

Supporting Local Carbon Offsetting Markets

The following problem statement has been developed by the innovation teams within the UK's Gas and Electricity Networks for the 2024 Energy Innovation Basecamp.

Theme: Decarbonising Our Network Operations

Network Areas: Electricity Distribution, Electricity Transmission

What is the problem?

SP Energy Network have set a Net Zero by 2035 commitment. In line with best practice, we will reduce our emissions by at least 90% and offset residual emissions to reach net zero.

In line with best practice, we will start increasing the number of offsets towards our target date of 2035. We will prioritise carbon removal over carbon avoidance in line with the [Oxford Principles for Net Zero Aligned Carbon Offsetting \(2024\)](#).

In RIIO-T3, we are proposing to develop our offsetting approach to ensure we can mitigate residual emissions in a way which maximises benefit to nature and our local communities, as well as supporting the development of local net zero aligned offsetting markets.

Although there is a mature market for UK based carbon off sets derived from the Woodland Carbon Code and the Peatland Carbon Code, we also need to support local emerging offsetting markets and codes which may not currently be verifiable. These will need to be evidenced using a robust methodology.

The problem is that we do not know the best way to support local emerging offsetting markets, and we need to ensure that any schemes we do support can be evidenced through a robust methodology.

What are we looking for?

- A desk-based review of emerging local offsetting markets and codes which have potential to support our net zero strategy.
- Recommendations for how SPEN can best support local offsetting markets – either on our owned land, within our local communities, or within our wider operating areas
- Support on how we can develop a method for evidencing offsets which may not be currently verifiable.
- Benchmarking exercise to understand what is currently on the market and what is working well
- Cost benefit analysis of solutions

What are the constraints?

The solution must:

- Review local offsetting markets within our operating area which have potential to support our net zero strategy.
- Solutions must align with our [Sustainable Business Strategy](#)
- Develop specific recommendations and actions SPEN can undertake to support local offsetting markets in a way that maximises benefit to nature and our local communities AND allows SPEN to credibly offset emissions in line with the Science Based Targets [Corporate Net-Zero Standard](#).
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- Consider how local offsetting markets can be evidenced through a robust methodology, which ensures we are not 'greenwashing' or wasting money.

Who are the key players?

SPT, SPM, SPD, Local Authorities, Nature Scot, Specialist Companies, Startups, Local Communities.

Energy Innovation Basecamp 2025

Problem Statement EIP149

Does this problem statement build on existing or anticipated infrastructure, policy decisions, or previous innovation projects?

In RIIO-T2, we made a Commitment to offset the SF6 emissions where repairs to leaking SF6 assets proved ineffective. To meet this commitment, we purchased UK Pending Issuance Units. These units, when, mature, will compensate for emission in line with our Commitment. We predict we will purchase around 10,000tCO_{2e} by the end of RIIO-T2. This approach also helps to restore biodiversity and benefits local communities who can enjoy new native woodland.

T2 offsetting has increased our knowledge of the carbon market, its maturity and limitations and this has helped us to devise our RIIO-T3 approach as a mix of verified carbon offsets and collaborative market development.

What else do you need to know?

We would expect this study to be tailored specifically to SPEN and to focus on SPEN's unique position in our local community as a Network Operator.

Innovator submissions to this problem statement will be open [here](#) during March and April, but we encourage you to submit your response as early as possible, as networks will be able to review submissions as soon as they come in.

You can also use the virtual Q&A on the Smarter Networks Portal to ask for more information about this problem statement. Questions may be answered online or at the ENA Problem Statement Launch in March 2024. More information on last year's Basecamp programme can be found [here](#).