Annual assessment of Network Rail 2025 to 2026

Environment

In Year 2, we agreed new metrics with Network Rail for air quality, scope 3 emissions (Scotland), whole life infrastructure carbon and circular economy. This wider suite of environmental measures will improve Network Rail's understanding of the environmental outcomes it is delivering and inform its future plans.

Across the range of environmental metrics, good progress has been made in reporting and developing plans, but further work is needed to increase ambition, improve forecasts and implement organisational adoption and assurance processes to support delivery.

Network Rail should set a more ambitious target for reducing scope 1 & 2 emissions.

Network Rail has committed to reducing its carbon emissions over the control period, with targeted reductions for scope 1 and 2 emissions. Scope 1 relates to direct emissions from Network Rail's activities, for example from diesel generators. Scope 2 relates to emissions from the production of energy that Network Rail purchases, such as electricity from the National Grid.

As set out in our periodic review 2023 (PR23) final determination outcomes document and last year's annual assessment, we identified issues with Network Rail's forecast of its scope 1 and 2 emissions reduction for control period 7 (CP7). In Year 2, we sought to focus Network Rail on developing a more ambitious forecast for reducing scope 1 & 2 emissions in the control period, which includes all decarbonisation activities and emissions from Route Services activities. We remain concerned that we are yet to see an updated forecast which addresses these omissions, and represents a material change to the PR23 target.

In Year 2, Network Rail outperformed the PR23 national and regional targets, achieving a 11.5 percentage point (pp) national reduction in scope 1 & 2 emissions against a target of 8.1pp. Given changes to UK electricity conversion factors, we anticipate that a significant proportion of the reported emissions reductions are attributable to grid decarbonisation. We are awaiting further evidence from Network Rail to quantify this effect and distinguish it from reductions resulting from operational changes. Reductions arising from Network Rail activity have been realised through decreases in electricity, gas, and fuel consumption. Most of the reduction in scope 1 emissions come from the transition to zero emission vehicles (ZEV), with these making up 6.3% of the national fleet at the end of Year 2. All regions have completed or are in the process of finalising their investment plans for delivering carbon reductions in CP7.

Network Rail must improve its forecasting and reporting of wider carbon emissions.

Network Rail must also manage its carbon emissions associated with its wider activity, such as infrastructure carbon and reductions delivered through its supply chain.

In Scotland, Network Rail is required to develop its approach to scope 3 emissions and report on them (as required by the Scottish Ministers' High Level Output Statement (HLOS) and our PR23 final determination). Scope 3 emissions are all indirect emissions, not included in Scope 2, that occur in the value chain of Network Rail. In Year 2, we agreed a new metric with Network Rail Scotland.

Network Rail Scotland outperformed its Year 2 target, achieving a 7.5% reduction in scope 3 emissions against its target of 6.0%. It should now look to incorporate progress being made with infrastructure carbon reporting into its scope 3 forecasting for the remainder of the control period. It should identify opportunities to reduce scope 3 emissions associated with capital goods and identify ways to report scope 3 emissions for each pound spent or unit/volume of material procured to demonstrate reducing carbon intensity.

Network Rail is required to develop reporting on whole life infrastructure carbon. In Year 2, we agreed a new metric with Network Rail for reporting whole life infrastructure carbon, with an expectation for it to be further improved by Year 3. Although progress has been good in certain areas, our requirement to have this measure ready for the start of Year 3 has not been met and we will continue to challenge Network Rail to progress this in Year 3.

In Year 3, we expect Network Rail to prioritise development of a definitive whole life infrastructure forecast for CP7. We expect this to be based on an approach that incorporates all project lifecycle stages wherever possible, shows transition towards procurement of lower carbon materials/ increased circularity, and demonstrates robust governance and organisational adoption. We expect the Technical Authority to work closely with all regions and National Functions to ensure a timely and consistent approach is taken to forecasting and reporting whole life infrastructure carbon.

Network Rail has made progress in other areas of environmental delivery.

Network Rail provides annual biodiversity data. Reporting occurs 18 months in arrears, due to the time required to capture and analyse satellite imagery data for Network Rail's estate.

We have seen evidence that Network Rail has met its short-term objective for 'no net loss' in biodiversity units by the end of the previous control period (there was an uplift in biodiversity units from 2020 to 2024). We are pleased to see the future time lag for reporting will steadily decrease, allowing Network Rail to report biodiversity units for its estate in a more timely manner against the targets for the remaining years of the control period.

In Year 2, activity to deliver nature and biodiversity has increased, with many regions crystallising their plans and accounting tools, identifying sites for targeted interventions to deliver nature improvement. All regions have shown good examples of partnership working to harness expertise within external environmental organisations.

While progress has been positive, we remain concerned about the lack of consistent and timely progress reporting on habitat management plans to ORR. We have commenced a targeted assurance review to gain further confidence on how Network Rail's regional plans will support delivery of the biodiversity net gain target and habitat improvement by the end of CP7.

In accordance with our PR23 final determination, we agreed with Network Rail a circular economy measure for waste and material reuse from capital delivery projects in Year 2. Performance against the Year 2 target was mixed but Network Rail has continued to make good progress with how it manages waste, with 99.7% of its waste being diverted from landfill, and 88.9% being reused or recycled. We plan to commission an independent reporter review of Network Rail's approach to developing forecasts, capturing and reporting data, and how best to harness opportunities for material re-use. This review would be undertaken in Year 3.

Network Rail is required to develop its reporting on air quality in England & Wales and in Year 2 we agreed a new metric. In the first year of implementing its air quality improvement plans (AQIPs), Network Rail has achieved 46 of the 49 Year 2 milestones covering nine priority stations. Southern and Eastern regions delivered all of their milestones. Network Rail plans to achieve the remaining AQIP milestones from Year 2 in Year 3.

- ← Previous Capital investments
- → Next Network Rail's National Functions