XOSERVE

DELIVERING DECARB

May 2026

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01 Notable news

UK Government urged to select HyNet as first hydrogen network

Over 40 organisations have written a joint letter to the Government, urging the selection of HyNet as the UK's first regional hydrogen network. Representing more than 9,000 employees, the coalition stressed that connecting to HyNet will provide companies with a competitive edge in global low-carbon markets and support the Clean Power 2030 Mission.

The letter highlights successful regional hydrogen demonstrations, specifically within glass manufacturing and aluminium recycling. Signatories assert that advancing HyNet's hydrogen and carbon capture phases offers a mature project capable of delivering on key economic and industrial strategy priorities.

Read the full story here.

Strategic Innovation Fund Challenges: 2026 to 2033

Ofgem has endorsed a new report detailing five key innovation challenges for the upcoming price control periods (2026–2031 for gas, 2028–2033 for electricity distribution). Recommended by the Energy Networks Innovation Taskforce, the five innovation challenges cover:

- **Industrial connections:** Energising major strategic sites within six months by 2033.
- **Build and maintenance:** Delivering 50% faster and 20% cheaper network operations by 2035.
- **Domestic devices:** Enabling plug-and-play connections by 2032.
- **Energy outages:** Targeting near-zero interruptions via autonomous network reconfiguring by 2038.
- **System balancing:** Proving the viability of autonomous local balancing by 2034.

Industry stakeholders will now look to meet these targets through Innovation Delivery Groups and future projects under the RIIO-3 Strategic Innovation Fund (SIF) framework.

Read the full details here.

01 Notable news

Green Gas Jobs – building sustainable UK value

A new report by Baringa for the UK Green Gas Taskforce highlights the significant economic potential of expanding UK biomethane production. The analysis reveals that scaling up this renewable gas could contribute £5.6 billion to the UK economy by 2050, supporting up to 57,000 high-quality green jobs across the value chain, with sector roles paying around 20% higher than the average wage.

With a robust agricultural base, the UK is well-positioned to host anaerobic digestion facilities, which convert organic waste into grid-ready gas without requiring costly infrastructure upgrades for homes and businesses. However, the report warns that without clearer government policy and consistent investment signals, this economic opportunity risks being lost.

Read the full report here.

Penspen awarded Hydrogen Transition Pathways for Industrial Clusters study

Penspen has been commissioned by Future Energy Networks, the Energy Innovation Centre, Northern Gas Networks, and Xoserve to investigate hydrogen's role in decarbonising UK industrial clusters. The study will explore several topics including potential hydrogen supply and demand across clusters and how hydrogen, biomethane, and natural gas networks could coexist through to 2050 across major industrial hubs. Ultimately, the project aims to deliver a decision framework and cluster-level conversion playbooks to support strategic planning and mitigate the risk of misaligned investment.

Read the full story here.

New deal to advance CO_2 storage for industry across England and South Wales

Severnside Carbon and Exolum have partnered to advance a major new CO_2 storage and shipping hub at Avonmouth Docks, Port of Bristol. Under the agreement, a new subsidiary, Exolum 7CO_2, will lead development for the terminal, which is targeted to begin operations in 2031 and could handle up to six million tonnes of CO_2 annually. The project aims to address a gap in the UK's infrastructure, providing a clear decarbonisation pathway for energy-intensive businesses across the South West, the Midlands, and South Wales.

Read the full story here.

01 Notable news

Protium acquires Cromarty Hydrogen Project and wider Scottish portfolio

Protium has acquired the Cromarty Hydrogen Project in the Scottish Highlands from Storegga. Supported by a £100 million investment, the development aims to decarbonise regional industries such as transport and whisky distilling. The acquisition introduces a new community benefit fund tied to production capacity, though the project's final design remains subject to technical assessments and planning approvals.

Read the full story here

UK paper mill installs biogenic carbon capture pilot

Nellie Technologies has initiated operations of a new carbon capture pilot plant at a WEPA Group paper mill in the UK. The pilot focuses on biogenic carbon capture, targeting the emissions generated from the mill's operational processes. The installation represents a practical step in testing the real-world viability and efficiency of capturing biogenic CO_2 within the paper manufacturing sector, contributing to broader industrial decarbonisation efforts.

Read the full story here.

01 Notable news

Water splitting catalyst creates hydrogen at low temperatures

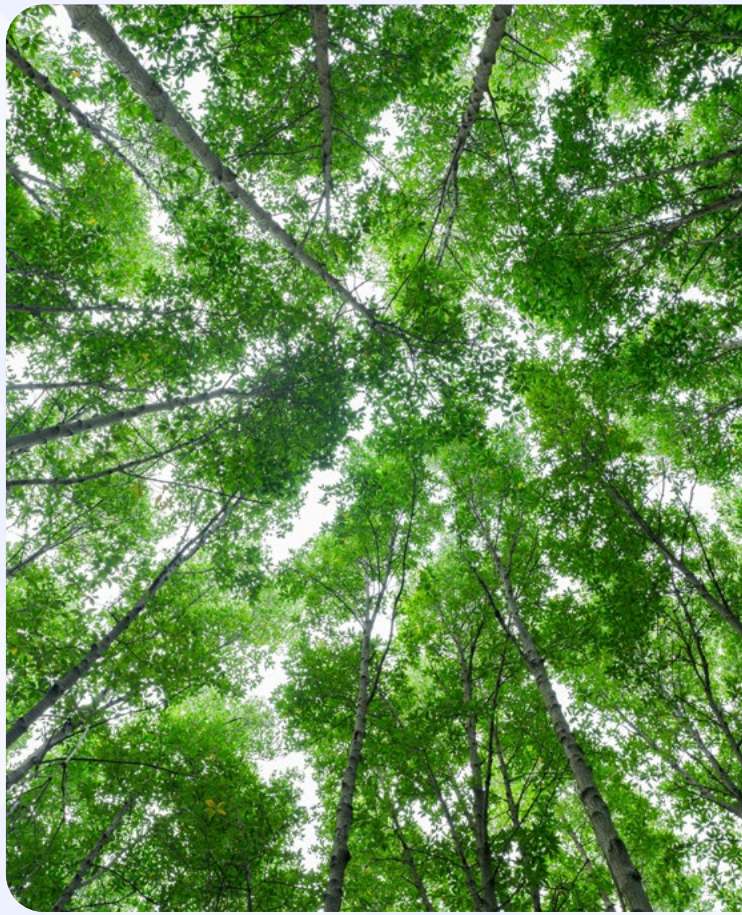
Researchers at the University of Birmingham have demonstrated a lower-cost method for producing hydrogen at reduced temperatures. Using a perovskite catalyst, the team achieved water splitting at 150-500°C, significantly lower than the standard 700-1000°C. This lower threshold allows hydrogen to be produced locally using waste heat from heavy industries, such as steel and cement, helping to bypass current challenges associated with hydrogen storage and transport infrastructure.

Read the full story here.

Pinsent Masons study finds CCS remains dominant as low-carbon investors look to diversify

A global study by Pinsent Masons reveals that 90% of venture capital organisations surveyed had invested in Carbon Capture and Storage (CCS) projects in the last year. While 78% plan further CCS investments within the next 12 months, the 'Inside the Energy Transition' report notes an emerging trend towards diversification. Over the next 12 months, respondents predict increased activity in E-fuels, lower-carbon hydrogen, and wind power, indicating a maturing and expanding low-carbon ecosystem.

Read the full story here.



02 Spotlight on...DNV's Energy Transition Outlook: Hydrogen to 2060

Earlier this month, DNV published its Energy Transition Outlook 2026: Hydrogen to 2060 report, providing a detailed assessment of hydrogen's evolving role in the global energy system. The report offers a realistic view of near-term industry challenges while reaffirming hydrogen's long-term necessity for decarbonising hard-to-electrify sectors.

A central takeaway from the 2026 outlook is DNV's decision to revise its mid-century clean hydrogen forecast down by 45% compared to its previous 2022 analysis. This adjustment reflects a persistent gap between early policy ambition and the delivery of large-scale projects, alongside continued advancements in direct electrification technologies which have reduced hydrogen's expected role in certain sectors.

Despite this downward revision, the underlying growth trajectory remains substantial. The report forecasts that clean hydrogen production will grow 100-fold from today's levels by 2060, with overall hydrogen volumes expanding by 170%. This scale-up will require an estimated cumulative investment of $3.2 trillion.

By 2060, emerging demand sectors are expected to drive this uptake, led by steelmaking (18%), aviation (18%), and the maritime industry (15%). Established consumers, such as fertiliser and methanol production, are also expected to decarbonise their supply chains, accounting for roughly 13% each.

Geographically, China is anticipated to dominate the market, accounting for 35% of new hydrogen production and use over the forecast period. Together, Europe and China are projected to install half of all new renewable electrolysis-based capacity added by 2030.

Notably, the report highlights a shift in underlying market drivers. Energy security is increasingly emerging as a primary catalyst for hydrogen investment, as importing nations look to build resilience against volatile fossil fuel markets, protect critical industries, and diversify supply chains.

To unlock the required capital for this growth, DNV emphasises that the industry must close the "safety confidence gap." Moving from pilot projects to industrial-scale deployment is not a simple exercise; it requires a whole-system understanding, rigorous standardisation, and clear regulatory frameworks for safety, technical verification, and emissions certification.

Ultimately, the report serves as a measured reminder to policymakers and industry leaders: while hydrogen remains critical for achieving net zero, the transition from early ambition to commercial deployment requires decisive action to resolve policy uncertainty and build market confidence.

Read the full report here.

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.

CCUS Innovation 2.0 competition: Call 2 successful projects

The Department for Energy Security and Net Zero (DESNZ) has announced the successful projects for Call 2 of the CCUS Innovation 2.0 competition. The allocated funding will support the development of next-generation carbon capture technologies, focusing on practical ways to reduce the cost of deployment and improve overall capture efficiency across various industrial sectors.

Hydrogen BECCS Innovation Programme: projects awarded funding

DESNZ has confirmed the projects awarded funding under the Hydrogen BECCS (Bioenergy with Carbon Capture and Storage) Innovation Programme. This initiative is designed to support technologies capable of generating hydrogen from biogenic feedstocks while capturing the associated carbon dioxide, providing a structural pathway toward net-negative emissions in hydrogen production.

Low Carbon Hydrogen Supply 2 competition: successful projects

The Government has published the final reports for Stream 1, Phase 1 of the Low Carbon Hydrogen Supply 2 competition. These reports detail the outcomes of early-stage feasibility studies, providing the industry with technical evidence and operational data on novel production, transport, and storage methods aimed at lowering the overall cost of low-carbon hydrogen.

CCUS future network strategy

DESNZ has published its summary of responses to the CCUS future network strategy call for evidence. The government has identified several key themes that have emerged from the responses, which could help guide the sector forward, including stable carbon pricing and regulatory certainty, flexible capacity products, coordinated spatial planning and the integration of non-pipeline transport solutions to ensure dispersed, regional emitters can access permanent storage.

03 Policy milestones

Evolution of economic regulation for CO_2 storage

The Government has published a summary of responses following its call for evidence on the evolution of economic regulation for CO_2 storage. Key themes indicate that CO_2 storage is expected to function as a natural monopoly in the early market, making the Regulated Asset Base (RAB) model essential for initial development. However, respondents agreed that the model must evolve as the market matures, with any transition requiring careful sequencing and evidence-based planning. The feedback also stressed the ongoing need for transitional government support, risk-sharing mechanisms, and clear, predictable regulatory frameworks to build investor confidence and unlock efficient financing.

Capacity Market: Hydrogen to Power and interconnectors

Following a call for evidence, the Government has outlined its next steps for integrating Hydrogen to Power (H2P) and interconnectors into the Capacity Market. The response confirms technical changes to the methodology used for calculating interconnector de-rating factors, which will take effect ahead of the 2026 Capacity Market Prequalification. Additionally, it sets out the ongoing policy approach for categorising and enabling H2P plants to participate as a new technology, ensuring that low-carbon flexible generation can effectively support the security of electricity supply.

03 Policy milestones

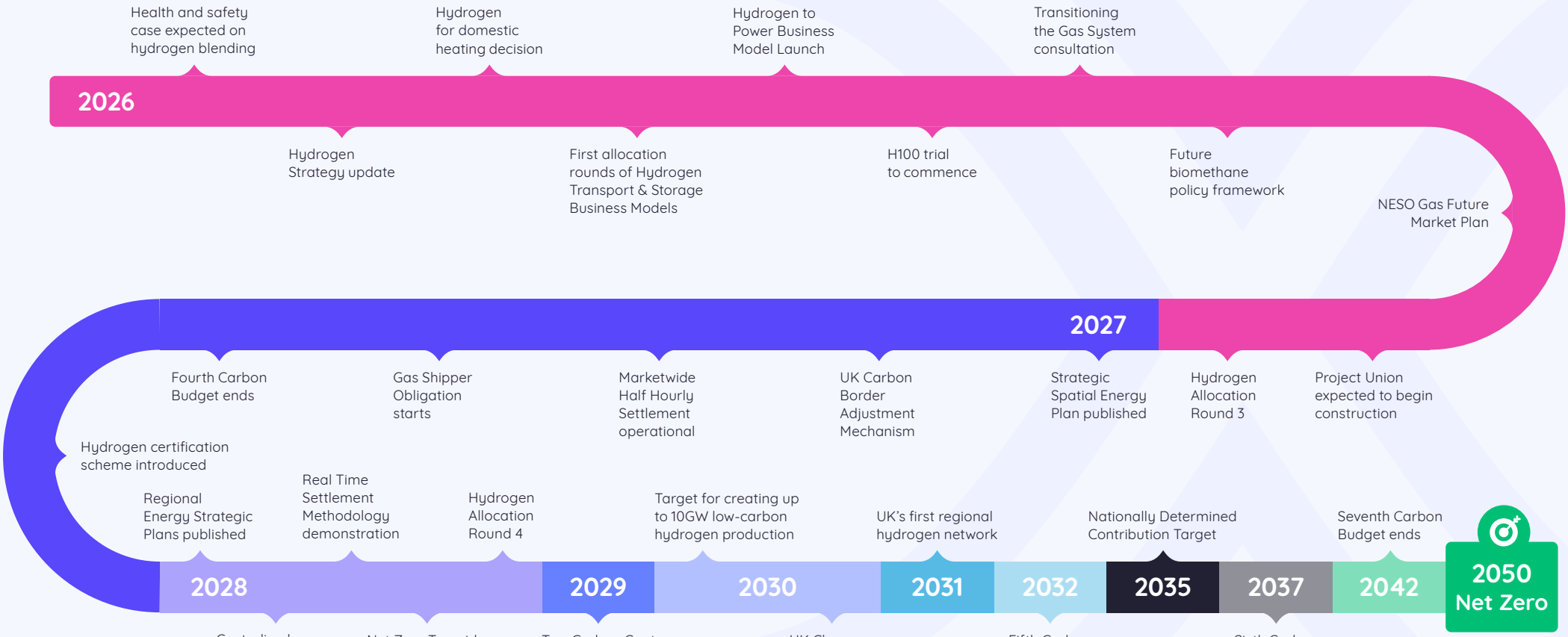
Upcoming opportunities to influence energy policymaking

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. **UK Emissions Trading Scheme: Regulating cross-boundary CCS pipelines** – The UK ETS Authority is seeking views on making regulatory requirements for cross-boundary carbon capture and storage (CCS) pipelines less complex, burdensome and costly. Responses can be submitted until 4 June 2026.
2. **CCUS East Coast Cluster: NPT Pathfinder selection process** – DESNZ has opened applications for the NPT Pathfinder selection process for non-pipeline transport CCUS projects seeking ECC Teesside network connection by 2032. Applications can be submitted until 12 June.

03 Policy milestones

Key Government energy policy/regulatory milestones:



04 Things to look out for

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

GDNs monthly decarbonisation meeting (internal)	**Online** Monday 1 June
Stakeholder Engagement Day	Wednesday 3 June
Wood Mackenzie Hydrogen Conference 2026	Thursday 4 June
Hydrogen Information Sharing Group	**Online** Friday 5 June
Green Gas Implementation Forums (Shippers, IGTs, and Meters)	**Online** Friday 19 June

To join our quarterly Green Gas Implementation Forums or enquire about our meetings above, please email decarbonisation@xoserve.com.

07 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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