

A fair transition: our approach and engagement

nationalgrid



PRINCIPAL PARTNER
COP26
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DELIVERING THE
GLASGOW CLIMATE PACT

Introduction

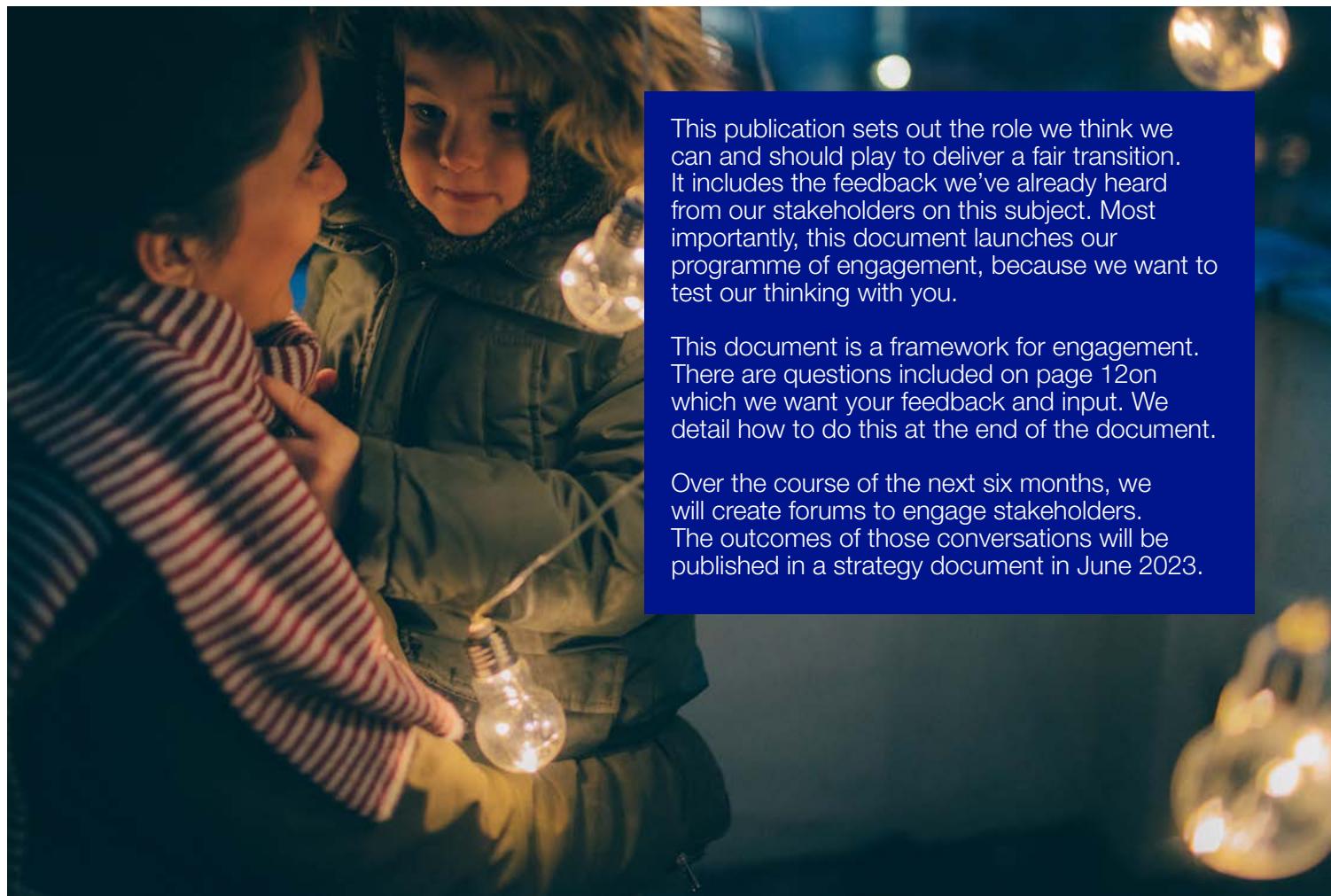
As the energy industry transitions to net zero, there is collective agreement that it must be done fairly and affordably.

The big question is how to do this – National Grid is committed to leading a fair transition in the areas we control, as well as advocating for change in the areas we do not. This document sets out our initial thinking and seeks your views to understand your priorities, to help shape our actions and inform where we should be advocating for change with governments, regulators and industry colleagues.

There is no universally agreed definition of a fair transition, and it has many different names, e.g. just transition, climate justice, environmental justice. For us, a fair transition means that no one is left behind as the world transitions to a clean energy future. No matter who or where you are, your income or background, everyone should share in the benefits of the clean energy future: access to clean energy, health, job opportunities and economic development.

Much of this is out of our control, but we can take action in the communities we serve, and we can advocate for action by parties that have a broader influence, such as governments and regulators. We want your views on what you think a fair transition should mean to us, and the actions we can take.

There has been progress on this issue in both the UK and US, but there is still a long road ahead. The world must accelerate pace and scale to net zero to ensure the worst effects of climate change are not felt. We want to play our part and work with others to reduce the risk of leaving vulnerable, disadvantaged and marginalised communities behind to suffer the most damaging impacts of climate change and climate poverty, and allow everyone to benefit from the energy transition.



This publication sets out the role we think we can and should play to deliver a fair transition. It includes the feedback we've already heard from our stakeholders on this subject. Most importantly, this document launches our programme of engagement, because we want to test our thinking with you.

This document is a framework for engagement. There are questions included on page 12 on which we want your feedback and input. We detail how to do this at the end of the document.

Over the course of the next six months, we will create forums to engage stakeholders. The outcomes of those conversations will be published in a strategy document in June 2023.

National Grid

National Grid plc is one of the world's largest investor-owned energy utilities, committed to delivering electricity and gas safely, reliably and efficiently to the customers and communities we serve. Our purpose is to 'Bring Energy to Life'.

We are the Energy Transition Company, with a vision of being at the heart of a clean, fair and affordable transition. We connect millions of people in the UK and US to the energy they rely on in their homes, businesses and communities, whilst continually seeking ways to make the energy system cleaner. With this role comes new challenges in a sector where the long-term transformation of energy is underway, and the rate of change is accelerating. We're no strangers to change. We've been instrumental in building today's energy systems.

"National Grid is committed to enabling and delivering a fair transition to cleaner energy for all – net zero and equity are not only complementary but mutually reliant."

Duncan Burt,
Chief Sustainability Officer, National Grid

Now we must change yet again by adapting to lead the clean energy transition to a fossil-free future.

We are committed to the transition to a clean energy future, ensuring that it is fair and affordable for all, whilst continuing to connect people to the energy they need for their daily lives – safely and reliably.



What do we mean by a fair transition?

A fair transition means that no one is left behind in the transition to a net zero and climate-resilient future.

As we set out in the introduction to this document, there is no universally agreed definition. What it means to us is no matter who or where you are, your income or background, everyone should be able to benefit from the clean energy future. This includes access to clean energy, health, job opportunities and economic development.

We have led and supported numerous efforts to understand perceptions on climate change, climate action and a fair transition in recent years, including Business in the Community (BITC)/YouGov surveys, US polling and stakeholder engagement work. The results clearly show us that we need to think critically about how we act to enable the transition to a resilient, net zero future and enables people and nature to thrive.

"The transition to clean energy is more than an environmental issue – it's also about the impact on society and communities. How we provide affordable, reliable and cleaner energy for our customers and show up in our communities has never been more important than it is today. As a company, we understand the global nature of the energy transition and we have a responsibility to act now to reduce greenhouse gas emissions, putting focus on those communities that have been neglected to enable a transition that is fair and inclusive for all."

Natalie Edwards,
Chief Diversity Officer, National Grid.

In the UK just

25%

of people and **40%** of businesses think that the social benefits of the transition will be shared equally.

People do not think that the benefits or negative impacts of climate change, or action to address it, will be shared equally across society. Whilst businesses are more positive than the public, there is much work to be done to demonstrate that a fair and inclusive transition is possible.

(Business in the Community/YouGov, 2021)

Only

39%

of our **US customers** either agree or strongly agree that the broader social benefits of achieving net zero will be shared in an equitable way across society.

(National Grid Residential Customer Survey, 2022)

Ongoing engagement is a critical part of our plan so we can work towards a fair transition on a local, national, and global scale. It's not just what we do, but how we do it, that matters.

'What we do is important, but how we do it is equally critical. We must make sure the transition to a resilient, net zero future is fair and just, truly enabling people and nature to thrive.'

Business in the Community 2022 report,
The Right Climate for Business: leading a fair transition ⁽¹⁾

With the concept of a 'fair transition' explained, people in the UK prioritise the following business actions:

- reskilling workers whose jobs might be at risk (**53%**);
- guaranteeing fair and good work for any jobs they might create (**39%**);
- helping communities globally who will suffer most to take action to minimise harm from climate change (**37%**); and
- listening to the concerns of their local communities and working out how the business can help tackle them (**29%**).

Business in the Community Survey (UK, 2021)

When asked 'what should large energy companies prioritise in the transition to net zero?' US stakeholders' top three responses were:

- ensuring the benefits of the energy transition are accessible and affordable for everyone (such as more efficient home appliances or electric vehicles) (**74%**);
- ensuring bills remain affordable for all customers (**64%**); and
- ensuring all local utility infrastructure is well-prepared to handle the impacts of climate change (**64%**).

National Grid Residential Customer Survey (US, 2022)



¹<https://www.bitc.org.uk/report/the-right-climate-for-business-leading-a-just-transition/>

Starting the fair transition conversation

We are looking to hear thoughts, opinions and input from you – our customers, communities, partners and colleagues – to help shape our actions and engagement towards a fair transition. In the last year, we have already started engaging colleagues and customers to inform this document.

Customer engagement, New York, 2021

This research shows we still have significant work to do to enable all customers to participate in the transition:

- without prompts, the debate over ‘full electrification’ and the future of heat is unknown to most customers.
- there is little awareness of the equipment customers would need, such as heat pumps and electric induction stoves; and
- there is also very low awareness of viable green energy alternatives, such as renewable natural gas and hydrogen.

Our external consultation process for our most recent UK business plans (R110-T2) confirmed we should:

- minimise the local impact of construction on the environment;
- be ambitious in improving biodiversity;
- work with local communities affected by our construction projects;
- do more to help these local communities;
- work closely with business, our supply chain, and consumers to achieve shared goals; and
- our contribution to society should be central to our long-term strategy of leading the energy transition.

National Grid Colleague fair transition workshops

We have held six workshops across the UK and US, with over 100 of our colleagues. The workshops allowed our colleagues to:

- share their thoughts and ideas on what a fair transition means and how we can contribute to delivery as a business; and
- help to shape this publication to begin a conversation with a wider group of stakeholders.

We plan to hold further colleague engagement over the year, continuing to give colleagues a voice as we develop our strategy.



Our role in delivering a fair transition

From this feedback and feedback received through other engagement, such as our regulatory price control and rate case processes, we have identified five areas that we think we should focus our work on towards a fair transition. We believe these are areas where action is needed to facilitate a fair transition, and where we can make a difference:



In our Responsible Business Charter, which we published in 2020, we set out our commitments across five pillars where we believe we can have the most impact on society: the environment, the communities we serve, our people, the economy and our governance. Through this new conversation we

intend to look across those pillars at the actions we can take as a business to deliver a fair transition focusing on our key areas Actions we are already taking are set out in our annual Responsible Business Reports¹.



¹<https://www.nationalgrid.com/responsibility>



Affordability

Energy poverty is a real issue both in the UK and US and will be a significant barrier to people participating in the transition to a low-carbon economy. The global economy has dramatically changed in the last three years leading to huge increases in commodity prices, and the war in Ukraine has further exacerbated this issue.

Our direct impact: We recognise the growing challenge this brings to many households and are working to understand how we can best help both in the short and long term. We have highlighted where we have already been proactive in this area on page 10.

Where we can advocate: We can advocate for further policy support from our governments enabling those from disadvantaged or underrepresented groups to be involved in achieving net zero, both now and longer term. Policies need to support affordability, equity, and access to low-carbon, energy-efficient (and therefore lower running cost) solutions.



Education, jobs and skills

The energy transition means a change in the types of jobs and skills required. This provides an opportunity for us to support skills development and wider education, particularly in traditionally under-represented groups.

Our direct impact: We recognise that at the heart of what we do is our workforce, supply chain and the future workforce we influence. We know we need to do more to understand the diverse communities we are working in and who would most benefit from upskilling programmes, bringing job and skills opportunities to our communities, facilitating greater diversity in the energy industry and providing opportunities to those who we may not have previously reached.

Where we can advocate: We will continue to advocate for the further expansion of training and skills development opportunities – such as apprenticeships, return to work programmes and the inclusion of future skills requirements in curriculums.



Community

Building climate resilience in our communities

We have been considering the risks climate change poses to our infrastructure for a number of years, but recognise we need to continually evolve this work.

Our direct impact: We are updating our assessments to align to the latest climate science and widening the range of climate hazards we assess. This helps us continue to identify where we need to invest to maintain resilience and provide targeted support for vulnerable people and communities.

Where we can advocate: Organisations globally have set ambitious net zero and environmental targets and we may be able to help by providing our expertise to plan for and deliver against these targets. These groups are keen for us to support in shaping their plans, and to understand how our infrastructure can enable these strategies. By working with industry colleagues and other sectors on climate resilience, we can identify opportunities to deliver cross-sector resilience.

Positive impact on our communities

All communities, especially historically under-represented communities, must be heard and included in planning the transition. We need to listen more to all the communities in which we work to understand their needs in the transition and how we can meet them.

Our direct impact: We're working hard to incorporate the voice of the communities we're investing in – we're committed to engaging locally about the needs of the communities we operate in and tailoring our offering accordingly.

Where we can advocate: We will continue to use our voice to lift up the voices of those less likely to be heard in communities in which we operate through our strategic partnerships in community support programmes such as The National Grid Foundation and Grid for Good.



Nature and resilience

We are at a pivotal moment for environmental priorities, energy generation, landscape change and nature conservation.

Our direct impact: Our business, now and in the future, commits to enhancing the natural environment on the land that we own and work on, and to enabling additional benefits such as natural flood defences and community access to green spaces.

Where we can advocate: We will promote a more cohesive approach to land use and enhancing the environment. We will do this by continuing to take an active role engaging with our regulators sharing our expertise and supporting them in achieving their objectives on nature and resilience. We will continue to forge and maintain strategic partnerships such as with The Conservation Volunteers (TCV) and the Blue Recovery Leaders Group who can support us in identifying and delivering nature enhancement.



Accessibility

We recognise that without access to relevant technology and/or training there may be adverse effects for disadvantaged and marginalised groups, globally and within our communities.

Our direct impact: As we look to accelerate this transition, there are numerous areas where we need to facilitate accessibility to all stakeholder groups. One of these areas is the greening of the transport sector. We are committed to enabling an electrified transport system that benefits all our customers and communities, and enables access to equitable, reliable, affordable and resilient charging. In June 2021, we joined the EV100 initiative, a global initiative launched by the Climate Group that brings together companies committed to the transition to electric vehicles. The initiative provides an opportunity for global leaders to share ideas, demonstrate the growing case for going electric, and engage with governments and stakeholders on how we can collaboratively remove remaining barriers. In addition, we are engaging internationally through initiatives like the Green Grids Initiative to accelerate the development and deployment of interconnected electricity grids across continents, countries and communities, to increase access to clean electricity, particularly in developing countries.

Where we can advocate: We want to see equal and fair access to clean energy for all; we will continue to work with local and global partners to share our learning and best practice on this.

Delivery of a fair transition in the UK, US and globally will require action from all parties with influence in the transition, including governments, regulators, business and civil society. We want to understand where we can make a difference, and work to make sure we are leading delivery in those areas. By listening to and working in partnership with communities, our employees, supply chains and policy makers we will better understand how we can help deliver a fair transition. Ultimately, we want to reduce the vulnerability of people and communities and any negative impacts as we transition to a clean energy future.

We need to think about the risks, opportunities and impacts to different groups from the energy transition. That's why a one-size-fits-all approach won't work.

Affordability

Affordability has always been one corner of the energy trilemma, along with sustainability and security of supply. We've identified affordability specifically in this document in recognition that the cost of living has grown significantly in recent months, driven by an increase in wholesale energy costs and geopolitical issues.

This is shaping our thinking on what our role is and where we can best support customers, whilst continuing to run our business efficiently, keep costs down and leave no one behind.

The current crisis could hasten the transition, further increasing the risk of it being unfair. We firmly believe that this means now is the time to have the conversations on, and to invest in, our long-term energy future.

In the UK

These are some of the ways we are providing active support to address current affordability issues:

- **Warm Homes Fund:** We are actively involved in the Warm Homes Fund and are looking at how we can boost energy efficiency, help people reduce their bills and support funding to give emergency meter credit.
- **Fuel Bank Scheme:** We are making a direct financial contribution of £1m this financial year.
- **Citizens Advice:** We are building on our existing relationship with Citizens Advice to understand how we can best support them. From that we are drawing up plans to provide funding and staff to help them reach more people in need. These include:
 - a direct financial contribution to assist the development of their self-serve and telephone hotline infrastructure
 - provision of support to run or staff their helpline; and
 - provision of technical support through volunteering from our IT team to aid the development of Citizens Advice's infrastructure and systems.
- **Early repayment of interconnector revenues:** In May 2022 Ofgem (our UK Regulator) approved our request to make early payments to consumers of £200 million, as part of the regulatory regime for electricity interconnectors. This will contribute to reducing consumer costs over the next two years. We are now working with Ofgem to ensure the early payments can have the biggest impact for consumers.

In the US

We have several programmes in place to support local communities, provide relief funding to address hunger, and offer emergency heating funds. We recognise the value in these now, more than ever.

- Since its inception in 1998, the National Grid Foundation has given over \$30 million (£22 million) in grants to community organisations and provided \$2 million (£1.48 million) in support to address hunger and provide relief for heating costs during the Covid-19 pandemic.
- We have partnership programmes including Grid for Good and Project C in New York, Massachusetts, and Rhode Island to support workforce development, environmental justice and social equity, clean energy and sustainability, and volunteerism.

We also continue to actively support our US customers in the transition to net zero.

- **Through our US energy efficiency programmes,** we've implemented over \$4 billion in energy efficiency measures since 2012. Over 1.3 million homes and businesses have benefited from energy efficiency upgrades, avoiding over 8.5 million tons of CO₂ emissions during that period. We are undertaking work across our jurisdictions to ensure that our energy efficiency programmes address barriers to participation and better serve customers who may face language or income challenges.
- Advocacy in support of the federal **Low-Income Home Energy Assistance Program**, which provides support for customer heating bills. In 2021/2022 213,973 grants were awarded totalling \$90.2 million (£66.8 million) worth of fuel assistance for our low-income customers.

Next steps for a fair transition

Continuing the conversation – How we will engage

In this document we have set out what we think a fair transition is, what role we play, some of the activities we have already undertaken, and what areas we believe are important in delivering it. We have also highlighted key questions.

We are committed to listening and engaging with a range of stakeholders to inform this strategy.

We will continue the conversation and seek feedback on this consultation in these ways:

With our own colleagues

- We have an internal engagement programme underway where we are:
 - continuing to make use of the commitment and passion from our Climate Champions; and
 - working to hear from colleagues in all areas of our business.

With our UK stakeholders

- We will use our existing stakeholder engagement routes, including our Independent User Group (IUG) and Trade Union liaison to listen to feedback on this publication and discuss future ideas.
- We are working with not-for-profit organisation, Sustainability First, to ensure we seek views outside our industry.
- We will continue to build on our existing industry collaborations, looking to create partnership and system solutions to issues to achieve a fair transition.
- We will continue to engage with our investors on their views for a fair transition.
- We have created a route for individuals to share their thoughts on our Fair Transition proposals with us: fairtransition@nationalgrid.com

With our US stakeholders

- We are augmenting the discussion around the fair transition with our peer utility companies through our first Equity in Energy summits in June and October 2022. This is a collaborative approach to provide solutions in the quest for an equitable clean energy future.
- We will use our existing stakeholder engagement routes, including listening programmes and Trade Union liaison to understand feedback on this publication and discuss future plans.
- We will continue to engage with our investors on their views for a fair transition.
- We have created a route for individuals to share their thoughts on our fair transition proposals with us: fairtransition@nationalgrid.com

With our international stakeholders

- We will continue to engage with our international partners and stakeholders to share learning and expertise to enable a clean energy transition that ensures fair access for all, globally.
- We are committed to listening and engaging with a range of stakeholders to inform this strategy, both internal and external. We will involve diverse groups and provide feedback when opinions have influenced our actions and decisions. We have set out some of our stakeholders we engage with regularly in Appendix 1, this list is not exhaustive.

The launch of this publication and engagement programme on our fair transition Strategy allows us to bring together the work we have already begun: our leadership role at COP26; the progress we have made against our Responsible Business Charter commitments; and the passion we have harnessed in our colleagues to deliver the transition.

Whilst still addressing the challenges of climate change, we want to move the conversation forward to what we can all do in the future to transition to a clean, green future in a fair and affordable way.

The six months following this publication will be spent seeking feedback from colleagues, partners and communities in the UK and US. This will enable us to develop an informed and collaborative strategy with more detailed plans published, by business unit, on delivering a fair transition, in June 2023.

We are deeply committed to getting this right.

Questions to you:

- **What does a fair transition mean to you?**
- **Are these the right focus areas for us to act on to enable a fair transition?**
- **Have we identified where we can have a positive role in enabling a fair transition?**
- **Have we identified where can we best influence those who are responsible in other areas?**
- **Who out of our stakeholders (identified in Appendix 1) or others not-identified, should we be working with to influence, or partnering with, to drive change?**

fairtransition@nationalgrid.com

Appendix 1 - Our stakeholders:

These are stakeholder groups we regularly engage with:

Our Stakeholder Groups	
Consumers	Energy industry
Consumer representatives	Industry bodies and chartered organisations
Communities and their representatives	Other businesses and their representatives
Customers	Supply Chain
Independent panels	Academics and think tanks
Regulatory	Employees
Political and Government	Investors
NGOs and interest groups	Media



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