From our research, we find compelling evidence to suggest that Ofgem's ET3 draft determination position seems to insufficiently address the themes explored in this paper. We note too here that Ofgem's draft determination for gas companies takes a much more balanced view than for electricity transmission:

'We also propose that the GDNs collaborate with biodiversity experts, charities and consultants when preparing their Annual Environmental Reports (AERs). We agree with the environmental group that the GDNs could go beyond their proposed projects and BAU activities to support BNG in RIIO-GD3. Engaging with biodiversity specialists will provide valuable insights into local biodiversity priorities,

[1] This paper and the research behind it have been funded by National Grid but remains the independent views of Sustainability First.

[2] The arguments in this paper address the specific narrow issue of biodiversity in the draft determination as set out in paras 3.112 to 3.121 of the ET draft determination document. It is not intended as a wider criticism of Ofgem, and indeed it may be understandable that this may not have been a major focus for Ofgem's work in the DD – this may well therefore be the kind of issue which a regulator can accept changes between draft and final determination, as Ofwat did in PR24.

[3] https://www.gov.uk/government/publications/actions-to-jointly-address-climate-change-and-biodiversity-loss-in-england/unlocking-benefits-for-people-nature-and-climate-actions-to-jointly-address-climate-change-and-biodiversity-loss-in-england-accessible-webpage

ensure projects are ambitious and encourage GDNs to identify additional, impactful opportunities to enhance biodiversity within the communities they serve' [4]

It is relevant too that Ofwat has set a wider precedent; the recent price review (PR24)[5] allowed for switching from 'grey to green' (prioritising nature-based solutions where possible), offered significant flexibility in how companies deliver outcomes, and created an explicit performance incentive to extend and enhance biodiversity work, particularly on water company land, beyond statutory BNG.

As a starting position, we note that the Government's 2024 'State of Nature' Report[6] found that 'all of our ecosystem assets, and almost all the benefits they provide, are at high or medium-high risk', and that climate change is already making these risks much worse.

The legal position

Legally, all new development in England (extending to Nationally Significant Infrastructure Projects next year), must now provide for 10% 'biodiversity net gain' (BNG).

Beyond statutory BNG requirements, public authorities (including regulators and energy companies) are also required under Section 40 of the Natural Environment and Rural Communities Act 2006 (subsequently strengthened by the Environment Act 2021) to consider how they can conserve and enhance biodiversity through the exercise of their functions. This includes having regard to any relevant nature recovery strategies, species conservation strategies or protected sites strategies. In our view, this obligation is not fulfilled solely by adherence to statutory BNG requirements on land use planning (nor is this suggested by the parliamentary discussion of BNG).

We offer two reasons for this assessment:

- First, land use planning covers only part of National Grid's activities.
- Second, Ofgem do not appear to have examined the benefits of selectively going beyond BNG where it is statutory.

The recent Levelling Up Act[7] also requires such bodies/authorities to have particular regard to protected landscapes such as National Parks and AONBs. Currently, there appears to be no evidence that Ofgem has integrated this measure into its Draft Determination.

Political and policy considerations

The Labour administration have made a series of statements regarding the importance of improving nature and biodiversity. Most recently, the joint Defra /DESNZ policy statement cited at the top of this paper shows that these are owned by energy ministers as well as environment ministers.

This is also reflected in 'Clean power 2030'[8] - the central government policy around the need to deliver transmission infrastructure - which explicitly links climate and nature.

[4] https://www.ofgem.gov.uk/sites/default/files/2025-06/Draft-Determinations-Gas-Distribution.pdf
[5] https://www.ofwat.gov.uk/wp-content/uploads/2025/04/PR24-FD-sector-summary-revised.pdf
[6] https://publications.naturalengland.org.uk/publication/6683489974616064
[7] https://www.legislation.gov.uk/ukpga/2023/55
[8] Clean Power 2030: Action Plan: A new era of clean electricity

In England, the Environment Act[9] also contains a formal target: 'halt the decline in species populations by 2030 and then increase populations by at least 10% to exceed current levels by 2042'. The Government also have a specific target of 500k ha of habitat creation by 2042[10]. Although not formally a duty on specific bodies, this offers further supporting evidence that 'having regard to' should be interpreted as going beyond statutory BNG.

The Welsh Environment Bill[11] (currently at Stage 1 of adoption) aims to tackle the climate and nature emergencies by strengthening environmental governance and reversing biodiversity loss. It introduces a legally binding framework for biodiversity targets aligning with international aspirations to protect and manage 30% of land, freshwaters, and seas by 2030.

Clean power 2030, as the central government policy around the need to deliver transmission infrastructure, explicitly links climate and nature.

Finally, the third national climate change risk assessment[12] identified biodiversity (along with energy and the built environment) as the area furthest behind in terms of climate resilience. The Government accepted this finding.

Consumer support

There is substantial evidence that utility customers (and the wider public) are concerned to ensure their electricity and water is supplied in a nature friendly way:

- The ONS (2024)[13] reported that 57% of UK adults rank climate change and the environment among the top national issues, highlighting continued environmental concern despite economic pressures.
- Natural England's Public Attitudes survey data (2024)[14] found that 9 in 10 adults were concerned about threats to the natural environment.
- Savanta's research (2024)[15] for the Wildlife Trusts showed that 66% of UK adults believe nature is fundamental to economic growth. A similar proportion also said that government and business should invest more in nature-friendly farming and habitat restoration and supported stronger regulation to hold developers accountable for environmental harm.
- YouGov survey (via Rewilding Britain, 2024)[16] found that 83% of respondents support rewilding, and 75% believe politicians should do more to reverse nature decline. A majority

[9] https://www.legislation.gov.uk/ukpga/2021/30/contents
[10] https://www.legislation.gov.uk/uksi/2023/91/part/3/made
[11] https://business.senedd.wales/mgIssueHistoryHome.aspx?IId=46004
[12] https://assets.publishing.service.gov.uk/media/61e54d8f8fa8f505985ef3c7/climate-change-risk-assessment-2022.pdf
[13]https://www.ons.gov.uk/economy/environmentalaccounts/articles/publicandbusinessattitudestotheenvironmentandclimatechangegreatbritain/2024
[14] https://oifdata.defra.gov.uk/themes/natural-beauty-and-engagement/G6/
[15] https://www.wildlifetrusts.org/blog/joe-keegan/new-poll-shows-two-thirds-public-believes-nature-fundamental-economic-growth-so
[16] https://www.rewildingbritain.org.uk/press-hub/new-polling-reveals-support-for-rewilding-is-stronger-than-ever

also held views that at least 10% of land should be dedicated to rewilding, and 70% of rural respondents agreed that restoring wildlife was a national priority.

- Research by More in Common (2024)[17] on public concerns over climate change impacts discovered that support for nature spans the political spectrum and 'harm to nature and wildlife' ranks the highest area of concern in five out of seven political 'segments' of the population.
- A survey for National Grid[18] showed that their customers put nature enhancement higher up their list of concerns than net zero.

Willingness to pay studies have consistently demonstrated an acceptance by customers of the case to go beyond statutory requirements:

- A Defra study (2022)[19] – survey of 5000 people and fifteen in-depth focus groups found people were willing to pay for improved biodiversity and species abundance on the scale of several hundred pounds per household per year.
- Wessex Water (2022)[20] – survey of 6965 households and 91 non-household customers showed they were on average are willing to pay for improvements to environmental attributes (over non-environmental), in particular for 'supporting nature and wildlife'.
  Consumer Council for Water (2023)[21] –tested 2320 customer's acceptance of different sewage treatment solutions. Households willing to pay up to £40 a year more on bill to use nature instead of man-made materials.
- The evidence above, reinforced by the more detailed material in the accompanying slide pack, provides a clear and compelling picture of the widespread and sustained public support for environmental action and nature recovery, even in the face of economic pressures.

The wider consumer case

The Treasury Green book directs that infrastructure projects should include 'natural capital values' in their appraisals. These include the 'use values' of nature – such as recreation – along with benefits in terms of carbon reduction, flood alleviation and water supply/quality. There is also acceptance that 'existence values' – the value which the public place on nature/biodiversity outside of any direct benefit to them personally – are legitimate factors to include.

It is likely, and this is supported by research set out in the slide pack, that the use values and wider benefits mentioned above are more pronounced in the rural areas where most transmission assets are, and where new assets will be built. The legal requirement with regard to National Parks and other landscape designations is also relevant here (see above). Furthermore, there is also evidence, including from NGETs own operations, of direct benefits in terms of community support and reduced risk with regard to planning decisions.

[17] https://climateoutreach.org/britain-talks-climate/seven-segments/seven-segments-2024-overview/
[18] https://www.riiot3.nationalgrid.com/document/30096/download
[19] https://sciencesearch.defra.gov.uk/ProjectDetails?ProjectId=21642
[20] https://corporate.wessexwater.co.uk/media/bvgnva4o/willingness-to-pay-outcomes-final-report-2022.pdf
[21] https://www.ccw.org.uk/app/uploads/2024/01/Keen-to-go-green-research-report.pdf

Our more detailed slide deck provides further evidence of Carbon benefits from nature/biodiversity spend. The relevant Defra minister (Emma Hardy) has also recently stated that she expects 18% of all spending on flood alleviation to be directed to 'natural flood management', which is a powerful sign of the benefits of nature spend in terms of reducing flood risk (currently impacting 6m households across England)[22].

A final point of relevance to the transmission network, is the case for creating 'biodiversity corridors' to enhance the resilience of ecosystems to climate change. This has been accepted for example by Highways England, and there is a strong basis for considering transmission network – with its cross-country nature – as a significant opportunity to create additional biodiversity corridors. This approach is also directly advocated for in the Clean Power 2030 Action Plan

Devolution

Ofgem appear to suggest that it would be more equitable to 'level up' Scottish and Welsh customers to the English requirement for BNG, than to accept a higher level of ambition in England.

Although there is Welsh (see above) and Scottish government[23] commitment to biodiversity, this does not equate to the statutory BNG requirements in England. The devolution settlement explicitly establishes nature and biodiversity as a devolved issue: to be decided not centrally for the UK, but by each elected government (the Scottish and Welsh governments). Ofgem's decision does not therefore seem to reflect the devolution legislation.

Evidence shows that biodiversity in England is, in key aspects, significantly more degraded than in Wales or Scotland, partly due to higher population density and urbanisation. This reinforces the fact that a uniform approach across the three nations, as proposed by Ofgem, is not appropriate given their distinct ecological and socio-geographic contexts.

On gas, by contrast, the companies and Ofgem appear more aligned. Ofgem's response is more nuanced than for electricity transmission.

Summary

Taking proper account of nature is not only legally required of utilities and their regulators; it also has business benefits and is important to customers. There is strong and consistent public support for nature protection and biodiversity gains. There is a growing evidence base that nature-based approaches can deliver cost-effective solutions for carbon sequestration and broader environmental benefits. The evidence in this paper demonstrates that public support for these approaches is increasingly strong, and that consumers have clear expectations for regulators

[22] Speech at annual flood and coastal conference June 2025

[23] The Scottish government have developed a strategic delivery framework for Biodiversity comprising a Biodiversity Strategy to 2045 supported by 6-yearly Delivery Plans, and statutory targets for nature restoration. The ambition is for Scotland to be 'nature positive,' halting biodiversity loss by 2030, and to have restored and regenerated biodiversity across the country by 2045.

and business to contribute meaningfully to nature recovery in the UK. Given this, we believe nature warrants a greater consideration in future price reviews.

It is our opinion that it is reasonable for utilities to pursue both statutory and non-statutory BNG, and to invest in high-integrity, UK-based carbon offsetting mechanisms, with a strong public mandate and policy alignment. It is just as important that Ofgem shows leadership in this important area, both to help it in discharging its new Net Zero duty, and in building public trust and confidence in the energy sector to be a proactive contributor to the UK's nature recovery plans.