Annual report and accounts 2022 to 2023

Sustainability

ORR has different environment and sustainability duties for rail and road, and the industries are subject to different goals and legislation across England, Wales, Scotland and Northern Ireland.

In September 2022 we published our new overarching sustainable development policy statement following public consultation in 2021. This sets out how we will incorporate sustainable development principles in delivering our rail regulatory functions and holding National Highways to account. It will drive how we develop and implement policy, including how we work with third parties, our corporate operations and how we scrutinise and report on progress.

We are also subject to sustainability and reporting duties as a public authority, such as through the Greening Government Commitments, and the sustainable development policy statement also covers these internal corporate activities and processes.

Sustainability in the rail sector – holding Network Rail to account

UK governments have committed to a net zero railway in England and Wales by 2050 and in Scotland by 2045, through the Plan for Rail, DfT's Decarbonisation Plan and DfT's Rail Environment Policy Statement (all published in 2021) and the Scotland Climate Change Act 2019. In December, the Government set out the environmental outcomes it expects of the railway over the forthcoming control period (2024-2029) in its High Level Output Specification. This includes requirements to deliver a more circular economy, to address climate change adaptation and to conserve and enhance biodiversity.

Teams across ORR continue to support industry's work to achieve these. We have updated our sustainable development policy statement and our environmental guidance to railway licensees, ensuring they are adhering to appropriate environmental policies and arrangements. We are monitoring how industry responds to this and the wider challenges of government decarbonisation policy.

We continued our quarterly liaison meetings with Network Rail's Chief Environment and Sustainability Officer and subject matter leads. We have also met with the Head of Environment for each of Network Rail's five regions to understand and assure delivery of their Environment Strategy at a regional and route level. We found positive progress in areas including governance, emissions data, incident response, energy efficiency and habitat creation initiatives. There are opportunities for improvement around scope 3 emissions reporting and pathways, and longer-term systemic changes to reduce habitat destruction.

Our regulatory work on decarbonisation has expanded during the year, as we look ahead to PR23. We have placed a requirement on Network Rail under the escalator process to improve its data capture, assurance and governance for reporting on energy use and scope 1 and 2 carbon emissions and have requested regular updates on its preparatory work to ensure it can also report scope 3 emissions from April 2024.

Following the disruption caused by the spell of extremely hot weather in summer 2022, we worked with Network Rail to understand the key issues around weather resilience and climate change adaption (See 'A Safer Railway').

We consulted on wider sustainability outcomes and supporting performance measures for the next control period and have provided advice to ministers on outcomes we feel are important. We have provided feedback to Network Rail on the development of a new corporate 'one planet' environmental sustainability indicator and will commission an independent assessment of the proposed indicator in autumn 2023.

We have also presented our environmental priorities for the next control period to principal contractors in the supply chain, to enable them to prepare their approach for supporting Network Rail's delivery.

We continued to monitor Network Rail's delivery against its biodiversity action plan and saw the publication of its first state of nature report. Our work with Network Rail regions has revealed some welcome areas of progress, such as robust examples of project level habitat creation and

restoration schemes, the setting of bold targets for new schemes by the end of CP6 and strong governance. We also see opportunities for improvements, including showing how Network Rail will help deliver nature commitments in the Government's Environmental Improvement Plan and a cultural shift towards recognising natural assets as no different from other asset families on the railway.

We completed an independent review of lineside vegetation management practices to ensure these respond to the recommendations of the Varley Review, while also delivering operational safety. Aspects of governance, planning and habitat reporting were shown to require improvement, which we are addressing with Network Rail.

Meetings with statutory environmental bodies across England, Wales and Scotland were held throughout the year, to help us stay abreast of permitting requirements for the industry and explore opportunities to address key challenges collaboratively. We continued to discuss with Natural England how biodiversity accounting tools can be applied to the railway estate and report performance on biodiversity 'net gain' from 2024 onwards.

Sustainability in the road sector – holding Highways England to account

We monitor National Highways' progress against its commitment to deliver better environmental outcomes on the strategic road network. For the second road period covering April 2020 to March 2025, this includes holding the company to account on its performance against four key indicators: noise, biodiversity, air quality and corporate carbon emissions.

We also monitor progress against several other environmental performance indicators covering carbon emissions from the supply chain, the condition of cultural heritage assets, water quality and litter.

In our annual assessment of National Highways' performance in 2021-22, published in July 2022, we reported that:

- National Highways had made good progress on its commitments to reduce corporate carbon emissions by 75%, mitigate noise impacts on 7,500 households, and bring air quality on sections of its network into compliance with legal limits in the shortest possible time. We also noted that the company will need to sustain its performance over the remainder

of the second road period (RP2) to meet these targets.

- Further assurance was required that National Highways' biodiversity delivery programme is accurate, deliverable and would achieve the company's key performance indicator (KPI) target of no net loss in biodiversity by 2025. At the end of 2021-22, National Highways was forecasting a biodiversity net loss by 2025. Given this, and additional future impacts linked to enhancements funding and/or scheme schedule changes, we set a requirement for the company to provide sufficient evidence that it was working quickly to rectify this position. We required National Highways to provide a robust plan by September 2022 setting out how it would achieve the KPI target by the end of RP2.
- National Highways spent £53 million of its environment and wellbeing designated fund in 2021-22, against a budget of £60 million, and delivered 32 out of 50 planned milestones during the year. The company reported that it had delivered further milestones in 2021-22 but that these had not been internally validated at year-end. As a result, we set a requirement for National Highways to take steps to comply with its validation process in a timely way so that we have confidence that the company is effectively delivering designated fund projects.

Our next annual assessment is due to be published in summer 2023, when we will report on National Highways' performance against these environmental metrics during 2022-23.

ORR's own environmental strategy

ORR is committed to delivering the 2021-25 Greening Government Commitments, covering climate change mitigation and adaptation, waste, water and resource use, sustainable procurement and nature recovery. We have engaged consultants to support us in developing a strategy and action plan within ORR that can assist us in actively meeting the Greening Government targets and set us firmly on the path to zero emissions before 2050. This includes data gathering and identifying where we can set meaningful targets in areas where we have control.

Procurement

Sustainable procurement involves the management of internal demand to ensure that only appropriate goods and services are obtained from third parties, selecting suppliers that have appropriate sustainability credentials where relevant to the contract, utilising eTendering and opening up procurements to small and medium enterprises (SMEs).

We issue documentation for all tenders electronically and require all proposals to be submitted electronically. We encourage SMEs' participation in tenders through highlighting the suitability of tender opportunities on ContractsFinder and ensure that liability and insurance limits are as low as practical within the contract.

ORR performance

In the past year we have continued to gather data where available on our own environmental performance as an organisation and this is reported in the tables below. Our data is collected by DfT on behalf of Defra. We have presented the data as transparently as possible and have noted where it has not been possible to obtain some information.

Building-related data is provided only for the offices for which we are leaseholders. That is our London office for the full financial year and our Glasgow office up to November 2022, when we moved out of those premises and into the premises of another government department. Our other offices, occupied as sub-tenants of other government departments' premises, should be reported by the lead department.

Most of our utilities are provided and controlled by our building landlords or lead tenants, therefore we do not set targets for the measures reported. The data on travel and paper consumption is for the whole of ORR.

Table 4: Greenhouse gas emissions

Emission Category	2022-23 Greenhouse gas emissions (tonnes CO2e)	2021-22 Greenhouse gas emissions (tonnes CO2e)	2020-21 Greenhouse gas emissions (tonnes CO2e)
Electricity (scope 2)	23	25	24

Emission Category	2022-23 Greenhouse gas emissions (tonnes CO2e)	2021-22 Greenhouse gas emissions (tonnes CO2e)	2020-21 Greenhouse gas emissions (tonnes CO2e)
Oil (scope 2)	-	-	-
Gas (scope 2)	93	74	-
Official business travel (car - personal vehicle) (scope 3)	34	28	17
Official business travel (air) (scope 3)	24	6	1
Official business travel (train) (scope 3)	54	30	5
Official business travel (car - hire vehicle) (scope 3)	13	11	3
Gross emissions of	**127**	**78**	**27**

Emission Category	2022-23 Greenhouse gas emissions (tonnes CO2e)	2021-22 Greenhouse gas emissions (tonnes CO2e)	2020-21 Greenhouse gas emissions (tonnes CO2e)
official business travel			
Total gross emissions	243	177	51

Greenhouse gas emissions from travel increased in 2021-22 as the COVID-19 restrictions were lifted and staff were able to travel again. Emissions increased again in 2022-23 as more usual travel requirements returned. Our travel policies will be reviewed as part of the development of our corporate environmental strategy in 2023-24.

Table 5: Greenhouse gas-related consumption and expenditure

Related consumption and expenditure	2022-23	2021-22	2020-21
Non-renewable electricity consumption	-	-	-
Renewable electricity consumption	110,280 kWh	109,752 kWh	88,734 kWh
Gas consumption	509,160 kWh	414,783 kWh	n.a.

Related consumption and expenditure	2022-23	2021-22	2020-21
Oil consumption	-	-	-
Total expenditure on energy and other utilities	£174,701	£77,007	£75,411
Expenditure on official business travel	£522,771	£283,916	£100,104
Distance travelled by international business flights	40,581 km	10,219 km	5,684 km

n/a = Data not available

Electricity consumption for the Glasgow office was until November 2022, after which the office relocated to premises where another government department holds the responsibility for reporting. Gas reporting is for the London office only and based on an apportionment of the building. The figure for total expenditure is for all utilities for the London office and for Glasgow until November 2022. A breakdown of costs is not available from the landlord.

Table 6: Waste and waste-related expenditure

Waste category and related expenditure	2022-23	2021-22	2020-21
Non-hazardous recycled	1 tonne	3 tonnes	1 tonne
Non-hazardous incinerated/energy from	4	7 tonnes	5

Waste category and related expenditure	2022-23	2021-22	2020-21
waste	tonnes		tonnes
Total waste	5 tonnes	10 tonnes	6 tonnes
Related expenditure, cost of waste collection	£1,818	£3,242	£1,795

The waste figures include data for the Glasgow office until November 2022, after which the office relocated to premises where another government department holds responsibility for reporting. London waste figures are for a percentage of the building until September 2022, and actual weights for ORR thereafter. Waste collection costs are for London only and are based on an apportionment of the building.

Table 7: Finite resource consumption and related expenditure

Finite resource consumption and related expenditure	2022-23	2021-22	2020-21
Water consumption	1,285 m^3	971 m^3	n.a
Paper consumption	355 A4 reams	100 A4 reams	150 A4 reams

Finite resource consumption and related expenditure	2022-23	2021-22	2020-21
Related expenditure	n.a	n.a	£1,992

Water consumption and expenditure figures are for London only. Most water usage is controlled by the landlord. Dishwashers in our London office are controlled by cleaning staff to reduce use. The paper consumption figure is for all offices and is higher than the previous years following a return to offices after the pandemic.

ORR is predominantly a cloud-based organisation. No IT disposals have been made in the year, but we will continue to use sustainable organisations to ensure that where possible IT components are reused or recycled.

John Larkinson
Accounting Officer

- ← Previous Our people: key highlights
- → Next Financial performance