XOSERVE

DELIVERING DECARB

July 2026

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01 Notable news

Report sets out £10bn biomethane potential for Scotland

A new report from the Green Gas Taskforce and SGN finds Scotland has enough sustainable feedstock to produce 8 TWh of biomethane by 2030, rising to 19 TWh by 2050, roughly half the nation's current gas demand. Scaling up to this level could add £10bn in Gross Value Added to the Scottish economy and support 8,000 jobs by 2050.

Scotland's single largest biomethane source today is anaerobic digestion of whisky waste, produced by a sector that already employs 40,000 people, a sign of how much headroom exists as the industry scales up its by-products into green gas. Farm waste offers even more untapped potential as just 2.5% is currently used for biomethane. The report argues that expanding this part of the sector could give farmers stable income over 15–20 years while digestate offers a homegrown replacement for Scotland's imported synthetic fertiliser.

On the demand side, the report points out that biomethane's compatibility with existing boilers means it could heat 76% of Scottish homes, with "bio-hybrid" systems (pairing a boiler with a small heat pump) offering a lower-cost route to cutting gas use by 70% in the 40% of homes with poor energy efficiency ratings.

The Taskforce is calling for a national biomethane target and a post-2030 support framework to unlock this potential.

Read the full report here.

Government backs Viking CCS with £65.5m funding

The UK Government has approved £65.5m in development funding for the Viking CCS project, supporting further technical and commercial work as it progresses towards a final investment decision during this Parliament. Led by Harbour Energy, the Humber-based carbon capture and storage project is expected to play a key role in decarbonising one of the UK's largest industrial regions.

Viking CCS is expected to drive investment, protect industrial competitiveness, create skilled jobs, and strengthen the Humber's position as a leading carbon capture and storage cluster.

Read the full story here.

01 Notable news

Cadent calls for end to hydrogen cluster competition

Cadent has urged the government to abandon its competition to select the UK's first hydrogen transport and storage cluster, arguing that nationally significant infrastructure should be delivered through strategic planning rather than regional competition.

The call comes amid continued delays to the government's hydrogen strategy and growing concerns that recent energy budget cuts could slow progress on hydrogen and carbon capture projects. Industry leaders warned that prolonged uncertainty risks undermining investor confidence and delaying the infrastructure needed to support the UK's low-carbon industrial transition.

Read the full story here.

CCC publishes progress report

The Climate Change Committee has published its latest progress report on reducing UK emissions, warning that as electrification remains central to achieving net zero, major gaps remain in plans to decarbonise hard-to-abate sectors.

The report identifies low-carbon hydrogen as essential for decarbonising industry, dispatchable power generation, and sustainable aviation fuels. While recognising the policy delays in this space, specifically to the upgraded hydrogen strategy, the report stresses that progress on the ground must continue. The CCC also stresses that rapid deployment of carbon capture, utilisation and storage (CCUS) will be critical to cutting industrial emissions and supporting engineered greenhouse gas removals.

Responding to the report in a gasworld column, our Decarbonisation Strategy Manager Orlando Minervino commented that the findings reinforce the need for a whole-system approach. He advocated that the UK's energy transition should not be viewed as a choice between electrification and gas, but as an integrated system where electricity, hydrogen, biomethane and CCUS each play complementary roles in delivering a secure, affordable and resilient net zero energy system.

Read the full column here.

01 Notable news

NISTA report raises fresh concerns over UK hydrogen delivery

The National Infrastructure and Service Transformation Authority has published its latest Government Major Projects Portfolio report, raising concerns over delays to the UK's hydrogen programme. The report rates the second Hydrogen Allocation Round (HAR2) as red, indicating delivery is currently considered unachievable, while HAR1 is rated amber following delays that have pushed most projects back to 2027–2029.

The findings add to growing industry concerns that continued funding delays are undermining confidence in the UK's hydrogen sector.

Read the full report here.

Former colliery site proposed for hydrogen production

Early-stage plans have been submitted to develop a small-scale hydrogen production facility at the former Abernant Colliery near Pontardawe, South Wales. The proposed biomass gasification plant would convert waste wood and other non-hazardous waste into hydrogen, with the potential to produce up to 175kg of hydrogen per hour while diverting around 50,000 tonnes of waste from landfill each year.

The project is currently at the screening stage, with developers seeking planning guidance before submitting a full application.

Read the full story here.

NGN unveils plans for new hydrogen pipelines

Northern Gas Networks has proposed two hydrogen pipelines across Teesside and the Humber to connect low-carbon hydrogen production with heavy industries and power generation. The project aims to help decarbonise sectors such as steel, chemicals, glass and manufacturing, while protecting jobs and encouraging investment.

The proposed pipelines, covering 39 miles in Teesside and 68 miles in the Humber, could deliver around £1.2 billion in economic value and support up to 1,200 jobs. The plans are in early development, with public consultation and planning approvals still required before potential construction in the 2030s.

Read the full story here.

01 Notable news

Gas Matters – Expert Viewpoint

Sustainability First's Maxine Frerk and Judith Ward published an article arguing that gas disconnections are a critical but overlooked part of the energy transition. They highlight that the current disconnection process is fragmented, unclear and potentially costly for customers moving away from gas.

The authors call for stronger coordination between suppliers, gas distribution networks, and regulators to improve customer support, reduce costs and encourage innovation.

Read the full piece here.

Humber hydrogen could unlock £17bn economic boost and thousands of jobs

Humber Hydrogen could deliver up to £17 billion in economic growth, supporting 53,000 construction jobs and 900 long-term roles if selected for the UK Government's £500 million Hydrogen Transport and Storage Business Model. The proposed hydrogen cluster aims to cut up to 5 million tonnes of CO_2 emissions annually from one of the UK's largest industrial regions.

Led by Centrica, Equinor, National Gas and SSE Thermal, the project would connect hydrogen production, storage and industrial demand, helping decarbonise heavy industry, strengthen energy security and position the Humber as a leader in the UK's hydrogen economy.

Read the full story here.

02 Spotlight on...the new PM and what the industry needs from him

Having been sworn in as Prime Minister on 20 July following Keir Starmer's resignation, Andy Burnham's first policy move was a VAT cut on household electricity bills.

He reduced the rate from 5% to 0% for six months from 1 October, aimed at providing immediate support on household energy costs. Prior to coming into office, he also set out a 10-year programme focused on reindustrialisation, reform of essential utilities, and regional regeneration. Together, these early moves show that the energy sector is firmly within Burnham's policy priorities, with affordability, infrastructure, and economic growth closely linked.

His appointment of Miatta Fahnbulleh as Energy Secretary also shows his commitment to the sector. Her previous role as DESNZ's energy consumers minister, and her involvement in developing the Warm Homes Plan, gives her strong experience as she takes on the department's top role. One of her first actions will be to find £2 billion of savings over the next four years to fund parts of the Defence Investment Plan, although the government has confirmed that the clean power mission and renewables expansion will remain protected, with further detail expected in the Autumn.

Overall, Burnham brings a strong track record on net zero from his time in Greater Manchester, where he positioned decarbonisation as an opportunity for jobs and investment and backed initiatives including the international Fossil Fuel Treaty. More recently, he has expressed support for new North Sea oil and gas licences, while his position on the future of gas, hydrogen and biomethane remains less defined. This creates an early opportunity for industry to engage with the new government and help shape the role of low-carbon gases in its wider growth agenda.

What the industry needs

In the gas-decarbonisation space, the challenge for government will be to build on current momentum and turn existing progress into long-term investment and deployment. If Burnham's ambition to reindustrialise the UK is to succeed, investors and supply chains will need greater certainty over how low-carbon gases fit within the country's long-term energy strategy. This is particularly important for sectors that are difficult or uneconomic to electrify, where hydrogen, biomethane and CCS are likely to remain critical decarbonisation options.

Hydrogen has built strong momentum over the past years, with contracts awarded through the Hydrogen Allocation Rounds for projects across the UK and real-world trials such as the H100 Fife project providing valuable operational evidence. Recent milestones, including Centrica and National Gas' UK-first trial blending 2% green hydrogen into the National Transmission System for power generation at Brigg, demonstrate that hydrogen can be integrated safely into existing infrastructure.

02 Spotlight on...the new PM and what the industry needs from him

The priority now needs to be the long-awaited Hydrogen Strategy refresh. International examples from Germany and the Netherlands show the value of focusing hydrogen on hard-to-electrify sectors, creating strong demand signals and allowing regulation to evolve alongside deployment. For the UK, clearer decisions on hydrogen blending, hydrogen's role in heating and industrial use, and a roadmap beyond 2030 would provide investors and supply chains with greater confidence. While many initiatives focus on the supply side, the question of where demand will come from will also need to be answered if the strong momentum is to continue.

For biomethane, while the extension of the Green Gas Support Scheme commissioning deadline to 2030 provides additional time for existing projects to progress, the sector now needs clarity on what comes next. The Future Biomethane Policy Framework will be critical in setting out the next phase of support once the scheme closes to new applicants.

Publishing this alongside the rollout of food waste collections in England would provide confidence for future investment and help maximise new sources of feedstock.

CCS is similarly at an important stage. Projects in Teesside and the North West have reached a financial close and are moving into construction, supporting jobs and helping industrial sectors such as cement and energy-from-waste reduce emissions. However, with more than 100 additional projects in development, the sector needs a clearer route to future deployment, including allocation frameworks for new clusters and continued development of carbon storage and removals markets.

Across all three technologies, the common requirement is long-term policy certainty. Without clear market signals, projects, supply chains, and investment decisions risk being delayed, limiting the UK's ability to capitalise on the economic opportunities of the energy transition.

For Burnham's government, the opportunity is clear. Publishing the Hydrogen Strategy refresh, confirming the Future Biomethane Policy Framework and providing CCS with a clearer route to market would build on progress already made and support the government's wider ambitions on growth and reindustrialisation.

Alongside improving energy affordability, these measures would provide the long-term certainty needed to unlock private investment, strengthen domestic supply chains and ensure the UK remains competitive in the industries that will underpin the low-carbon economy.

03 Policy milestones

The path to a decarbonised energy system continues to be shaped by steady policy and regulatory developments. Here we highlight the latest funding allocations, evidence publications, and consultation outcomes impacting the sector's transition.

NSTA support for carbon storage industry

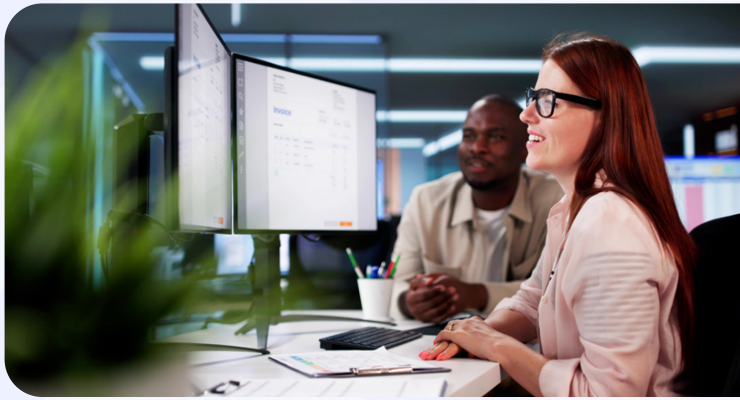
The NSTA has published three new guidance documents to help carbon storage licensees streamline the approval process for Carbon Capture and Storage (CCS) projects. The documents set out expectations for Storage Site Management Plans, Commissioning Plans, and Metering & Measurement Plans required under Carbon Dioxide Storage Permits. Developed with industry input, the guidance aims to improve consistency, provide greater clarity on operational requirements, and support the safe and efficient delivery of the UK's growing carbon storage sector.

Government sets out plan to scale up greenhouse gas removals and support CCS growth

The government has published its response to the independent review of Greenhouse Gas Removals (GGRs), confirming their role in balancing residual emissions and supporting net zero. It will accelerate sector growth through the GGR Business Model, CCUS investment and improved CO_2 transport and storage infrastructure. The response also highlights opportunities for biomethane, Bioenergy with Carbon Capture and Storage (BECCS) and Direct Air Capture with Carbon Storage (DACCS), while focusing on developing high-integrity standards and future carbon markets.

Clean flexibility roadmap – July Update

The Department for Energy Security and Net Zero has published its Clean Flexibility Roadmap: July 2026 update. After 2030 the government expects hydrogen-to-power to increasingly displace the role that unabated gas currently plays in the flexibility of the electricity system. The report confirms the government will introduce legislation to support the hydrogen-to-power business model, providing greater certainty for investors. It also highlights that CCS will play a complementary flexibility role during periods of "dunkelflaute" (prolonged periods of low renewable output and/or high electricity demand). Finally, the report recognises the potential for biomethane to be used flexibly but that further policy clarity is needed before its role in low-carbon dispatchable power is defined.



03 Policy milestones

UK's Modern Industrial Strategy – One year on

The government has published its one-year update on the delivery of commitments in the Modern Industrial Strategy, highlighting progress in low-carbon energy industries. The update confirms that the East Coast Cluster and HyNet CCUS projects are under construction, with £1.5 billion of UK supply chain contracts already awarded. It also notes that three Hydrogen Allocation Round 1 projects have reached Final Investment Decision and commits to providing further clarity on future hydrogen deployment plans.

Oil and gas taxation – Oil and Gas Revenue Levy

HMRC has published draft legislation for a new Oil and Gas Revenue Levy (OGRL), which will replace the temporary Energy Profits Levy (EPL) once it ends on 31 March 2030, or earlier if the Energy Security Investment Mechanism (ESIM) is triggered.

The permanent levy will apply only during periods of high oil and gas prices, charging 35% on revenues above defined price thresholds compared to the 38% rate set by the EPL. The government says the measure is intended to provide a more stable and predictable fiscal framework while ensuring a fair return from UK oil and gas production.

UK carbon management innovation challenge

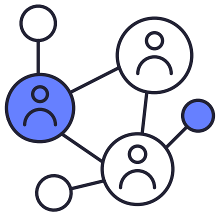
The UK Carbon Management Innovation Challenge has been launched by DESNZ to accelerate the development, demonstration and commercialisation of CCUS and GGR technologies. The challenge aims to halve the cost of point-source carbon capture and direct air capture by 2040, while supporting a pipeline of commercial-scale GGR projects. It will bring together industry, investors, academics and government through a Challenge Coalition and support selected innovators through the Innovation Champions programme.

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. **AI assurance in the energy sector** – Ofgem is seeking views on the role of AI assurance in the energy sector, including how systems can be tested, evaluated and governed. Responses can be submitted until 12 August.
2. **2nd Offshore Carbon Dioxide Storage Licensing Round Appropriate Assessment** – The Offshore Petroleum Regulator for Environment and Decommissioning in conjunction with DESNZ is seeking views on the Appropriate Assessment of areas applied for in the 2nd Offshore Carbon Dioxide Storage Licensing Round. Responses can be submitted until 19 August.
3. **Data domain coordinator: role guidance** – Ofgem is seeking views on the proposed requirements for domain coordinators, setting out three baseline requirements and three outputs in the consultation. Responses can be submitted until 8 September.



03 Policy milestones

Key Government energy policy/regulatory milestones:

2026

- Health and safety case expected on hydrogen blending
- Hydrogen Strategy update
- Hydrogen for domestic heating decision
- First allocation rounds of Hydrogen Transport & Storage Business Models
- Hydrogen to Power Business Model Launch
- H100 trial to commence
- Transitioning the Gas System consultation
- Future biomethane policy framework
- NESO Gas Future Market Plan
- Project Union expected to begin construction
- Hydrogen Allocation Round 3

2027

- Strategic Spatial Energy Plan published
- UK Carbon Border Adjustment Mechanism
- Marketwide Half Hourly Settlement operational
- Gas Shipper Obligation starts
- Fourth Carbon Budget ends
- Hydrogen certification scheme introduced

2028

- Regional Energy Strategic Plans published
- Centralised Strategic Network Plan published
- Real Time Settlement Methodology demonstration
- Net Zero Teesside starts delivering low-carbon power
- Hydrogen Allocation Round 4

2029

- Two Carbon Capture, Utilisation, and Storage Clusters targeted to be online.

2030

- Target for creating up to 10GW low-carbon hydrogen production
- UK Clean Power target

2031

- UK's first regional hydrogen network

2032

- Fifth Carbon Budget ends

2035

- Nationally Determined Contribution Target

2037

- Sixth Carbon Budget ends

2042

- Seventh Carbon Budget ends

2050 Net Zero

04 Things to look out for

August'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
- Future framework for biomethane production
- Transitioning the Gas System call for evidence
- Network investment and cost recovery call for evidence

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 July when you can meet the Decarbonisation Team. We'd love to see you there.

GDNs' Monthly Decarb Meeting	**Online** Monday 3 August
Hydrogen Information Sharing Group	**Online** Friday 7 August

To join our quarterly Green Gas Implementation Forums or enquire about 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

XOSERVE DECARB DISCUSSIONS

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