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Welcome to our July newsletter, covering the latest news, insights and key dates related to gas decarbonisation.

One of our big stories this month is the launch of National Grid ESO's Future Energy Scenarios report. This report will help set the course to decarbonisation of our energy system and is

a 'must read' for anyone in the gas industry. Find out why it's so important, and discover what else is going on in the world of gas, in this month's roundup.

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01 Notable projects

So far this month, we've gained valuable insight into how a low-carbon hydrogen economy might develop and seen important environmental policy updates that will affect everyone in the gas industry. We've also seen the launch of a new biomethane trial in Scotland. Here's are some key stories worth keeping an eye on throughout July and beyond:



Hydrogen Guarantees of Origin

To support the successful development of a low-carbon hydrogen economy, National Grid is developing a hydrogen Guarantees of Origin (GoO) scheme similar to the Renewable Energy Guarantees of Origin (REGO) scheme that already exists for renewable power. The scheme will enable gas producers to claim and trade GoO certificates for every 1MWh of eligible energy product. The scheme could be key to incentivising increased production of low and zero carbon hydrogen, to forward the UK's net zero ambitions. [Read more about hydrogen GoOs.](#)

Committee for Climate Change progress update

The latest progress report from the CCC was published at the end of June. It contains several recommendations to Government that, if adopted, could create significant change for the gas industry. This includes recommendations to publish a final policy plan for their approach to low-carbon heat, to consult on a full technical specification for the Future Buildings Standard in 2023 with a view to fully implement by 2025, and to create a clear incentive for manufacturing facilities not currently covered by the UK ETS to switch to low-carbon energy; by reforming energy and carbon policies including the Climate Change Levy (CCL). [Read the full report here.](#)

01 Notable projects

Ofgem's Net Zero Britain

On 8th July, Ofgem published Net Zero Britain: developing an energy system fit for the future. This paper sets out Ofgem's views on key aspects of our energy system that they believe require significant reform in order to deliver a resilient, low cost, low carbon power sector. Designed to help Ofgem focus their efforts, the report envisages a future in which energy demand will be met by cheap renewables alongside higher cost, reliable low carbon power such as nuclear, hydrogen power plants, and gas plants with carbon capture and storage. While it states that the future role of hydrogen is still uncertain, it recognises that hydrogen could be key to decarbonising heat and providing hydrogen-to-power production, so long as questions about storage can be answered. [Read the full report here.](#)

Updated guidance on GGL published

On Tuesday 5 July, Ofgem published the updated guidance for the Green Gas Levy (GGL) for eligible gas suppliers, along with the details of their approach to the scheme's administration. Amendments included supplier contact requirements, calculation of cumulative total number of meter points, and arrangements for letters of credit and credit cover. This supersedes the version published in January 2022. [See the summary doc here.](#)



Code Party code obligation derogation modification approved

On Tuesday 5 July, Ofgem approved IGT160 - *Introducing the Concept of a Derogation into the IGT UNC for Innovation Projects*. The policy update means that where there is a need to trial innovation projects, an application can be made for exemption from code obligations. Ofgem approved the modification on the basis that it ensures that innovation trials within a geographic area that include one or more IGT networks are able to incorporate those networks, as well as allowing trials to proceed more efficiently and inform wider code changes. [Read more on the Ofgem website.](#)

02 Spotlight on... Future Energy Scenarios 2022

On 18th July, National Grid ESO published their new Future Energy Scenarios (FES) report. The report provides important insights that are widely used by stakeholders across the energy industry to underpin energy network development, support investment decisions and inform national and regional policy.

This year's FES predicts an increased demand for electricity and reduced demand for hydrogen across all of its pathways, compared to the 2021 report - but also recommends incentives for early uptake of hydrogen - recognising hydrogen and hydrogen storage as crucial components of our future energy system.

While the predictive demand figures look likely to fluctuate during our transition to a net zero energy system, what will undoubtedly endure through future reports is the need for a 'whole

system' approach to ensuring energy security, the trend towards an increasingly decentralised approach to energy generation and the urgent requirement for a comprehensive demand side strategy.

Key recommendations include a national strategy for the delivery of decarbonised heat - with a regional focus. The report stressed that 'a 'one-size fits all' approach to decarbonisation of residential heat is not optimal due to differences in consumer preferences, availability of resources and proximity to energy infrastructure', and recommends more targeted solutions at a regional level.

ESO's executive director Fintan Slye tells us in his foreword to the report that, "Delivering [the transition] will require a strong partnership

between industry and policymakers, and full engagement across society and consumers. Never before has collaboration been more important." [Read the full report and explore additional resources here.](#)



03 Policy milestones

Here are the key Government policy / regulatory milestones:

- **Autumn 2022** - Indicative assessment on the value-for-money case for [blending hydrogen](#) in the existing network
- **Q4 2022** - [Business model](#) for hydrogen support finalised
- **2022** - Decision on [rebalancing policy costs](#) between electricity and gas
- **2022** - Final investment decisions on two 'Track 1' [Carbon Capture & Storage \(CCS\) clusters](#)

- **2023** - Final policy decision on [hydrogen blending](#)
- **2023** - First [hydrogen support contracts](#) allocated
- **2023** - Hydrogen heating trials to commence in [local neighbourhood](#)
- **2023** - Decision on hydrogen village location
- **2025** - New business models for hydrogen transport and storage infrastructure designed



- **2025** - Hydrogen certification scheme introduced
- **2025** - Hydrogen village trials to commence
- **2025** - Target for reaching 1GW electrolytic hydrogen production capacity and price competitive annual allocation rounds
- **2030** - New target for creating up to 10GW low carbon hydrogen production
- **2030** - Hydrogen town trial to commence

04 Dates for your diary

We'd love to see you at our Hydrogen Implementation forums! To join, please email box.xoserve.decarbonisation@xoserve.com

Don't miss these upcoming summer sessions:

Shipper working group	Friday 2nd Septemer	11:30 - 13:00
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IGT working group	Friday 16th September	10:00 - 12:00
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Network working group	Monday 19th September	10:00 - 12:00
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Metering working group	Thursday 22nd September	10:00 - 12:00
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05 Industry engagement

Have you signed up to our Xoserve industry 'intranet' yet?

Designed to help you stay up to speed with the latest news, new projects and policy changes, the intranet acts as a central repository for essential information related to your industry.

If you would like access to this site, please contact box.xoserve.decarbonisation@xoserve.com

