nationalgrid

Green Financing Report

2024/25

Introduction

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. We sit at the very heart of the transition to net zero in the UK and northeast of the US and our assets play a key role in the decarbonisation of many high-emission sectors, including heating, industry and road transport, among others.

We recognise the significant changes needed to transition the energy system, in a reliable, safe, fair and affordable way for all. To do so, we are investing heavily in our networks to deliver low carbon energy, and the issuance of Green Financing Instruments supports our efforts and reinforces our commitment to the clean energy transition.

The following pages report on the allocation of proceeds and environmental impact of National Grid North America Inc's (NGNA) Green Bonds, issued in August 2024 for €700 million and €800 million. The bonds were swapped to US Dollars. The bonds were issued in accordance with National Grid's Green Financing Framework as updated in July 2021 (the "2021 Framework"). The 2021 Framework is aligned with the ICMA Green Bond Principles published in June 2021 and the LMA Green Loan Principles published in February 2021, and the use of proceeds categories have been mapped to the eligibility activities defined by the EU Taxonomy Regulation and the EU Taxonomy Delegated Acts on Climate Change Mitigation and Adaptation. The 2021 Framework and corresponding Second Party Opinion (SPO) issued by ISS-ESG are available on our website: **https://www.nationalgrid.com/investors/debt-investors/green-financing**

Deloitte LLP ("Deloitte") have provided independent limited assurance over selected information, identified with the symbol within this Green Financing Report. Deloitte's independent limited assurance report is available on our website: **https://www.nationalgrid.com/investors/debt-investors/green-financing.**

The Green Financing Committee has reviewed and approved the National Grid Green Financing Report 2024/25 covering the Green Financing Instruments issued in the 12-month period ending 31 March 2025. We confirm the information and data provided is accurate and in line with mandatory requirements and has been independently assured by Deloitte.

Final terms of National Grid North America's Green Bonds

Issuer	National Grid North America Inc.	
Rating at issuance (Moody's / S&P)	Baa2 / BBB	
Documentation / status	NGNA's €8bn EMTN programme dated 24 August 2024 / Senior unsecured, Reg S	
Currency	EUR	EUR
Size	€700m	€800m
USD equivalent*	$773.1m	$883.5m
Trade date	August 27, 2024	August 27, 2024
Settlement date	September 03, 2024	September 3, 2024
Maturity	September 03, 2031	September 3, 2036
Coupon	3.631%	4.061%
Denominations	€100,00 + €1,000	
Primary listing	London	
ISIN	XS2894910665	XS2894931588

* USD equivalent amount is based on the foreign exchange (FX) rate at the settlement date (€1: $1.1044).

Allocation and impact report

National Grid North America Inc Green Bonds

Information on allocation principles and eligible categories can be found in the 2021 Framework published on our website. The allocation period for this bond is 1 July 2022 to 30 June 2024. Therefore, the bonds are fully allocated for refinancing purposes.

For more details, please refer to the Impact Methodology section on page 4.

Eligible Green Expenditure and Environmental Impact

The following metrics are calculated to estimate the environmental benefits related to Eligible Green Projects funded by the NGNA Green Bonds. The reporting period is 1 July 2022 to 30 June 2024, which is aligned with the allocation period. Impact calculations are based on the allocated period for each project to measure the impact attributable to the bond on a pro-rata basis (please see page 4).

							Impact analysis			
ICMA/LMA Green Eligible Category	EU Taxonomy[a] Eligibility Category	Invested amount[1] (€ in millions)	Eligibility for Green Financing Instruments (%)	Eligible amount[2] (€ in millions)	Allocated amount (€ in millions)	Share of total allocated portfolio financing (%)	Additional capacity of renewable energy connected to the systems (MW)	Additional renewable generation (MWh)	Estimated tCO_2 emissions avoided[3] (tCO_2e)	Contribution to specific UN SDGs
Renewable Energy	4.9 Transmission and distribution of electricity[4, 5, 7, 8]	3,288.5	46.39%	1,526.1	1,500.0	100%	-	-	11,571,893	UN SDG 7, 9, 13
Total		3,288.5		1,526.1	1,500.0	100%	-	-	11,571,893	

Note: Deloitte LLP ("Deloitte") have provided independent limited assurance over selected information, identified with the symbol

Green Funding Allocation

Green Financing Instrument	Amount issued (€ in millions)
XS2894910665 / XS2894931588	1,500.00
Total allocated proceeds	**1,500.00**
Total unallocated proceeds	**0.00**
Total green funding	**1,500.00**

The bonds have been fully allocated to Eligible Green Expenditure in NGNA's New England and New York businesses, subject to a green ratio[6]. This spend is included within the Renewable Energy category above and relates to expenditure in three US operating companies which are subsidiaries of NGNA: Niagara Mohawk (NIMO) in our New York business and Massachusetts Electric Company (MECO) and New England Power Company (NEP) in our New England business.

The report includes NIMO, MECO and NEP capital expenditure that occurred between 1 July 2022 to 30 June 2024 and was invested by NGNA. Additional eligible green capital expenditure since 30 June 2024 from NIMO, MECO and NEP and forecast spend are not included.

Notes to the Allocation and Impact Report

1. The invested amount describes the total invested amount prior to the green ratio of 46.39% (a weighted average of the New York and New England green ratios) being applied to electricity transmission and distribution capital expenditure (see note 6). Applying the Green Ratio then derives the eligible amount of investment against which the bond proceeds are allocated. US$ capital investment has been converted into € at the exchange rate of €1: $1.1044.
2. Note that there may be small differences between values in the Eligible amount column and those calculated using the Invested amount and Eligibility for Green Financing Instruments percentage due to rounding of the values in this table.
3. We recognise that the estimated tCO_2e emissions avoided reflects the result of actions undertaken not just by National Grid, but by other stakeholders in the energy industry and value chain, including energy producers and consumers. However, as the renewable installed capacity is enabled by our Eligible Green Projects, we claim 100% of the impact attributable to our Green Bonds.
4. Information on our compliance with the EU Taxonomy alignment substantial contribution, do no significant harm and minimum safeguards criteria can be found in our EU Taxonomy Report for 2024/25.

   In 2021 National Grid plc published a Second Party Opinion from ISS ESG, part of which assessed the sustainability credentials of National Grid's financing instruments against the EU Taxonomy Delegated Act.
5. All of the proceeds allocated to the two Green Bonds relates to Eligible Maintenance/Generic Infrastructure Capex. This is an essential part of our work which contributes to maintaining and improving our electricity transmission and distribution networks, including enhancing their capacity to more efficiently deliver higher levels of variable renewable energy to meet the needs of the future energy system. We recognise that the electricity in our system is generated from a combination of renewable and non-renewable sources, and we therefore apply a Green Ratio to the Eligible Maintenance Capex equal to the renewable proportion of generation over the period covered by the bonds.
6. The Green Ratio is defined as the share of installed renewable nameplate capacity versus the total peak load on our electric networks in the respective US jurisdictions of our US operating companies, and is calculated as:

   The sum of (A) the distribution active demand response (our ability to shift customer demand of electricity based on available supply), and; (B) the installed renewable resources nameplate capacity of electricity generators connected to our transmission and distribution systems (excluding large-scale hydroelectricity plants (>25MW)), each located within our service territory (the intended full-load sustained output of a generation facility connected to our transmission or distribution networks. Generation resources in our distribution systems consist of small and geographically dispersed generation sources such as solar, energy storage, and demand response resources located on the distribution system); divided by (C) the total projected peak load forecasts (weather and econometric-adjusted customer demand, net of distributed energy resources).

   For both MECO and NEP, we applied the 2023/24 Green Ratio of 33.40% retrospectively to the New England Eligible Maintenance/Generic Infrastructure Capex in the allocation period, and for NIMO we applied the 2023/24 Green Ratio of 56.41% retrospectively to the New York Eligible Maintenance/Generic Infrastructure Capex in the same period. Together, this results in a weighted average green ratio of 46.39%.
7. For our electricity transmission maintenance expenditure, consistent with prior green bonds issued from the 2021 Framework, we have removed an estimate of expenditure related to SF_6 gas, which is a highly effective insulator used in our circuit breakers and is necessary for the efficient functioning of our electricity networks, primarily within our transmission assets. SF_6 is a greenhouse gas that is over 20,000 times more potent than CO_2, and it can leak from our assets in very small volumes. While SF_6-free alternative technologies and solutions are not yet available for most of our assets, we decided to exclude such expenditure by removing the estimated purchase and installation costs of circuit breakers from the eligible transmission projects. In the case of capital expenditure where our Green Ratio is applied, we removed the estimated expenditure related to SF_6 gas before applying the Green Ratio.
8. We have also excluded projects that are specifically financed from customer contributions and from other borrowing sources and spend recoverable in the short-term through our regulatory mechanisms as at the point of allocation of proceeds.

Impact methodology

Estimated CO_2e emissions avoided (tCO_2e)

The eligible capital expenditure for this bond supports the maintenance and integration of renewable energy into our transmission and distribution networks. The avoided emissions estimate reflects the impact this expenditure has on the continuous transmission and distribution of renewable electricity.

Estimated tonnes CO_2e avoided is calculated as the savings from having a portion of the electricity system's load coming from connected renewables generation (which has zero emissions) compared to those that would have occurred using the average generation mix and the relevant carbon intensity factor for the applicable service region. The avoided CO_2e emissions have been calculated by multiplying the following:

- Total electricity transmitted and distributed by National Grid over the allocation period of the bond (in MWh);
- The share of electricity load, over the allocation period of the bond, equivalent to the percentage of our capital maintenance expenditure that is deemed to contribute to maintaining and integrating renewable energy capacity into our networks (the "Green Ratio", 56.41% for New York and 33.40% for New England);
- Average carbon intensity factors obtained from the EPA's eGRID[1] and using AR5 global warming potentials to convert to CO_2e.

Please note that the avoided emissions estimate presented here is solely for Green Bond reporting purposes and excludes absolute (gross) GHG emissions from the construction phase and ongoing operations of the associated capital expenditure projects. For comprehensive details on our corporate GHG reporting, including Scope 1, 2 and 3 performance against our Science-Based Targets initiative (SBTi) GHG reduction targets, please refer to our latest Annual Report and Accounts[2].

1. Available from https://www.epa.gov/egrid/historical-egrid-data
2. Available from https://www.nationalgrid.com/investors/resources/reports-plc

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