

01 Responsible business in the environment

Our journey so far

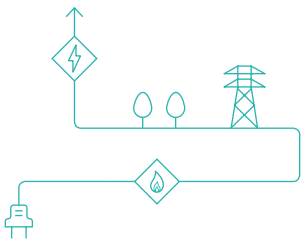
Climate change is the defining challenge of this generation. The decisions we take now will influence the future of our planet and life on earth. We must make significant changes to curb harmful emissions.

Since 1990, we've reduced our direct (Scope 1 and 2) emissions by 70% (as at March 2020). That's well in excess of our interim target, which was 45% by 2020. But there is much more we can do.

Most of the markets in which we operate have announced net zero carbon reduction targets, and we anticipate further legislation. We embrace the opportunity to play our role in helping achieve these challenging goals.

Understanding our greenhouse gas emissions

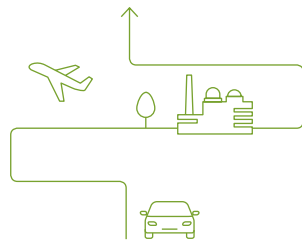
Scope 2: Indirect¹



Upstream

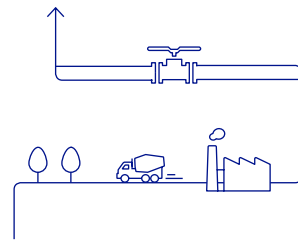
- Line losses from our electricity transmission and distribution lines
- Energy purchased for use at our facilities
- Use of electric drive compressors in our gas business

Scope 3: Indirect



- Purchased goods and services
- Business travel
- Employee commuting

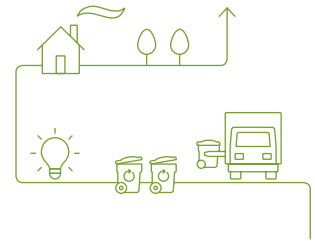
Scope 1: Direct¹



Our operations

- Long Island Power Authority electricity generation
- Leaks and venting from our gas transmission and distribution systems
- SF6 leaks from our electric equipment
- Fleet vehicle use
- Gas-fired compressor use

Scope 3: Indirect



Downstream

- Use of 'sold product' or emissions from our customers' use of the gas and electricity we purchase on their behalf
- Waste management

¹ Included in our net zero target.

What we will do

Our commitments

This charter represents the next stage of our environmental commitments, setting out a significant change in what we will achieve.

- **Achieve net zero by 2050.** We will reduce Scope 1 and 2 greenhouse gas (GHG) emissions 80% by 2030, 90% by 2040, and to net zero by 2050 from a 1990 baseline.²
Our Scope 1 and 2 target aligns to a well-below two degrees pathway consistent with the ambition requirements of the Paris Agreement and Science Based Targets initiative (SBTi).
- **Reduce Scope 3 GHG emissions for the electricity and gas we sell to our customers (making up 80% of our Scope 3 emissions) by 20% by 2030 from a 2016 baseline.**
Our Scope 3 target aligns to SBTi's two degrees pathway. With SBTi moving to only recognize targets aligned to well-below two degrees and 1.5 degrees, we will continue to work closely with the team on this higher level of ambition, and work to have the Scope 1, 2 and 3 targets officially validated by the SBTi.
- **Reduce SF6 emissions from our operations 50% by 2030,** from a 2019 baseline.
- **Move to a 100% electric fleet by 2030 for our light-duty vehicles,** and pursue the replacement of our medium- and heavy-duty vehicles with zero carbon alternatives.
- **Reduce energy consumption in our offices 20% by 2030,** from a 2019 baseline.
- **Improve the natural environment by 10% on the land we own by 2030.**
- **Achieve zero carbon emissions from business air travel.** From this year (2020) onwards, we will reduce our annual air miles travelled by at least 50% from a 2019 baseline on an enduring basis, and we will offset any remaining emissions responsibly.

Our ambitions

- **Accelerate our net zero target wherever possible.** We will work to achieve net zero in each part of our business as fast as we can. Where we need to pursue carbon offsetting we will seek offsetting options that deliver multiple benefits.
- **Eliminate all SF6 gas from our assets by 2050.** Technology and solutions are not yet available to achieve this. Therefore, we will work with partners from across the sector to identify, develop and implement SF6-free solutions at the earliest opportunity.
- **Further reduce our Scope 3 emissions** from selling gas to our customers beyond 2030 to be consistent with the targets set by the markets in which we operate (e.g. net zero by 2050).
- **In the UK, the National Grid ESO (Electricity System Operator) will be able to operate a zero-carbon system by 2025.**



² Our interim 2030 target is science-based (80% by 2030 is the equivalent to 50% from a 2016 baseline).

We will enable a fair and affordable transition to a clean energy economy, and reduce our own emissions.

We will play a leading role in enabling and accelerating the transition to a clean energy system. The energy system will look very different in a net zero world, and we will work to accelerate the transition, while balancing decarbonization, affordability and reliability.

Our aim is to be a leading utility globally in demonstrating the technical and commercial solutions that will help achieve net zero for the energy sector. Over 2020-21 we will work closely with the UK Government, Scotland and Wales, US partners and partners around the world to demonstrate these solutions as part of work for COP26³.

Electricity

A fully decarbonized electricity grid. We expect demand for electricity to rise as transport and some heat becomes electrified. To meet this demand, we will connect renewables as quickly and efficiently as possible, and invest in grid modernization. We will also make good use of demand-side management through our energy efficiency and demand-side response programs in the US and UK.

We will continue to build interconnectors to bring low carbon energy to the UK, and we will grow our renewables business in the US. Our acquisition of Geronimo Energy, a leading developer of wind and solar generation assets, creates a solid foundation on which to develop and grow a large-scale renewable business.

Transport

The decarbonization of transport. In a net zero world, almost all road transport will be decarbonized. We have a role to play here, making sure the right charging infrastructure is in place in the UK and US to enable an increase in electric vehicles.

We will also build electricity network flexibility and support low carbon alternatives, such as hydrogen, for heavy transport.

Heat

The decarbonization of heat is uniquely challenging; we'll need to deploy cost-effective solutions for consumers and businesses, while minimising disruption to people's daily lives.

While we don't yet have the answers, we are sure there is no one-size-fits-all solution. We will work with our customers and regulators to enable a range of potential solutions, including heat pumps, and renewable natural gas and hydrogen in our networks. In the US, we will continue leading on energy efficiency and helping residential, commercial and industrial customers switch away from the most polluting heating fuels, such as oil.

Natural gas

Natural gas makes up a large proportion of our own emissions. We'll continue to reduce fugitive emissions from our gas networks. In addition, our Long Island generation fleet, which has already cut emissions substantially⁴, will transition to cleaner sources of generation and storage, in line with New York's climate goals⁵. We'll also continue our role in helping develop and deploy new technologies that have the potential to help us decarbonize at scale in the years ahead – such as hydrogen networks and carbon sequestration.

³ The UK is hosting the 26th UN Climate Change Conference in November 2021 in Glasgow.

⁴ Our generation business has reduced emissions by over 80% since 1990.

⁵ New York has a goal of 100% clean generation by 2040.

Reducing our own emissions

We'll continue reducing our own direct emissions, replacing leak-prone gas pipelines with plastic ones, and by using robots traveling through our pipelines to detect and reduce leakage. We are committed to replacing SF6 with cleaner alternatives, reducing SF6 emissions by 50% by 2030, and have set ourselves an ambition to eliminate its use in our operations completely by 2050.

We will also reduce our business travel emissions by changing to alternative fuel vehicles and reducing business flights. We will encourage more flexible ways of working and use technology to reduce business travel, and incentivize our people to buy electric vehicles. We will reduce the energy consumed in our buildings and procure green energy where possible.

We will achieve net zero emissions from our Scope 3 construction activities in the UK by 2026. In the US, we need to do more work to understand our construction carbon intensity, but we will aim to develop a target for reduction by 2022.

To make sure we are making the right decisions, we're implementing carbon pricing on all major investment decisions by the end of 2020.

Waste

Adopting the principles of the circular economy, we'll design assets that can be recycled, refurbished and reused. We are committed to reducing the use of single use plastics and sending zero waste to landfill, where possible, in our main offices.

Natural environment

We must also address the challenge of restoring the natural environment. Using our own land and working with partners, we have an opportunity to cut carbon and restore nature at the same time. We will improve the natural environment on our own land; for example, by protecting habitats and increasing biodiversity. We'll do this by using best practice methods, such as natural capital evaluation, so we can make sure we create the most benefit. We'll also build on the work we've already done to increase the environmental value of more than 50 of our sites in the US and UK.

Improved air quality

We will reduce NOx and SOx emissions by improving the efficiency of our plant and equipment. Our initiatives to facilitate the electrification of transport and reduce our own travel emissions will also improve air quality in the areas we work.

Our contribution to the UN SDGs

We support the United Nations Sustainable Development Goals (SDGs), which are a universal call to action to end poverty, protect the planet and ensure all people enjoy peace and prosperity.

Relevant UN SDGs for our environments focused programs and actions:

