

Future of Gas

Minutes from Steering Group meeting on 21st January 2021

Location

Virtual Event

Attendees

Chris Logue (Chair) – National Grid
Ray Arrell – REGEN
Alexandra Howe – BEIS
Julie Cox – Energy UK
Professor Joe Howe – Thornton Energy Institute
Kirsty Ingham – ESB
Richard Fairholme – Uniper
Lorna Millington – Cadent
Angus Paxton – AFRY
Will Webster – OGUK
Pavanjit Dhesi – Interconnector UK
Emma Buckton - NGN
Lauren Snoxell – Citizens Advice
Alex Nield – Storengy
Bogdan Kowalewicz - Ofgem
Corrin Taylor – DNV GL
Sam French – Johnson Matthey
Thomas Koller – ENA
Neil Rowley – National Grid

Apologies

Helen Campbell – National Grid
Hywel Lloyd – UK100 Local Government Leaders
David O'Neill – Ofgem
Robin Cannings – Storengy
Steven De Ranter – Interconnector UK
David Mitchell – Chemical Industries Association
Lisa Fischer – E3G

Guests

Safia Miyanji – BEIS
Tatiana Boucard – BEIS

Welcome and Introductions

The chair welcomed attendees and provided apologies for those that could not make the session which upon the chair confirmed the agenda for the day. The Chair then introduced a new member of the Steering Group, Thomas Koller from the ENA. Thomas introduced himself and gave an overview of the Gas Goes Green programme.

Members Update

Members provided updates to the group on key areas of interest.

BEIS covered the recent Trade and Co-operation Agreement with the EU. Highlighting that gas trading rules remain unchanged with continued access to PRISMA (not an EU body). The agreement also references technical co-operation between TSOs and Regulators outside the existing forums (e.g. outside ENTSOG and ACER). There is also an end to the jurisdiction of the European Court of Justice on energy matters. BEIS then shared a summary of the agreement for the group [link](#).

Energy UK shared 3 updates. They are currently surveying their members on the first proposed gas quality change to drill down and understand the impacts, consequences and mitigating measures. Secondly, they mentioned the work ongoing in Europe on the EU Prime Movers group on Gas Quality and Hydrogen Handling. This being an area that might provide insights on potential future frameworks. Thirdly, they brought to the attention of the group a number of BEIS publications on Electricity System Analysis out to 2050.

- Modelling 2050 – electricity system analysis [Link](#)
- Net Zero and the power sector scenarios [Link](#)

Regen told the group about a report they recently launched with Scottish and Southern Electricity Networks, called the **Distribution Network Future Energy Scenarios (DFES)** analysis. This is a detailed study looking at 30 different technologies over 4 scenarios out to 2050, covering the Scottish and Southern licence areas, but in certain instances going down to street level. Of interest for the group, the study covered natural gas and hydrogen electricity generation projections at the distribution level and for the first-time modelled hydrogen electrolyser connections. [Link](#)

Cadent gave an update on the Future Billing Methodology project. They have received data showing the penetration of biomethane gas in the network matches the system modelling. The next steps will be to talk to the industry and get feedback on the options in the next month.

O&G UK have been working on their submission to the North Sea Sector Deal. Whilst their response isn't a public document, O&G UK are working on a summary version. The submission references CCUS and hydrogen and highlights the potential for a CfD type arrangement for hydrogen production. They also stress the importance of developing supply and demand provisions for hydrogen simultaneously, so one aspect doesn't run ahead of the other.

Johnson Matthey highlighted a Hydrogen Council report ([link](#)) on hydrogen decarbonization pathways that shows that low-carbon hydrogen supply at scale is economically and environmentally feasible. It includes lifecycle analysis, looking at different pathways across different scenarios. They also gave an update on the Hydrogen Advisory Council (HAC). The HAC is exploring a 2020s development roadmap and would be interested to test this with the FOG Steering Group. The Decarbonised Gas Alliance is in transition, and as part of the change Johnson Matthey has taken over the interim chairmanship. Johnson Matthey shared news of the creation of a new business unit to focus on green hydrogen.

NGN gave an update on the HyDeploy project. Unit testing for the equipment that ensures the rate of hydrogen blend has been completed. They are hoping to start the demonstration of hydrogen blending into homes in spring (subject to HSE granting an exemption).

DNV GL highlighted a few key projects for the group to be aware of. One being FutureGrid, which will provide an understanding as to whether the NTS can be repurposed or whether there is a need for new hydrogen infrastructure. Another project mentioned was H100, which will trial and test 100% hydrogen in people's homes. On policy, the importance of Business Models to make hydrogen production investable was also referenced.

Energy White Paper – FOG Debate

BEIS presented overview of key gas policy commitments and policy direction from the Energy White Paper (EWP), including the strategy for net zero gas and the legislation and market aspects required to make this reality. BEIS asked for input/reflection from FOG steering group:

Johnson Matthey: Does Government see gas as being part of the solution for net zero? The EWP did reference networks, but a lot of references to electricity. **BEIS:** All the options are on the table, and gas will continue to play a role in the UK's energy mix, the question is what role it will play. Gas is not going away or anywhere fast.

Uniper: The HAC that BEIS set up has a number of subgroups (i.e. standards and regulation). How do these groups feed back into the BEIS plan? **BEIS:** BEIS has structures to take in feedback/get updated.

Cadent: How will BEIS navigate the potential conflict between changing the Gas Act and also removing new homes from being connected to the gas networks? **BEIS:** We are looking at the benefits on balance, with an emphasis on regional solution options and the potential to remove emissions.

OGA: Concerning the legislative process needed to consult on changes to the Gas Act, will changing the Gas Act also impact secondary legislation or primary legislation? For example, CCUS business models will likely need primary legislation change so, will those changes be tied into wider Gas Act changes? Is there a need for a new bill? Also, a consumer angle is missing from recent policy documents. **BEIS:** Legislation changes are still open to decision, and recognise we need to include more consumer reflection.

Regen: The EWP has a target for trebling biomethane in the gas networks. Could this be incentivised by the RHI or green gas support system, or is there a need for a new support system? What will be the impact of levies on future energy standards? **BEIS:** Trebling biomethane is related to green gas support scheme and is expected for launch autumn 2021 and run for four years, built on existing government support schemes. Will need to think about the balance and spread of levies. Actively considering levelling the contrast between prices on gas vs electricity.

National Grid: Considering changes to the Gas Act, will these changes be evolutionary or revolutionary changes? **BEIS:** We need to think about future needs. Is the legislation right, does it create the right incentives for the net zero target.?

BEIS provided an overview of policy to look forward to, including the Industrial Decarbonisation Strategy, Hydrogen Strategy, Heat and Buildings Strategy, HMT Net Zero Review etc.

Johnson Matthey: Timing is essential to avoid risking the UK's world leading low carbon energy projects from kicking off.

2021 Programme Approach

National Grid presented an introduction on how the 2021 programme approach was developed. It highlighted key themes for 2021, such as the dual approach with Future of Gas debate topics, which allows for exploration of major transformation issues, sitting alongside Gas Market Plan research projects. It was explained how the programme aims to be flexible and agile to strive for a balance between setting the direction and being adaptable to ensure the most valuable work is completed. The timelines and actions taken since the November Steering Group were then recapped. National Grid then talked through the proposed approach for the group to consider the future, by dividing topics into 9 theme areas, it then went into further detail on the proposed FOG topics for 2021. The proposed FOG topics were met with positive membership feedback. Finally, National Grid then went into further detail on the proposed GMaP project areas. GMaP projects for 2021 will be related to, Hydrogen, Hydrogen Blending and Gas Quality.

AOB

The Chair closed by thanking those that presented and attended the meeting.

Next Meeting

Tuesday 16th March 2021