



XOSERVE

DELIVERING
DECARB

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01 Notable news

Hydrogen Economic Regulatory Framework consultation: developing an effective framework for pipeline networks – government response

The Department for Energy Security and Net Zero has published its response to the consultation on the economic regulatory framework for 100% hydrogen pipeline networks, setting out how it intends to support early hydrogen infrastructure while allowing flexibility as the market develops. Drawing on 49 stakeholder responses, the government confirms it will adapt the existing Gas Act framework to hydrogen, rather than create an entirely new regime.

Key decisions include retaining primary and residual balancing licence structures, with hydrogen producers expected to take on primary balancing roles, while allowing other parties such as offtakers to apply where appropriate. System operation responsibilities will sit with hydrogen pipeline owners under licence.

To reduce barriers for early projects, the government will exempt hydrogen supply to premises from supplier licensing requirements, while keeping this under review. No new licences will be introduced for hydrogen production or storage at this stage. A new hydrogen network code will be developed, led by government in partnership with industry, using a minimum viable product approach.

Overall, the measures aim to provide regulatory clarity, support investment, and enable the safe, efficient growth of hydrogen networks.

[Read the full response here.](#)



01 Notable news

Mitigations to protect future security of gas supply identified

The National Energy System Operator (NESO) has published its first annual Gas Security of Supply Assessment, looking ahead to winters 2030/31 and 2035/36. The report finds that Great Britain is expected to continue benefiting from a diverse mix of gas sources, including domestic production, imports, storage, and biomethane. NESO concludes that supply should meet forecasted demands under typical seasonal conditions. However, it also identifies emerging risks to gas security if demand remains high or in scenarios involving the loss of major infrastructure. In these cases, supply could fall short of peak demand.

To address potential shortfalls, NESO and partners including government, Ofgem and National Gas have outlined a suite of mitigation options. These include reducing peak-day demand through faster decarbonisation, maximising existing infrastructure, and developing new supply and network capacity.

[Read the full assessment here.](#)

BP pulls out of building Teesside hydrogen plant

BP has withdrawn from plans to build its H2Teesside hydrogen plant in Redcar, ending a project that had been caught up in a dispute over land use at the Teesworks site. The company pulled out ahead of an expected government decision on development consent, citing a “material change in circumstances” after the site’s owners pursued plans to construct a large AI data centre instead. BP had been seeking powers of compulsorily purchase for the land, while Teesworks Ltd argued the data centre would deliver greater local and national benefits.

BP said it remains committed to Teesside through other investments, including Net Zero Teesside Power and the Northern Endurance Partnership. The government confirmed the decision was BP’s but stressed that other hydrogen projects in the region, including Tees Green Hydrogen, continue to progress.

[Read the full story here.](#)



01 Notable news

CCSA research reveals UK carbon capture sector at a “critical juncture”

New research from the Carbon Capture and Storage Association (CCSA) finds the UK’s carbon capture, utilisation and storage (CCUS) sector has the strongest project pipeline ever, with the first five major CCUS projects reaching financial close and entering construction in Teesside, the North-West and North Wales. In total, more than 100 projects are in development, with the potential to capture 77 million tonnes of CO₂ per year, including significant volumes from carbon removals.

However, progress for many projects has been slowed by policy uncertainty. Since 2023, 27 projects have been paused or cancelled, and most remaining schemes have experienced delays averaging two years.

Three-quarters of developers warn they may redirect investment overseas without clearer government direction and a defined route to market. The CCSA is urging government action in 2026 to unlock investment, protect industrial jobs and secure CCUS’s role in delivering net zero.

[Read the full delivery plan here.](#)

Green Gas Taskforce reports highlights Biomethane’s growing role in the UK’s Net Zero Strategy

The Green Gas Taskforce (GGT) has released a series of reports outlining the scale and strategic value of biomethane in the UK’s net zero transition. Their latest feedstock analysis suggests the UK could sustainably produce up to 50TWh of biomethane by 2030 and 120TWh by 2050, far exceeding previous government estimates. The GGT argues this potential is not constrained by land availability, with rotational and sequential cropping able to complement, rather than compete with, food production.

Beyond production, the GGT’s modelling indicates biomethane could reduce the cost of reaching net zero by around £174bn, through avoided electricity network upgrades, support for hard-to-electrify buildings, and flexibility in power generation. Another report highlights transport as a priority end-use, with biomethane trucks delivering up to an 83% emissions reduction compared to diesel. Collectively, these findings strengthen the case for a clear long-term policy framework to scale biomethane deployment.

[Read their report here.](#)

01 Notable news

Cadent's report on accelerating biomethane in the UK

Cadent has produced a report that sets out the case for accelerating biomethane deployment in the UK, highlighting its potential to support net zero and energy security. While current production sits at around 7 TWh, the report points to credible analysis showing the UK could scale to 100+ TWh by 2050, well above existing government targets and achievable without impacting food production through the use of rotational and cover crops.

Cadent argues that policy uncertainty is now the biggest barrier to growth, with the Green Gas Support Scheme closing in a few years' time and restrictive feedstock rules that limit agricultural inputs. The report calls for a more ambitious national target, long-term support mechanisms, and carbon accounting reform to recognise biomethane's value in hard-to-decarbonise sectors such as heating, transport and industry.

Drawing on lessons from France and Denmark, Cadent shows how clearer regulation and demand-side incentives could rapidly scale the UK biomethane sector and unlock wider system benefits.

[Read the full report here.](#)

Green hydrogen to help boost biomethane production

Wales & West Utilities (WWU) has launched an innovation project that could significantly increase biomethane yields and reduce production costs by integrating low-carbon hydrogen into anaerobic digestion. Working with HydroStar and the University of Southampton, the project focuses on injecting hydrogen during the acetogenesis stage – enhancing the conversion of CO₂ into biomethane. Early modelling suggests yield improvements of up to 70%, as well as rapid system response within minutes, demonstrating how AD plants could become more dynamic and help balance energy demand in real time.

WWU already injects biomethane across its network, supplying renewable gas equivalent to the annual needs of more than 160,000 homes. A small-scale demonstrator planned for 2026 will test the approach under operational conditions and shape plans for commercial-scale deployment.

[Read the full story here.](#)

02 Spotlight on... RIIO-3

Ofgem published its highly anticipated [RIIO-GD/T3 Final Determinations](#) for the Electricity Transmission, Gas Distribution and Gas Transmission sectors on Thursday 4 December, setting out the details of the next price control running until Monday 31 March 2031.

The Final Determinations provide a clear steer on the regulator's vision for the industry: recognising the critical role that gas networks will continue to play in powering UK homes and businesses. On the other hand, the regulator has outlined a cautious approach to low-carbon innovation investment removing hydrogen, hydrogen heating and carbon capture and storage from the Network Innovation Allowance (NIA).

In contrast, biomethane remains firmly within scope of NIA funding. Ofgem has ring-fenced £20m per GDN to address biomethane network capacity constraints, signalling that it sees it as a more immediate and commercially viable pathway for decarbonising gas demand during this price control period.

On decommissioning, Ofgem has taken a conservative stance. While funding is available for decommissioning initiatives under NIA, no additional baseline investment has been committed for broader network decommissioning, reflecting ongoing uncertainty over the long-term future of the gas grid.

Lastly, digitisation is highlighted as an essential enabler for more flexible, efficient networks, with a Digitalisation Re-opener introduced to support emerging needs across the price control.

Overall, the Final Determinations provide a solid foundation and reaffirm that gas will remain a key pillar of the UK's energy system. However, uncertainty over the future role of gas infrastructure, particularly in the context of net zero, means key strategic decisions still lie ahead.

[You can read a more in-depth analysis of RIIO-GD/T3 on our website.](#)



03 Policy milestones

The path to a decarbonised energy system will be marked with significant policy milestones and project developments. Here we highlight the policy announcements, project milestones and consultations impacting the decarbonisation of gas.

Green Gas Support Scheme extension

The UK government has [extended](#) the Green Gas Support Scheme (GGSS) by two years to March 2030, a move hailed as a vote of confidence in biomethane. The announcement, made at the ADBA National Conference, provides much-needed policy certainty for developers and investors, helping avoid a looming “cliff-edge” and keeping new anaerobic digestion projects on track.

Industry leaders say the extension recognises biomethane’s growing role in cutting emissions, boosting energy security and supporting rural economies.

NESO outlines new timelines for Strategic Energy Plans

The National Energy System Operator (NESO) will now [publish](#) its flagship Strategic Spatial Energy Plan (SSEP) in Autumn 2027 to integrate newly updated cost data. The refreshed timeline follows collaboration with DESNZ and Ofgem to ensure modelling reflects the latest, most transparent inputs.

Pathway options will be submitted to the Energy Secretary in summer 2026, followed by a public consultation in early 2027. The Regional Energy Strategic Planning (RESP) outcomes and the Centralised Strategic Network Plan (CSNP) are now expected in 2028.

Gas Options Advice (GOA) | National Energy System Operator

NESO [published](#) its first Gas Options Advice (GOA) in early December, setting out independent recommendations on how Great Britain’s gas transmission network should be reinforced to meet future capability needs.

The report assesses where targeted investment would deliver the greatest improvements in system resilience, flexibility and value for money, reflecting the changing demands on the National Transmission System.

Climate Change Levy: electrolytic hydrogen and energy context – Government response

The government has [published](#) its response to the consultation on removing Climate Change Levy (CCL) costs from electricity used for hydrogen production, setting out how it intends to implement the relief and signalling further reforms ahead. The response confirms that electricity used in electrolysis to produce hydrogen, along with natural gas used as a CO₂ source in sodium bicarbonate production will be added to the CCL non-fuel use exemption.

03 Policy milestones

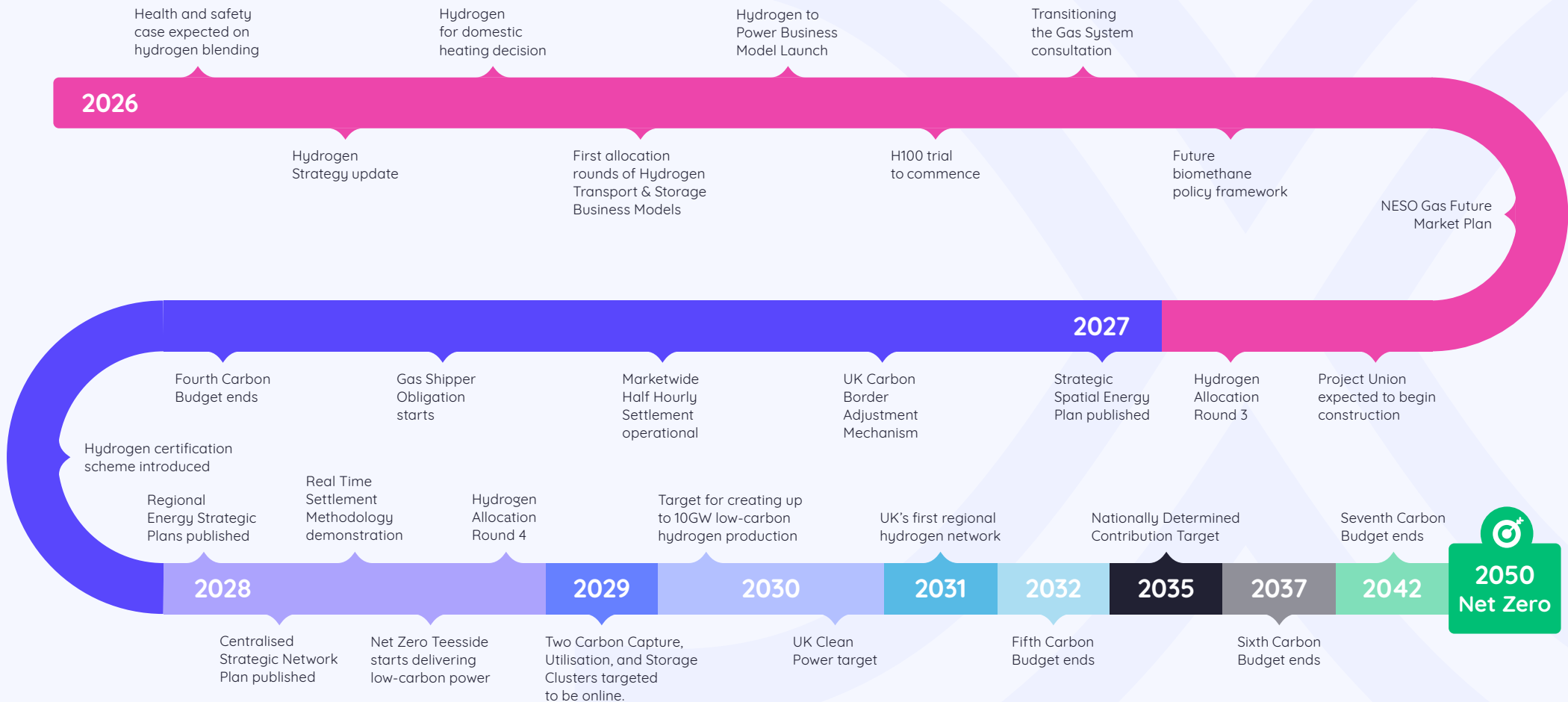
Upcoming opportunities to influence energy policymaking

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. Regional Energy Strategic Planning (RESP)**
– NESO has published a consultation on its Regional Energy Strategic Planning Methodology ahead of the final RESP Methodology publication in Summer 2026. Responses can be submitted until 16 January 2026.
- 2. Draft Climate Change Plan** – The Scottish government has launched its draft Climate Change Plan and invited stakeholders to submit their views on the plan which lays out how Scotland can stop its contribution to increasing global emissions. Responses can be submitted until 29 January 2026.
- 3. Carbon capture, usage and storage (CCUS): Ensuring fair access to CO₂ infrastructure**
– DESNZ is seeking views on the Storage of Carbon Dioxide (Access to Infrastructure) Regulations 2011 to ensure fair access to CO₂ pipelines and storage sites. Responses can be submitted until 6 February 2026.
- 4. Proposed Forward Work Programme for 2026 to 2027** – Ofgem is consulting on their draft plan for 2026 to 2027 which will be published by 31 March 2026. This provides details of the projects Ofgem intend to carry out and their priorities. Responses can be submitted until the 12 February.
- 5. Gas System in Transition: security of supply** – DESNZ has published a consultation seeking views on their 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.
- 6. 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

January'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

This Month's Decarbonisation Team Meeting Dates

**Network monthly
decarbonisation
meeting (internal)**

Monday 12 January 2025
Online

To join our quarterly Hydrogen 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



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