



XOSERVE

DELIVERING
DECARB

February 2026

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01 Notable news

National Wealth Fund to drive more than £100 billion into the UK economy

The National Wealth Fund has published its Five-Year Strategic Plan, spotlighting hydrogen and carbon capture, usage and storage (CCUS) as two of five priority sectors for long-term investment, alongside ports, green steel, battery manufacturing and the EV supply chain. Across these areas, the Fund aims to commit £5.8 billion over the next half decade.

Hydrogen and CCUS are positioned as 'catalytic' sectors where public finance can accelerate deployment and crowd in private capital. Support will primarily be delivered through debt and guarantees, with equity investments considered only in exceptional cases – the £28.6 million Peak Cluster investment cited as a precedent.

For both sectors, the Fund's focus will centre upon projects aligned with existing government programmes, including the Hydrogen Production Business Model

and the Cluster Sequencing process. The strategy also signals potential expansion into financing hydrogen networks, storage and demand-side infrastructure, with key industrial clusters and offtake markets such as green steel, sustainable aviation fuel and ports highlighted as strategic opportunities.

[Read the full story here.](#)

The State of the Hydrogen Nation Report - HEA

The Hydrogen Energy Association published their 2026 State of the Hydrogen Nation Report, providing an industry-led assessment of the UK hydrogen economy.

The report finds strong underlying commitment to hydrogen, with 84% of respondents expecting to maintain or increase UK investment over the next 12 months. However, confidence has weakened compared to a year ago.

Respondents highlighted policy delays, fragmented delivery and slow demand creation as key drivers of declining confidence. Demand-side support is now viewed as the single biggest constraint, with over 80% of organisations reporting difficulty securing offtake agreements despite production support mechanisms being in place.

The industry estimates it could create 3,800 UK hydrogen jobs by 2030 under the current policy, rising to 17,000 with improved policy certainty and stronger demand signals. While the UK remains internationally competitive, respondents warn that funding delays and inconsistent implementation risk projects, capital and skills shifting to faster-moving European markets.

[Read the full report here.](#)

01 Notable news

Hydrogen industry calls for urgent Government action

The Hydrogen Energy Association is demanding urgent cross-ministerial action to prevent further delays to Hydrogen Allocation Rounds (HAR2 and HAR3) and the long-awaited Hydrogen Strategy refresh, warning that continued uncertainty is putting UK jobs and billions in private investment at risk.

In a joint letter to ministers, the industry body said delays are already stalling final investment decisions, weakening investor confidence and pushing capital toward more policy-certain international markets. The HEA is calling for immediate publication of HAR2 outcomes, launch of HAR3 market engagement and rapid progression of the Strategy refresh.

[Read the full story here.](#)

GGT's Green Gas Homes Report

The Green Gas Taskforce (GGT) has published its Green Gas Homes Report, highlighting the decarbonisation potential for hybrid heating systems powered by biomethane.

The report sets out how combining electric heat pumps with gas boilers running on biomethane offers a pragmatic, low-disruption pathway to reducing emissions from home heating. Hybrid systems can cut carbon while easing pressure on the electricity grid during peak demand, using biomethane as a flexible, dispatchable fuel when temperatures drop. The Taskforce argues this approach could lower overall system costs compared to full electrification, reduce the need for extensive grid reinforcement, and provide a smoother consumer transition.

Crucially, the report positions biomethane as an immediately scalable, indigenous resource that can decarbonise the existing gas network while supporting energy security and rural economic growth.

With the right policy support, hybrid heating could provide a cost-effective bridge to net zero while maintaining consumer choice and system resilience.

[Read the full report here.](#)



01 Notable news



Transitional Regional Energy Strategic Plan Publication

NESO has published its transitional Regional Energy Strategic Plan (tRESP), setting out a GB-wide evidence base to inform electricity distribution investment ahead of RIIO-ED3 (2028–33). While the focus is firmly upon electricity, including demand projections for EVs, heat pumps and 95GW of additional generation and storage, NESO confirmed gas and biomethane will remain essential components of the wider RESP framework.

NESO is continuing to develop its gas methodology, including work on whole system optimisation, spatial context for gas and biomethane, and network planning assurance. Methodology updates are expected in early March, followed by stakeholder workshops and a final methodology publication in summer 2026.

Alongside this, tRESP will now feed into DNO business plans, with Ofgem draft guidance and plan submissions scheduled through 2026.

[Read more here.](#)

UK council approves £20 million AD plant with CO₂ output

North Yorkshire Council has approved a £20 million anaerobic digestion plant near Thirsk that will produce biomethane for grid injection and 17,000 tonnes per year of food-grade CO₂. Developed by Advanced Fuel Partners, the facility will process 144,000 tonnes of agricultural waste annually, generating enough renewable gas to heat around 8,760 homes.

Despite local objections, planners approved the scheme subject to environmental and traffic conditions, with construction expected to take 18 months.

[Read the full story here.](#)

01 Notable news

Cadent makes biomethane network connections more affordable

Cadent has introduced the UK's first cost-sharing model for biomethane injection reinforcement, backed by Ofgem, aimed at removing a major financial barrier to grid connections for green gas producers.

Under the new 'cluster' approach, where network capacity is constrained, reinforcement costs can be shared between developers and partially socialised across the wider customer base – replacing the previous 'first-connector pays' model that has often stalled projects. An Entry Reinforcement Assessment Window is now open until 6 March 2026, allowing developers to apply for connections that could benefit from the revised charging structure.

The reforms are supported by RII0-3 funding, including a £20m per network allowance for biomethane reinforcement.

[Read the full story here.](#)

Central North Sea Key to UK Carbon Storage

The British Geological Survey (BGS) has highlighted the vast, underexplored carbon storage potential of stacked Palaeogene sandstones beneath the Central North Sea, a region estimated to contain more than 10 billion tonnes of theoretical CO₂ capacity – around 60% of the UK's total offshore resource.

As the UK targets 50 million tonnes of CO₂ storage per year by 2030, rising to 170 million tonnes by 2050, attention is shifting beyond well-appraised areas such as the Southern North Sea. BGS is analysing seismic data, well records and archived core samples to assess reservoir connectivity, pressure management and seal integrity, key factors for large-scale deployment.

With relatively few licences issued in the region by the North Sea Transition Authority, robust geological understanding is seen as critical to unlocking this strategic CCS resource.

[Read the full story here.](#)

Humber Partnership Advances Plans for UK's First Hydrogen Network

National Gas has joined Centrica, Equinor and SSE Thermal to form Humber Hydrogen, a partnership bidding to develop the UK's first integrated hydrogen transport and storage network. Their proposal includes the Humber Hydrogen Pipeline and Aldbrough Hydrogen Storage, supporting large-scale hydrogen production at sites such as Easington and Saltend. Together, these projects could deliver up to 3GW of hydrogen and connect major industrial hubs across Yorkshire and Lincolnshire. The network would play a crucial role in decarbonising the UK's most carbon-intensive industrial cluster, enabling cleaner energy for sectors such as manufacturing, chemicals, steel and power generation.

[Read more here.](#)

02 Spotlight on...The Strategic Innovation Fund



Earlier this month, Ofgem [published](#) its funding decisions for Cycle 4 of the Strategic Innovation Fund (SIF), confirming continued backing for innovation projects designed to accelerate the transition to net zero across Great Britain's energy networks.

Delivered in partnership with Innovate UK (UKRI), the SIF supports ambitious projects that can deliver consumer benefits, drive decarbonisation and enable whole-system transformation. Cycle 4 ran under the RII0-GD2 price control, with applications assessed competitively across the Discovery, Alpha and Beta streams.

For the gas sector, five transporter-led projects secured funding across the different streams, receiving around £950k in total. Notably, four of these projects are biomethane-related, reinforcing the continued regulatory and industry focus on near-term, scalable decarbonisation solutions for the gas grid.

The five successful gas projects are:

Alpha Stream

- **Wales & West Utilities** – Hydrogen-Enhanced Biomethane for Energy System Resilience

Discovery Stream

- **Cadent Gas** – Project Clean Green
- **Cadent Gas** – BioCapMap
- **Northern Gas Networks** – Renewable Energy Harvest
- **National Gas Transmission** – Quantum optimisation for future gas network design

Collectively, these projects explore removing barriers to biomethane grid injection, blending hydrogen to enhance resilience, improving network capacity mapping for green gas connections, integrating renewable energy into operations, and applying advanced optimisation techniques to future gas network design.

02 Spotlight on...The Strategic Innovation Fund

At a time when policy signals around hydrogen heating and wider gas network repurposing remain uncertain, biomethane continues to attract regulatory support as a practical and commercially viable route to decarbonising gas demand. These gas innovation projects collectively explore themes including hydrogen blending with biomethane, mapping and optimising network capacity for green gas connections, renewable energy integration, and advanced modelling to inform future network design.

More broadly, the Cycle 4 decisions underline Ofgem's expectation that innovation funding must translate into tangible consumer value and system-wide benefits. Projects were assessed on their ability to accelerate decarbonisation, reduce costs over time, and prepare networks for a more integrated, data-driven and flexible energy system.

Taken together, the outcomes signal that while long-term questions about the future role of gas infrastructure remain, there is clear regulatory backing for targeted, evidence-led innovation, particularly where it strengthens energy resilience and unlocks low-carbon gas pathways that can be deployed within existing network frameworks.



03 Policy milestones

The path to a decarbonised energy system will be marked with significant policy milestones and regulatory developments. As the gas industry continues its efforts to transition to net zero, understanding these key events is essential. Here we highlight recent developments impacting the decarbonisation of gas.

UK-California memorandum of understanding

The UK Government and the State of California have signed a five-year Memorandum of Understanding (MoU) to deepen cooperation on climate action, clean energy and responsible innovation.

Hydrogen and carbon capture, utilisation and storage are explicitly identified as priority technologies, alongside greenhouse gas removals and methane reduction. The MoU commits both parties to collaborate on scaling low-carbon hydrogen, advancing carbon markets, and accelerating deployment

of carbon management solutions critical to meeting the UK's 2050 net zero target and California's 2045 carbon neutrality goal.

Hydrogen: planning and consenting guidance

The Scottish Government has published new guidance to streamline the planning and consenting of green and blue hydrogen projects, supporting its 2045 net zero target. Issued under the Hydrogen Action Plan, the document sets out key regulatory requirements including planning permission, Environmental Impact Assessment, Hazardous Substances Consent (from two tonnes of hydrogen) and COMAH regulations (above five tonnes).

It also covers environmental permitting, water abstraction, and marine licensing for offshore projects. The guidance strongly emphasises early pre-application engagement with regulators to de-risk and accelerate projects, while confirming that unabated grey hydrogen is not supported.

CCUS East Coast Cluster: Teesside selection process

The UK Government has launched the East Coast Cluster: Teesside Selection Process to invite CCUS projects to apply for connection to the cluster's transport and storage network by 2032. Led by DESNZ, the process aims to allocate remaining capacity linked to the Endurance offshore CO₂ storage site in the Southern North Sea and support industrial decarbonisation infrastructure in the Teesside area.

Interested projects must submit expressions of interest by 10 March 2026, with full applications due a month later. The selection will prioritise proposals that can credibly connect to the East Coast Cluster network by the early 2030s and, where possible, advance with reduced government support under a Transition Access Agreement.

03 Policy milestones



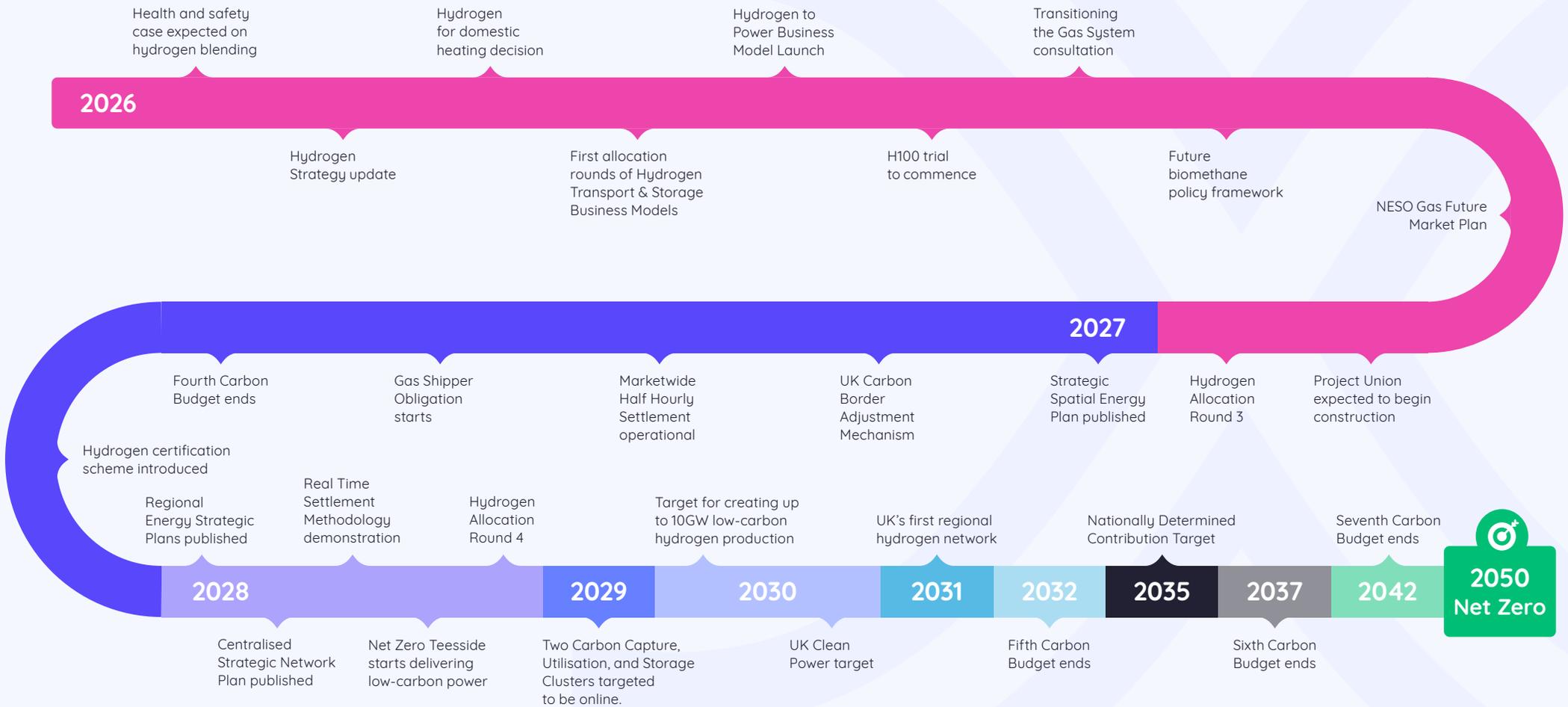
Upcoming opportunities to influence energy policymaking

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. Offshore Energy Strategic Environmental Assessment 5 Scoping** – DESNZ is [consulting](#) on a Strategic Environmental Assessment (SEA) of a draft plan/programme to enable future leasing/licensing for offshore renewable energy, offshore gas, carbon dioxide and hydrogen storage, and future Transitional Energy Certificates for oil and gas and associated infrastructure. Responses can be submitted until 6 March 2026.
- 2. Determinations for NESO1 Business Plan** – Ofgem is [seeking views](#) on the Draft Determinations on NESO's latest Business Plan submission 'NESO1', which sets out Ofgem's provisional views on NESO's strategic aims, performance objectives, value for money, reporting requirements and innovation funding. Responses can be submitted until 10 March 2026.
- 3. Draft Gas Distribution (RIIO-GD3) crossover submission guidance** – Ofgem is [seeking views](#) on the associated guidance document for the new RIIO-GD3 crossover licence condition 3.32. Responses can be submitted until 12 March 2026.
- 4. Heat networks regulation: recovering Ofgem's costs** – Ofgem is [consulting](#) on detailed proposals for how the costs of regulating heat networks will be recovered through licence fees from gas, electricity and, in future, heat network operators under a blended funding approach. Responses can be submitted until 2 April 2026.
- 5. Carbon capture, usage and storage (CCUS): non-pipeline transport** – DESNZ is [seeking views](#) on policy proposals to support the deployment of domestic non-pipeline transport (NPT) projects. Responses can be submitted until 1 May 2026.

03 Policy milestones

Key Government energy policy/regulatory milestones:



04 Things to look out for



March'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 future:

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
- Industrial decarb strategy
- Gas Network Innovation Strategy

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.

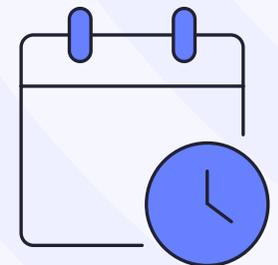
05 Dates for your diary

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

GDNs monthly decarbonisation meeting (internal)	 Online Monday 2 March
3rd Annual Energy Transition Summit (Economist), London	 Monday 2 March
Hydrogen Information Sharing Group	 Online Friday 6 March
Hydrogen UK Annual Conference, Birmingham	 Tuesday 10 – Wednesday 11 March

Shippers – Green Gas Implementation Forum	 Online Friday 20 March
IGTs – Green Gas Implementation Forum	 Online Friday 20 March
Meters – Green Gas Implementation Forum	 Online Friday 20 March

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



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