

Supporting Local Carbon Offsetting Markets

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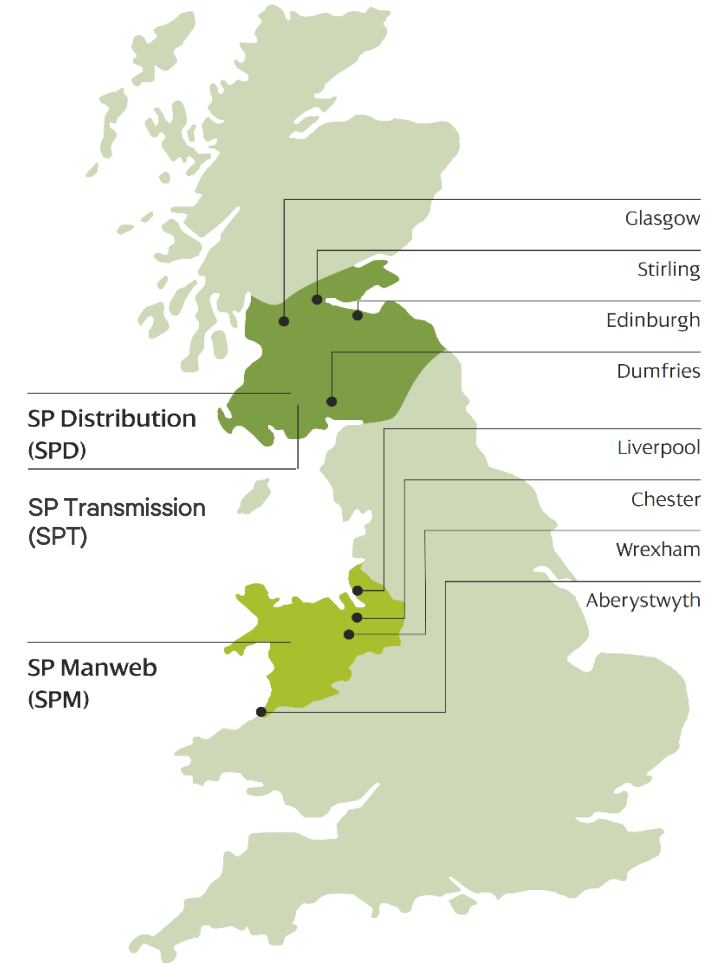
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We own and operate two regulated distribution networks, SP Distribution plc (SPD) and SP MANWEB plc (SPM). We are the only DNO group to operate across all three nations of GB – Scotland, England and Wales. We also own and operate one transmission network in Central and Southern Scotland, SP Transmission plc (SPT).

Our business is crucial to the delivery of the UK's Net Zero targets and the transition to a more sustainable future.

We are committed to making this happen and placing our customers and stakeholders at the heart of this journey.



Offsetting Work to date

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 10,000tCO₂e 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.

All work to date has focussed on offsets in line with the Woodland Carbon Code or Peatland Carbon Code.

To achieve SP Energy Networks' commitment to achieve Net Zero by 2035, we aim to:

- **reduce our emissions by at least 90% and offset residual emissions**
- **increasing the number of offsets towards our target**
- **prioritise carbon removal over carbon avoidance in line with the Oxford Principles for Net Zero Aligned Carbon Offsetting (2024).**

In the RIIO-T3 period (2026 – 2031) SP Transmissions will deliver 80k tCO₂e carbon offsets

As we do this, we need to mitigate residual emissions to maximise benefit to nature and our local communities, while supporting the development of local net zero aligned offsetting markets.

We want to innovate the best way to support local emerging offsetting markets and ensure that any schemes we do support can be evidenced through a robust methodology.

We also need to support local emerging offsetting markets and codes which may not currently be verifiable

Context

In RIIO-T3, SPT will offset a proportion of the 80,000tCO₂e offsets via verified carbon units issued under the **Woodland Carbon Code** and **Peatland Carbon Code**.

However, we would also like to support evolving offsetting markets in a way that support local communities (note, international offsetting schemes are not within scope).

Our approach to supporting evolving offsetting markets may include:

- Carbon removals through evolving verification schemes (e.g. the **UK Salt Marsh Code**).
- Developing robust methodologies for delivering **carbon avoidance schemes** such as renewables and energy efficiency programmes for vulnerable consumers.
- Trialling more **innovative carbon offsetting solutions**.

Innovative Solutions

A desk-based review of immature local UK 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.

Key Stakeholders

Scottish Power Transmission

Scottish Power MANWEB

Scottish Power Distribution

Local Authorities

Nature Scotland

Specialist Companies

Startups

Local Communities

Target market

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

