



XOSERVE

DELIVERING
DECARB

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Welcome back from the summer break

Despite Parliament being in summer recess, August has brought a wave of announcements, investments and consultations that continue to shape Britain's energy future.

From Ofgem's Strategic Direction Statement to Centrica's £1.5bn acquisition of the Isle of Grain LNG terminal, the month has underscored the enduring role of the gas sector in the UK's energy transition. Data centres are also entering the spotlight, turning to gas networks to meet surging energy demands driven by AI innovation.

Meanwhile, government consultations on hydrogen blending and CCUS networks offer stakeholders a chance to influence the next phase of the UK's clean gas strategy.

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01 Notable news

Data centres tap gas network amid AI surge

A surge in AI-driven computing is prompting UK data centre developers to explore connections to the country's main gas pipelines to secure faster, more reliable energy access. Five major projects in southern England have made formal enquiries to National Gas about using gas-fired on-site power stations to bridge long lead times for electricity grid connections. Together, these projects could require around 2.5 gigawatts of capacity, enough to power several million homes.

The move highlights a broader challenge: while data centres aim to cut emissions, the urgent need for energy is driving short-term reliance on fossil fuels. High electricity prices, delays in grid connections, and the immense energy demand of AI chips make gas a practical stopgap. Globally, more than 85 gas-fired facilities are being developed to meet data centre needs, illustrating a

potential trend in hybrid energy solutions that combine renewable ambitions with practical reliability.

This signals our continued reliance on gas, even in high-tech sectors, and highlights the importance of making infrastructure ready for hydrogen and biomethane in the long-term.

[Get the full story here](#)



Centrica invests £1.5bn in gas infrastructure to support energy security

Centrica has acquired the Isle of Grain LNG terminal, the UK's largest gas import facility, as part of a strategic move to bolster energy security during the net zero transition. The deal reinforces gas' continued role in security of supply despite declining demand for gas-powered electricity generation.

[Read the full announcement](#)

01 Notable news

Gas networks advocate for biomethane recognition in UK ETS

Over 90 organisations, including all UK gas distribution networks, have backed an open letter urging the government to classify biomethane as a net zero fuel under the UK Emissions Trading Scheme (UK ETS). The letter warns that failure to act could

jeopardise £8 billion in private investment and hinder net zero progress. The industry calls for clear policy commitments to unlock biomethane's potential in decarbonising sectors like manufacturing and chemicals, while supporting rural economies and reducing methane emissions.

[Get the full story](#)



Gas network upgrade in Wales to support greener gases

Wales & West Utilities (WWU) has begun a major upgrade of the gas network in Abergavenny. The project, expected to run until May 2026, aims to ensure a reliable gas supply while preparing the infrastructure for low-carbon energy sources like biomethane and hydrogen. The project not only supports the UK's net zero goals but also secures the long-term reliability of the gas system for WWU customers.

[Get the full story](#)

01 Notable news

Sensor technology to accelerate green gas roll-out

Cadent, alongside SGN, Wales & West Utilities and Gas Networks Ireland, has launched a pioneering project to develop advanced sensor technology that accurately measures the energy content of gas across the network. In collaboration with innovators Bohr, Renda and Thyson Technology (part of the nZero Group), the initiative hopes to enable the accelerated growth of green gases like biomethane and hydrogen.

Three new sensors are being developed to measure the calorific value across the distribution network without the need to vent gas. Over the next year, each technology partner will design and test prototype sensors, with plans to move into a small-scale pilot phase by 2026.

[Read the full announcement](#)

Carbon capture boost brings 2,800 jobs to Wales and North West England

The UK government has announced a significant expansion of the HyNet carbon capture cluster, as two new projects - Connaught's Quay Low Carbon Power and Ince Bioenergy with Carbon Capture and Storage (InBECCS) - have entered negotiations to join the network. Five projects are also being lined up as standby projects, with potential to connect to the network should space become available.

The projects within HyNet will support a total of 2,800 direct, skilled jobs in Wales and the North West of England. Furthermore, they will help power up to 900,000 homes with clean energy and remove up to 4.5 million tonnes of CO₂ annually, supporting the UK's net zero goals.

[Read the full announcement](#)

Kimberly-Clark invests £125M in hydrogen to cut gas use by half

Kimberly-Clark, the maker of Andrex and Kleenex, has signed a £125 million deal to source hydrogen from two new UK facilities - Carlton Power in Barrow-in-Furness and HYRO in Northfleet. This move is aimed at slashing the company's natural gas usage by 50% across its UK production lines by 2027.

Hydrogen will replace fossil fuels used for steam generation in tissue manufacturing. The facilities will be built near existing Kimberly-Clark plants and are expected to be operational by mid-2027.

[Get the full story](#)



02 Spotlight on... Ofgem's Strategic Direction Statement

Ofgem release preliminary SDS for industry codes

Following consultation earlier this year, Ofgem have published their finalised version of the preliminary Strategic Direction Statement (SDS). The SDS contains a strategic assessment of government policy and developments related to the energy sector that will or may require changes to the industry codes. It sets out multi-year strategy objectives, categorised under different time horizons and at least 13 of these are highlighted as relevant to the UNC and/or IGT-UNC.

Objective 7.2 focuses on preparing for the repurposing and decommissioning of the gas grid. Ofgem acknowledges that the extent and timing of this is dependent on government decisions, but they are developing policy direction on the future of gas where possible. They envision four broad workstreams in relation to this:

1. Gas Transporters
2. Disconnections

3. Biomethane

4. Hydrogen blending

Objective 8.3 focuses on developing new hydrogen transport business models. Following a recent consultation which sets out the government's minded-to position that a new network code should be developed for 100% hydrogen pipelines, Ofgem do not anticipate changes to the existing gas codes will be required at this stage.

Furthermore, following stakeholder feedback, Ofgem added a new SDS priority on funding hydrogen infrastructure via the Gas Shipper Obligation (GSO). They note that the introduction of the GSO may require modifications to the UNC to facilitate data sharing among relevant stakeholders (e.g. Xoserve and the GSO administrator).

[Read the SDS in full here](#)



03 Policy Milestones

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

Key regulatory insights

Report on Hydrogen Market Frameworks for Initial Hydrogen Networks

In its August 2025 report on initial hydrogen networks, the Market Framework Sub-Group of the HDC Transport & Storage Infrastructure Sub-Group outlines the key steps for integrating hydrogen into the UK gas system. The report underscores the importance of clearly defined market roles for producers, transporters and offtakers, alongside effective mechanisms to balance supply and demand in real time. It also

calls for regulatory and business model adjustments to support evolving network operations. Crucially, the report emphasises the need to design networks that are scalable and adaptable to meet growing hydrogen production and demand.

[See here the full report](#)

Upcoming opportunities to influence energy policy

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. DESNZ is seeking views on the proposed changes to the **economic regulatory framework for 100% hydrogen pipeline networks**, established under the Gas Act 1986. This framework is vital for enabling the low-carbon hydrogen economy and supporting decarbonisation of power, industry and heavy transport.

[Submit your response](#) by 9 September 2025

2. DESNZ has launched a consultation seeking views on policy options to **expand the market for low-carbon industrial products**, with an initial focus on sectors like steel, cement and concrete. This aims to establish a framework, guidance and tools to help buyers identify and compare lower-carbon industrial products, driving demand for decarbonised materials for net zero infrastructure.

[Submit your response](#) by 15 September 2025

3. DESNZ is consulting on the potential strategic and economic value of **blending hydrogen into the GB gas transmission network**. It is seeking views on commercial, market, technical and billing arrangements, and implications for end users.

[Submit your response](#) by 16 September 2025.

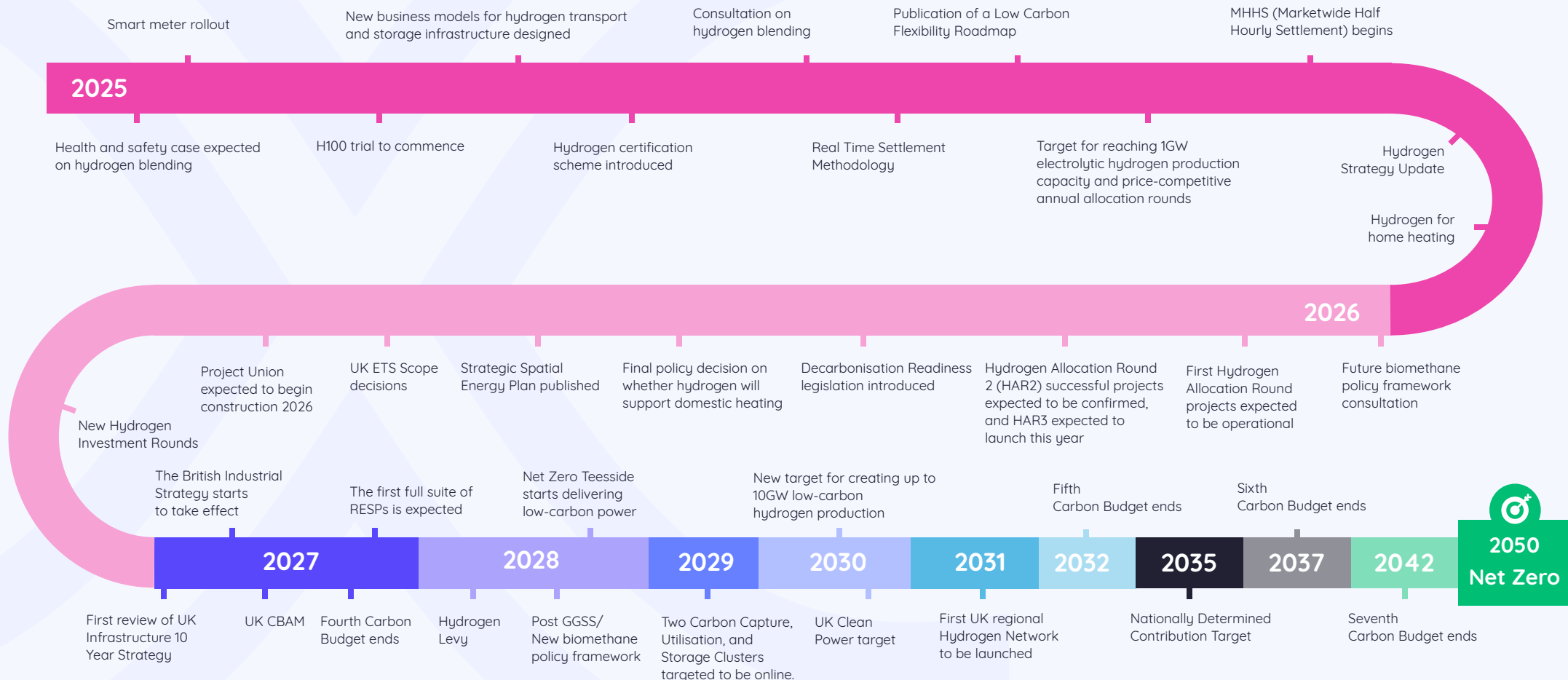
03 Policy Milestones

4. Ofgem has issued a Request for Information as part of their **gas disconnections framework review** in order to gather quantitative and qualitative data to better understand costs and system pressures associated with gas disconnections across Great Britain for future monitoring purposes. They are seeking responses from GDNs and IGTs specifically.
[Submit your response](#) by 1 October 2025.
5. DESNZ have released a call for evidence on the **development of future CO₂ transport and storage (T&S) networks** across the UK. It seeks views on how best to support the economic and regulatory transition of CCUS networks away from a government-led initiative and towards a market-led approach.
[Submit your response](#) by 31 October 2025.
6. DESNZ and Ofgem have launched a joint call for evidence on the **evolution of economic regulation for CO₂ storage**. It is seeking views on whether the Regulated Asset Base (RAB) model of economic regulation for CO₂ storage will continue to best meet the needs of users, developers, investors and consumers as the CCS market matures.
[Submit your response](#) by 31 October 2025.



03 Policy Milestones

Key Government energy policy/regulatory milestones:



04 Things to look out for

Although Parliament has been in its summer recess, there are plenty of consultations and strategies ongoing. The next DeliveringDecarb edition will keep you informed of any announcements, new data or research on the potential future role and benefits of biomethane, hydrogen and gas blending.

Plus, you can expect valuable insights into any major projects in the hydrogen and decarbonisation sector.

For now, here are some upcoming publications to keep an eye on:

Expected Autumn 2025:

- [UK Government's Updated Hydrogen Strategy](#)
- [Gas Shipper Obligation consultation response](#)

Expected end of 2025:

- Consultation on hydrogen for home heating
- Hydrogen transport and storage market framework consultation response
- Gas system resilience consultation
- Network investment and cost recovery call for evidence

If you can't wait till next month's issue for the latest updates, 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 September when you can meet the Decarbonisation Team. We'd love to see you there.

Gas Distribution
Networks monthly
decarbonisation meeting

Monday 1 September

Hydrogen Information
Sharing Group

Tuesday 16 September

Shipper Hydrogen
Implementation Forum

Friday 19 September

IGT Hydrogen
Implementation Forum

Friday 19 September

Metering Hydrogen
Implementation Forum

Friday 19 September

BIEE Research Conference 2025
- Worcester College, Oxford

Tuesday 23 and Wednesday
24 September

To join these 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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