

XOSERVE DELIVERING **DECARB**

January 2026

Contents

- 01** Notable news
- 02** Spotlight on...The Year Ahead
- 03** Policy milestones
- 04** Things to look out for
- 05** Dates for your diary
- 06** Keeping in touch



01 Notable news

Energy Innovation Needs Assessments 2025

The Government has published the Energy Innovation Needs Assessments (EINAs) Summary Report, highlighting hydrogen as a critical component of the UK's pathway to Net Zero. The report identifies low-carbon hydrogen as essential for decarbonising hard-to-abate sectors, including heavy industry, flexible power generation, transport and seasonal energy storage. It emphasises the need to scale both hydrogen production methods, such as electrolysis and hydrogen produced with carbon capture and storage, and the supporting infrastructure required to transport and store hydrogen at scale.

The assessment finds that innovation across the hydrogen value chain could significantly reduce system costs and improve energy security, particularly within scenarios where hydrogen is anticipated to play a larger role across the UK economy.

Key priorities include improving electrolyser efficiency and durability, reducing reliance on scarce materials, and developing large-scale hydrogen storage in salt caverns and depleted gas fields. The report also highlights major barriers, including high costs compared with fossil fuels, limited infrastructure, and regulatory uncertainty.

[Read the full report here.](#)

ENGIE signs a 10-year Biomethane Purchase Agreement with PepsiCo

ENGIE has signed a 10-year biomethane purchase agreement with PepsiCo UK, the first of its kind for the UK food and drink sector and PepsiCo's first in the EMEA region. Starting in 2027, the deal will support the construction of a new anaerobic digestion plant in the North of England, backed by a £70 million investment.

The facility will generate around 60 GWh of biomethane annually, equivalent to the gas use of 5,000 homes, and is expected to cut PepsiCo UK's emissions by over 10,900 tonnes per year.

[Read the full story here.](#)

01 Notable news

Warm Homes Plan

The UK Government has published its long-awaited Warm Homes Plan, committing £15 billion over five years to help households install solar panels, heat pumps, and batteries. The Plan aims to triple the number of UK homes with installed solar generation, lift one million people out of fuel poverty, and create 180,000 clean heating jobs. Measures include grants for low-income households, low-interest loans, and an extended Boiler Upgrade Scheme.

On hydrogen and biomethane, the Plan prioritises focusing upon proven electric heating technologies that can immediately be deployed at scale. However, it confirms that the Government will consult in due course on whether hydrogen should have any role in home heating in the future, noting that hydrogen is not yet a proven option for domestic heating and any role would come later and likely be limited.

Biomethane is acknowledged as already contributing to decarbonisation through blending into the gas grid. The Plan highlights biomethane's flexibility and notes that its optimal role will evolve over time, with an increasing focus on high-value uses such as industrial heat, dispatchable power and sectors that are difficult to electrify.

DESNZ plans to consult on a future biomethane policy framework in Spring 2026, building on earlier evidence-gathering to clarify biomethane's long-term role.

[Find the full plan here.](#)



01 Notable news

SOSE makes investment to help create £1bn South of Scotland business

South of Scotland Enterprise (SOSE) has committed nearly £1 million to The Carbon Removers, a pioneering carbon capture company based near Dumfries, to help scale its operations across the UK and Europe. The investment launch aims to kickstart a broader fundraising round, with SOSE planning to convert its loan into equity to support long-term growth.

The Carbon Removers, founded by brothers Ed and Richard Nimmons, develops modular carbon sequestration systems that capture CO₂ from biogas facilities and the whisky industry. The company's goal is to remove one million tonnes of CO₂ annually by 2030 and to grow into a £1 billion business by 2034/35, generating jobs and boosting regional economic development.

Scottish government officials highlighted the importance of carbon capture and storage (CCS) in meeting climate targets while supporting skilled employment and innovation.

[Read the full article here.](#)

Hygen Energy acquires HyBont low-carbon hydrogen project in Wales

Hygen Energy has announced the acquisition of the HyBont low-carbon hydrogen project in Bridgend, Wales, from Marubeni Corporation. The project, which won funding through the UK Government's first Hydrogen Allocation Round (HAR1), marks Hygen's first hydrogen venture in Wales and the west of the UK.

Located at Brynmenyn Industrial Estate, the HyBont scheme aims to develop a low-carbon hydrogen production and refuelling facility capable of producing and supplying more than two tonnes of hydrogen per day. Plans could also include a local solar array to help generate the electricity used in hydrogen production. The facility is intended to serve a range of uses, including zero-emission transport (such as buses and heavy goods vehicles) and supply to industrial customers.

The UK government has welcomed the move, noting its contribution to the country's hydrogen ambitions, job creation, and regional economic growth.

[Read the full article here.](#)

01 Notable news

Industry urges Government to 'Re-Energise' the Humber with Key Hydrogen Decision in 2026

Industry leaders in the Humber region have urged the UK Government to "re-energise the Humber" by backing major hydrogen infrastructure decisions in 2026. A letter from the Humber Energy Board, co-signed by 30 local businesses, authorities and institutions, calls on Energy Secretary Ed Miliband to choose the Humber as the site of the UK's first regional hydrogen transport and storage network and to advance carbon capture and storage (CCS) projects, potentially unlocking £500 million in government funding for infrastructure development.

The campaign highlights the Humber's strong industrial base, geological suitability and proposals for hydrogen and CCS facilities, noting that recent closures of local energy and manufacturing operations risk further economic decline if new investment isn't secured.

Plans under consultation include the Humber Hydrogen Pipeline and Aldbrough hydrogen storage project, aimed at connecting producers, storage and key industrial users. 2026 will also bring critical government decisions on CCS projects and future hydrogen funding rounds, making it a pivotal year for the region's energy transition and job creation.

[Read the full article here.](#)

Cadent unveils plans for new hydrogen pipeline

Cadent has announced plans for the H2East Pipeline: Humber to Nottinghamshire, a 150km underground hydrogen pipeline designed to supply low-carbon hydrogen to industrial users across the Humber, Lincolnshire and Nottinghamshire.

The project aims to support industrial decarbonisation, job creation and inward investment by enabling sectors such as steel, chemicals and food manufacturing to switch from natural gas to hydrogen. Part of the wider East Coast Hydrogen programme, the pipeline will connect hydrogen production and storage with key industrial users, with public consultation planned and a 4-5 year development timeline.

[Read the full article here.](#)

01 Notable news

Why some parts of Hydrogen are moving faster than others

Heriot-Watt University has published new research assessing knowledge and innovation developments across different parts of the hydrogen sector by analysing patent citation patterns over time. By studying when and how often hydrogen-related patents are cited, the authors demonstrate citation speed is a useful indicator of how quickly knowledge is building and improving within each sub-area of the technology.

The study finds clear differences between hydrogen subdomains. Areas such as fuel cells, hydrogen production and storage show relatively fast knowledge growth, suggesting strong innovation momentum.

Hydrogen distribution – by contrast – appears to be developing more slowly, reflecting the complexity, capital intensity and regulatory challenges associated with building large-scale infrastructure. Importantly, the research highlights that a patent's position within the wider knowledge network matters more than the category it belongs to, with highly connected inventions driving progress across the system.

Rather than presenting this as a failure, the paper positions hydrogen distribution as a strategic opportunity. Targeted policy support, infrastructure investment and collaboration could help accelerate innovation where it is most needed, strengthening the hydrogen economy as a whole.

[Read the full study here.](#)



02 Spotlight on...The Year Ahead

2026 is shaping up to be a pivotal year for the decarbonisation of the UK gas system; as policy, funding and delivery begin to align behind hydrogen, biomethane and carbon capture. With 85% of UK homes connected to the gas grid and more than half a million businesses reliant on gas, transforming gas infrastructure will be central to achieving the UK's Net Zero goals.

Funding decisions will be critical. While Budget 2025 removed ECO levies from electricity bills, green levies on gas remain modest, highlighting the need for new mechanisms to unlock investment that balances the need for more funding with the Government's ambition to drive down bills. A key milestone will be the Government's response to the Gas Shipper Obligation consultation, expected to provide long-awaited clarity on revenue support for hydrogen production ahead of its planned introduction in 2027.

The H100 Fife trial is set to go live in spring, offering world-leading insights into operating a 100% hydrogen network for homes. This will coincide with strategic government decisions on hydrogen's role in domestic heating, updates to hydrogen transport and storage business models, and the publication of the long-awaited updated UK Hydrogen Strategy. Alongside this, decisions on hydrogen blending into distribution and transmission networks could mark another practical step towards a greener gas system. Together, these steps will shape progress towards the 10GW hydrogen production target by 2030.

Biomethane was spotlighted as a key transition fuel within this month's Warm Homes Plan. The extension of the Green Gas Support Scheme commissioning deadline to 2030 and continued regulatory backing signal growing confidence in its long-term role, mirroring progress by our European neighbours.

Further clarity is expected through the Future Biomethane Policy Framework consultation later in 2026.

Taken together, 2026 represents a turning point, moving from ambition to delivery in the transition to green gases.

To find out more about what 2026 will bring visit our website and read our blog - [2026 expected to be a big year for UK gas decarbonisation policy](#).



03 Policy milestones

The transition to a decarbonised energy system will be shaped by key policy milestones and project developments. As the gas industry progresses towards net zero, staying informed on regulatory and policy updates is essential. Below are recent developments affecting gas decarbonisation.

Energy generation cost projections

The UK Government has [published](#) the 2025 Generation Costs Reports, highlighting the long-term potential of hydrogen-to-power and gas with carbon capture in supporting a low-carbon, flexible power system. Hydrogen-to-power costs remain high due to electrolyser capital costs, low utilisation and hydrogen prices, but could fall with technology learning, scale and improved system integration. For gas with carbon capture, capture plant capital costs remain the main cost driver, with cost certainty improving as projects mature.

Welsh Government's strategic policy position for hydrogen

The Welsh government has [published](#) its strategic policy position on hydrogen, supporting its targeted use to achieve net zero while protecting jobs and industry. Hydrogen is backed where it meets the UK Low Carbon Hydrogen Standard, delivers clear emissions reductions and avoids fossil fuel lock-in, with developers expected to demonstrate environmental and economic benefits.

UK Low Carbon Hydrogen Standard V4

The UK Government has [published](#) Version 4 of the Low Carbon Hydrogen Standard, the version improves clarity and simplifies compliance, expanding biomethane eligibility, refining renewable certification requirements and providing clearer guidance on gas splitting pathways, stored feedstocks and solid carbon end uses.



03 Policy milestones

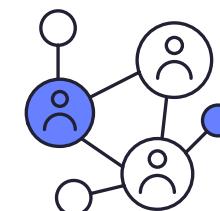


Upcoming opportunities to influence energy policymaking

Several important consultations are currently open or closing soon, offering stakeholders a chance to provide expert input on key aspects of the decarbonisation transition:

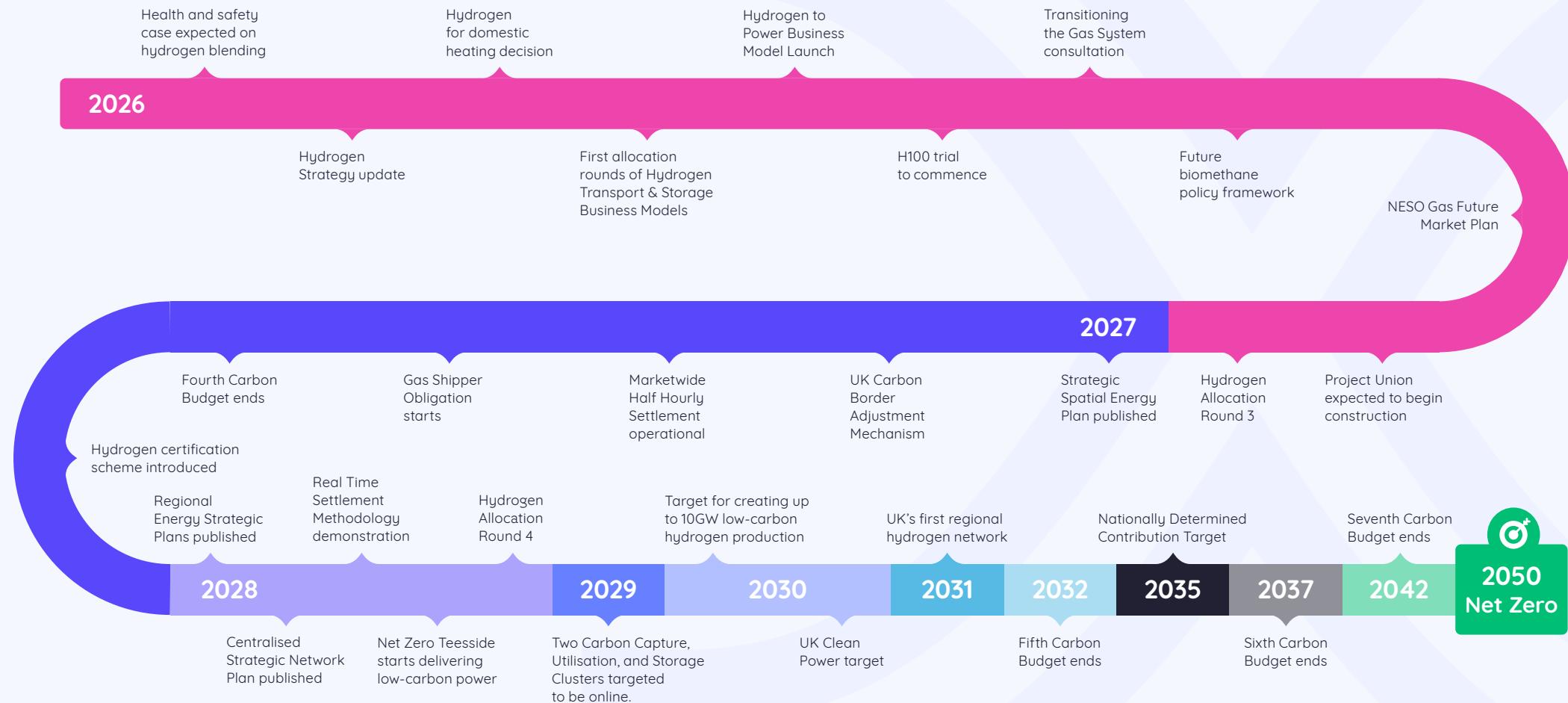
- 1. Proposed forward work programme 2026 to 2027** – Ofgem is [seeking views](#) on its draft plan for 2026 to 2027 which will be published by 31 March 2026. The plan provides details of the projects Ofgem intend to carry out and their priorities. Responses can be submitted until Thursday 12 February 2026.
- 2. Gas System in Transition: security of supply** – DESNZ has [published](#) a consultation seeking views on its assessment of GB's long-term supply of gas, and proposed policy actions to protect gas and energy security during the transition. Responses can be submitted until 18 February 2026.

- 3. Carbon capture, usage and storage (CCUS)** – DESNZ has [published](#) a consultation which reviews the Storage of Carbon Dioxide (Access to Infrastructure) Regulations 2011 to assess their effectiveness. Responses can be submitted until 20 February 2026.
- 4. Common biomass sustainability framework: consultation document** – DESNZ is [seeking views](#) on creating a common sustainability framework that would apply across all bioenergy sectors, power, heat and transport. Responses can be submitted until 27 February 2026.



03 Policy milestones

Key Government energy policy/regulatory milestones:



04 Things to look out for



February's DeliveringDecarb edition will keep you informed of any new announcements, consultations or research on the potential future role and benefits of biomethane, hydrogen, gas blending and CCUS. For now, here are some upcoming publications to keep an eye on in the near term:

Expected in the coming months:

- UK Government's updated hydrogen strategy
- Gas Shipper Obligation consultation response
- Hydrogen blending into the GB gas transmission network response
- Consultation on hydrogen for home heating
- Hydrogen transport and storage market framework consultation response
- Network investment and cost recovery call for evidence
- Transitioning the Gas System call for evidence
- Future framework for biomethane

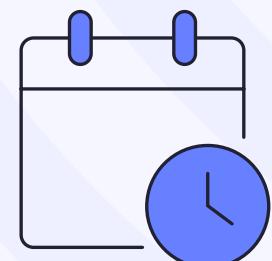
If you can't wait until next month's edition of DeliveringDecarb, be sure to [follow Xoserve on LinkedIn](#) for comments and key takeaways as they happen.

05 Dates for your diary

Here are some upcoming dates in February when you can meet the Decarbonisation Team. We'd love to see you there.

| | | |
|--|--|----------------------|
| GDNs monthly decarbonisation meeting (internal) |  Online | |
| | | Monday 2 February |
| Hydrogen Information Sharing Group |  Online | |
| | | Friday 6 February |
| UK CCUS & Hydrogen Summit, Leeds |  | |
| | | Tuesday 10 February |
| Utility Week Future Networks Conference, Birmingham |  | |
| | | Thursday 12 February |

To enquire about or ask to join our meetings above, please email decarbonisation@xoserve.com.



06 Keeping in touch

If you've found any of the topics in this month's newsletter particularly interesting, please get in touch or share your comments on [LinkedIn](#), tagging @Xoserve.

You can also delve deeper into decarbonisation with our Decarb Discussions podcast, which covers topics from different industry perspectives. To get involved and have your voice heard on our podcast channel, please get in touch.

To help you stay ahead of the curve, we've created the Decarbonisation Knowledge Centre, for the latest news, exciting new projects, and important policy updates. We're confident you'll find a wealth of valuable resources on decarbonisation.

If you'd like to suggest any ideas, please contact: decarbonisation@xoserve.com



Orlando Minervino
Decarbonisation Strategy Manager

