

Our journey to net zero

Foundations for a climate resilient future

Acting now and laying the foundations for a climate resilient future.

At The Crown Estate, we are in the process of updating our commitments and plan for tackling climate change, with a carbon emissions reduction pathway for our entire business.

This paper sets out the progress to date since setting our net zero targets in 2020, our evolving approach and our priorities.

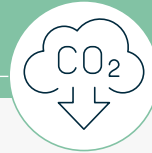
Key highlights of our progress to date



Absolute energy consumption

95.9GWh*

(2021/22: 97.3GWh)



Absolute Scope 1 and Scope 2 greenhouse gas emissions

12%

(Reduction compared with 2021/22)



Cumulative operational offshore wind capacity

11.8GW*

(2021/22: 10.78GW)



Carbon emissions avoided as a result of offshore wind renewable energy generated

15.9m tCO₂

(2021/22: 13.3m tCO₂)

* KPMG LLP has provided independent limited assurance over selected data included within our Integrated Annual Report at: [thecrownestate.co.uk/annual-report-2023](https://www.thecrownestate.co.uk/annual-report-2023), using the assurance standard ISAE (UK) 3000 and, for selected greenhouse gas data, ISAE 3410. KPMG has issued an unqualified opinion over the selected data and their full assurance statement is available on our website, together with our Reporting Criteria at: [thecrownestate.co.uk/assurance](https://www.thecrownestate.co.uk/assurance)

Introduction

Since publishing our response to the climate emergency in 2020, the effects of continued global temperature rises are becoming increasingly evident. Extreme weather is impacting nature, food and water security, safety and economic conditions for people.

Our role

As one of the UK's largest landowners, we're responsible for some of the nation's most diverse, distinct and important holdings on land and at sea. We believe that by unlocking the potential of our assets, and through our role in convening others, we are in a pivotal position to drive action in a way that creates lasting and shared prosperity.

We have a significant responsibility, and opportunity, to respond to the climate emergency through our role in enabling the renewable energy transition for the UK through our management of the seabed, as well as by decarbonising our portfolio and increasing its capacity to sequester carbon.

1.

Enabling the growth of a world leading offshore wind sector to provide a secure supply of greener energy, and supporting other technologies that are critical for the UK's net zero transition, while supporting a thriving marine environment.

thecrownestate.co.uk/osw-report



2.

Decarbonising our real estate assets and wider business.



3.

Maximising the potential of nature on land and sea to remove carbon from the atmosphere as part of an approach to wider nature recovery.



Looking back at our 2020 net zero strategy and progress

In 2020 we set a goal to be net zero by 2030 and carbon positive thereafter. Across our business, the real estate operation is a significant source of direct emissions. Decarbonising our owned and managed portfolio across our London, Windsor & Rural and Regional assets is a priority, alongside optimising the green energy and carbon storage potential of the nation's seabed.

We are making progress, but there have been challenges

We have made huge strides in supporting the development of the offshore wind sector, which currently powers the equivalent of 11 million homes. Our contribution has enabled the avoidance of 15.9 million tCO_{2e} emissions (2022/23); playing a significant role in supporting the UK's energy and net zero strategy.

We can and must do more to decarbonise our operations, increasing our scope of impact across our value chain. Across the UK, buildings contribute to approximately 25%* of all emissions, so we must play our part accelerating the sustainability of the real estate sector.

In 2022 we set a specific energy reduction target for our real estate business and linked it to remuneration, to focus the business on delivering immediate, measurable progress. We are delivering reductions in emissions and energy use across our assets in our London, Regional and Windsor & Rural portfolio. As a result of our efforts this year we're pleased to report a reduction in our absolute operational carbon emissions (Scope 1 and 2) of 12% compared with 2021/22.

We have set up a Net Zero Taskforce, with representatives from across the organisation, to drive forward the initiatives and capabilities required to realise our net zero ambition and associated energy and climate goals cohesively. In addition, we continue to voluntarily apply the Task Force on Climate-related Financial Disclosures (TCFD) framework to embed climate-related risks and opportunities into our strategy and operations.

We have also been taking a greater responsibility for upstream and downstream improvements throughout the value chain, across Scopes 1 and 2, and laying the foundations for improving Scope 3 emissions.

We achieved significant reductions in Scope 1 and 2 emissions this year and a reduction in absolute energy consumption across our real estate portfolio of 1.5%, against our 5% target.

We must be open to build on the lessons learnt and the opportunities we have identified to progress faster, working across our organisation and with others, including managing agents, energy providers and key customers, reducing energy consumption and improving the energy efficiency of our buildings.

The way forward on decarbonising our business

Since setting our previous targets in 2020, the scientific guidance has changed for business, with the introduction of the Science Based Targets Initiative (SBTi) Corporate Net Zero Standard and the expectation for businesses to set near and long-term goals across the full value chain to cover supply chain, operations and use of products and services.

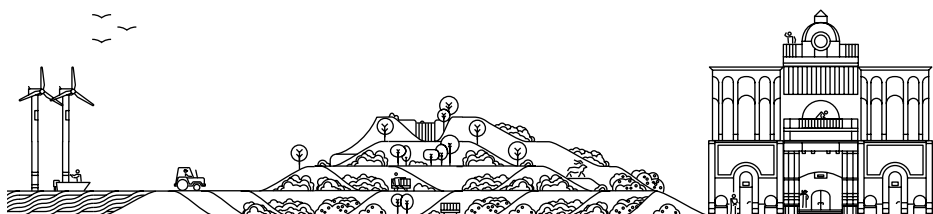
We are committed to taking a leading approach to carbon across all of our sectors and are now reviewing our carbon targets for the whole enterprise accordingly. We aim to refresh our carbon targets for all our business areas by March 2024.

Developing these full enterprise targets and a decarbonisation pathway takes time because we are a unique business, with a broad and evolving portfolio across land and sea. This brings challenges in establishing the scopes and baselines across built, rural and marine environments. The approach to net zero in the Marine sector adds complexity as there is no established pathway for The Crown Estate's type of business. Our new targets will also include long-term goals for emissions reduction that will move out beyond 2030 in line with the scientific guidance.

We will focus on understanding, measuring and influencing our Scope 3 emissions that cover our end-to-end activities, including driving greener practices through our supply chain and working with our customers, tenants and partners to deliver shared sustainable, relevant, resilient outcomes.

Planning properly for the long-term does not mean any delay in acting today. Our short-term commitment to action remains in focus, as we look to drive approximately 50% reductions in direct emissions by 2030 in real estate. We have set a three-year real estate carbon reduction target, a further energy reduction target for 2023/24, as well as a number of key deliverables to ensure we have a clear decarbonisation pathway.

* Building to net zero: costing carbon in construction, Environment Audit Committee, May 2022

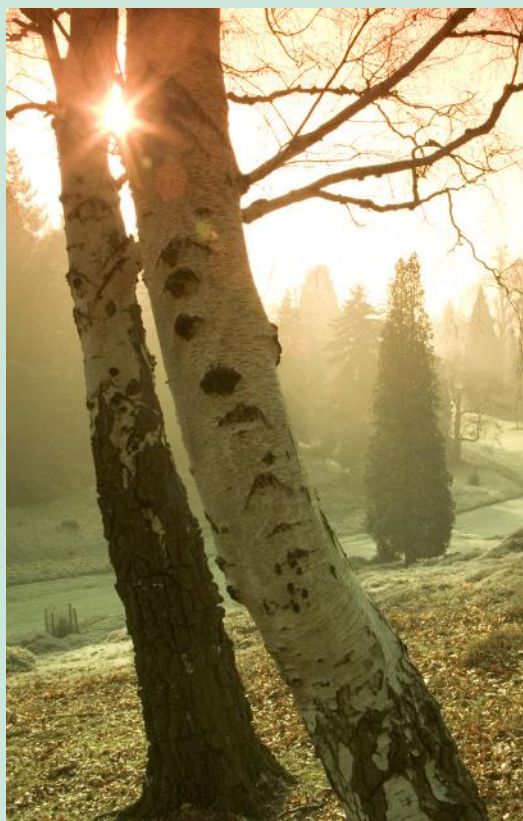


Our journey to decarbonise our real estate assets and wider business

What have we achieved since setting our net zero targets in 2020?

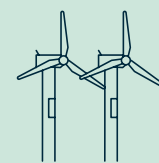
Sourcing renewable and low-carbon energy:

- 98% of our purchased electricity has been from renewable sources (where we are responsible for procuring the electricity) in the last year.
- In addition to procuring renewable electricity, we have installed onsite renewables to generate operational electricity, including renewable sources from solar, wind, biomass and ground source heat.
- Across our Windsor Estate, the modulation of the biomass district heating system has provided a significant decrease in procured energy use over the year. Electricity usage decreased by 43% and gas usage decreased by 85% compared with 2021/22
- As a result of our sustainable travel initiatives across Regional sites, we saw a substantial uplift in the uptake of electricity to power EV charging points. Electricity consumption for EVs increased by 99% from 452MWh in 2021/22 to 899MWh in 2022/23.



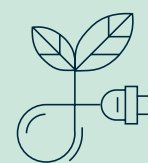
We've been working hard to save energy across our buildings:

- Set an in-year energy saving target for the first time last year, linking it to executive remuneration. Our goal was to reduce absolute energy consumption by 5% (compared with 2021/22) within our London, Regional and Windsor & Rural real estate assets where we are responsible for procuring energy. This ambition marked the start of a challenging absolute energy reduction programme, signalling our intent to drive greater environmental accountability and lasting impact.
- It achieved a reduction in absolute energy consumption of 1.5% and we gained valuable insights that will enable the business to achieve greater improvements in the years ahead.
- One of the challenges has been the availability of quality data to get an accurate picture of energy usage across our portfolio and where to make improvements in our historic, diverse portfolio. There is also huge complexity in mobilising a large network of partners across our real estate portfolio, while at the same time central London is experiencing a bounce back with occupancy in buildings after COVID-19.
- We have made progress in identifying the gaps and putting building blocks in place to accelerate action for next year. This means improving our data and insights, collaborating with others to reduce our impact and working across the organisation to prioritise action effectively.
- We have continued to drive energy savings by optimising our existing Building Management Systems (BMS) across critical sites and high-energy use buildings. For example, in London and with our facilities management partner BGIS, we have improved how we power, heat, ventilate and cool buildings to generate annual electricity savings of 3.4GWh in 2022/23.



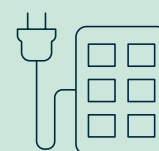
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of our purchased electricity has been from renewable sources



At our Windsor Estate our biomass district heating system decreased procured electricity use by

43%



99%

increase in energy consumption from EV charging points

What we've learnt

No quick fixes with heritage buildings



With a 200-year-old portfolio in central London, addressing energy efficiency within a legacy building stock is obviously hugely complex and requires taking a whole building approach. There are difficult decisions to be taken and compromises to be made about how best to make a heritage building fit for the future in terms of energy consumption (considering the condition of the building, the cultural and community significance of the building). We then need the policies in place to

enable us to act and the right skills and partnerships in place to deliver. We are investing in a significant retrofit programme to maintain the heritage value of buildings, while making them fit for the future, providing green jobs and skills development opportunities. In 2023, we joined forces with Grosvenor, Peabody, the National Trust and Historic England to identify and advocate around the skills gap for decarbonising heritage buildings and helping the UK transition to a net zero future.

Working with others to find solutions



With a broad range of commercial partners, including managing agents for buildings and a complex supply chain, it's vital that we work directly together on research, share lessons learnt and build solutions together. Our new Supplier Charter will provide an opportunity to drive greater engagement and influence through our procurement practices, helping to reduce greenhouse gas emissions and create more resilient and sustainable practices in our supply chain. We are advocating for circular economy and sector partnerships, including sustainable design through our Development Sustainability Principles (DSP), which set out responsible building design, development and construction for new

development projects at London and Regional sites. We are active participants of several cross-sector working groups to jointly tackle the challenges and leverage the opportunities for net zero and decarbonisation. We are members of the Better Buildings Partnership (BBP) and the UK Green Building Council (UKGBC). We sit on the UKGBC Task Group, along with more than 30 cross-industry experts, to accelerate sector action on commercial retrofit and address operational emissions. As part of our developing approach, we will be reviewing our partnership commitments on net zero and climate resilience, including the BBP climate change commitment and WGBC net zero buildings commitment.

Quality of data means better decisions



One of the biggest challenges we have faced, is the availability of robust data to measure and manage building energy performance confidently. To address this challenge, we have taken steps to improve data availability and quality, giving us better data to make more informed decisions. The action we are taking includes deeper interrogation and analysis of building data collection processes and systems, and investment in enhanced digital solutions and technologies (such as the installation of automatic readers and increased APIs) that

have provided us with the means to establish more granular level data. Through this process, we identified sites where our assets could have been operating more optimally. This has provided us with the ability to effectively pinpoint issues, prioritise action and help us set up the data and insights mechanisms needed going forward. There is still some way to go to improve data quality and insights to drive better decisions, so this remains a top priority.

The need to inspire behaviour change



With people and business returning to central London, we've seen a 4-14% increase in occupancy in our properties this year. Together with our partners we need to create the right conditions for growth, balanced with actions that improve sustainability. As part of an engagement programme to drive awareness and a shift in culture and behaviour, we worked with our customers in Regent Street and St James's to run a 'dial-down' programme over the Christmas period, for Earth Hour and over Easter. For this project, shops and businesses changed setpoints,

timers and control, powering down energy use when not needed or being used. The Christmas activity created electricity savings of 109,100kWh. We are exploring how we can scale up and expand the rollout of initiatives like this. We have green lease provisions for our London and Regional assets, including commitments to share information and data on energy, water and waste. Additionally, we are actively engaging with farmers in our Rural portfolio to develop environmental Farm Business Tenancy agreements to promote more resilient and sustainable practices.

No one size fits all approach for built, rural and marine environments



We operate in a wide variety of sectors, which comes with challenges. We will have to be adaptable with how we measure more complicated emissions sources such as land use change and agriculture to ensure we deliver and enable effective decarbonisation and sequestration

initiatives. There is a need for many decarbonisation strategies to address the wide range of emissions-generating activities in our complex value chain, and a need for us to keep up with external guidance which is at different stages for different sectors.

The Crown Estate recognises it has an increasing role to play in tackling society's biggest issues.



The escalating challenges of the climate crisis, energy security, the nature emergency and social inequality are interconnected. These challenges require us to rethink how we use land and the seabed around us.



As a result, we have set an ambitious strategy, in line with our purpose to create lasting and shared prosperity for the nation, to focus on maximising our contribution to net zero and energy security, nature recovery and thriving communities.



We recognise the need to act now where we can make a difference and to take the long-term view to maximise our impact for the benefit of the nation, its finances and its future.



This requires working in partnership to drive change across the varied industries we support where there are shared imperatives, for example to make the UK's heritage buildings future fit, transition the UK to renewable energy, and balance the use of land and sea to respond to the biodiversity and climate emergency while meeting social needs, such as providing homes and infrastructure. All of these things will require systems thinking and partnership work at scale.



For more information on our environmental performance, please visit:
<https://www.thecrownestate.co.uk/annual-report-2023/>

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