Centrica's high-level climate policy positions

August 2025

Introduction

The policy environment is crucial to Centrica's ability to achieve net zero, and we strongly support policies that facilitate this goal. We are technology agnostic – our business model does not require us to favour any specific technology or solution. Instead, we advocate for policies that advance the transition for everyone. We endorse well-designed public policies that promote an orderly and fair energy transition in line with the Paris Agreement's goals, which addresses the energy trilemma of affordability, security, and sustainability. Balancing these three elements is essential for a successful transition to a low-carbon future that is equitable for all. We are concerned that some current policy conditions are not conducive to reaching net zero, and we urge policymakers to act swiftly to address this.

Given the significant and legitimate interest in our policy engagement, we have published our climate policies in this document for scrutiny, along with specific proposals that are relevant and actively pursued. These policies are applicable as of the publication date and are subject to change as the policy environment evolves. Initially published in 2024, this document represents our first update since then. We will continue to make amendments as appropriate, ensuring that our overarching positions reflect our priorities and that specific proposals remain relevant. However, we acknowledge that due to the dynamic nature of the policy environment, some positions stated here may become outdated.

Since the first publication of our policy positions, we have evaluated each policy position against net zero pathways established by reputable third parties, such as the Climate Change Committee's (CCC) 7th carbon budget or ESOs Future Energy Scenarios (FES) to demonstrate their alignment with Paris. In addition, where available, we have used the Climate Change Advisory Council's (CCAC) carbon budget proposal for evaluating policy positions that encompass our operations in Ireland. Recognising that there is no singular path to net zero, our assessment commentary reflects this diversity.

To enhance our readers' understanding of our policy positions and their contribution to our climate transition strategy, we have linked our policy positions to our Climate Transition Plan, allowing readers to easily cross-reference the two documents. When we refer to the "Climate transition plan lever," we are directly linking to the decarbonisation levers identified in our latest plan published in January 2025 (see the "Delivery" section starting on page 26). We have set ambitions, outlined future actions, and highlighted specific policy requests for the levers in the plan. Additionally, we have linked each policy position referenced below to our climate targets: our Centrica target to achieve net zero by 2040, and our customer target to achieve net zero by 2050. Although our advocacy efforts span all our operational geographies, we believe the delivery of our

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climate targets is highly contingent on the evolution of government policies in the UK, as it is our primary operational geography. As such, we are focusing the majority of our advocacy efforts on the UK Government. We hope this provides greater clarity on how our advocacy supports our decarbonisation plan.

Support for the Paris Agreement

We fully support the aims of the Paris Agreement and the consensus that it is crucial to prevent the worst impacts of climate change by limiting global warming to well below 2°C, with an aspiration to limit warming to 1.5°C. This requires rapid emission reductions and achieving net zero by 2050 or sooner. Contributions from all stakeholders—governments and policymakers, the commercial sector, and consumers—are essential. We acknowledge the critical role that Centrica plays in the transition to a low-carbon future, including setting and meeting net zero targets in line with the Paris Agreement.

Specific policy positions

The "Just Transition"	
Target	Customer
Lever	Fuel switching, Efficiency, Electricity grid decarbonisation
Alignment	n/a
Description	The transition to net zero in the energy sector must not exacerbate existing social issues such as lack of access to affordable energy or barriers to adopting digital services. We ensure all our public policy positions support our Just Transition Principles: *to minimise harm and maximise benefits for people, ensuring no groups are 'left behind' during the transition*. We advocate for policies that mitigate the negative impacts on those most vulnerable and affected by the shift to a lower carbon economy. Furthermore, we believe that a consistent policy framework is essential to foster investment in green skills necessary for the transition. This will require collaboration between government, the education sector, and businesses to ensure the availability of the required skills in the appropriate locations and quantities.

Specific asks	Energy is an essential service, and the transition to net zero must be socially just. Our primary request to the UK government is to introduce targeted support that is substantial and has broad eligibility to ensure energy affordability for those least able to pay. Policy costs should be funded through general taxation rather than energy bills. Net zero policies should be funded progressively to prevent those least able to pay from bearing a disproportionate burden. We support the eventual removal of standing charges and regional variations in tariffs for all domestic customers on the price cap. This will make energy simpler, promote consumer engagement, encourage energy efficiency and make life easier for customers on prepayment meters. Additionally, we urge the government to improve data sharing with suppliers to better identify those in need of support. Moreover, to enable further participation in smart energy, the government should also encourage suppliers, through new regulations, to connect more technology-enabled low carbon devices such as heat pumps, batteries and solar PVs for lower income households. We also recommend enhancing the availability and accessibility of training opportunities for heat pump and EV charger installers. We ask that Skills England include low carbon heating schemes and EV charging courses in the Growth and Skills Levy.
Hydrogen	
Target	Customer & Centrica
Lever	Decarbonisation of gas grid, fuel switching & electricity grid decarbonisation
Alignment	CCC & FES
Description	We believe that hydrogen is a vital low carbon solution that can help the UK and Ireland reach net zero by complementing electrification and optimisation and addressing hard to decarbonise sectors such as industrial processes, heavy transport and even heating. Hydrogen provides a solution for long-term clean-energy storage, essential for the decarbonisation of the power sector. The latest carbon budget from the CCC supports the notion that hydrogen storage will play a significant role in the UK's future energy system. Although the extent of storage required remains uncertain and will ultimately depend on government support and the economic viability of such storage, Centrica's Rough storage facility is well-positioned to contribute to the UK's future hydrogen storage needs.

	We advocate for the large-scale development of low-carbon hydrogen, with a preference for green hydrogen or other renewable equivalents. However, we recognise that alternatives like blue hydrogen, with CO2 permanently stored, will be necessary to establish value chains. Strict carbon-saving criteria for hydrogen production will be essential to achieve the Paris goals. Centrica's ambitions of building blue and green hydrogen production capacity by 2030 will contribute towards the national production capacity needs outlined in the CCC's 7th budget. Future priorities for hydrogen use will depend on its cost-effectiveness and the testing of various use cases, particularly in areas such as heating, heavy transport and decarbonisation solutions for hard to abate sectors through blending hydrogen into the grid and providing distributed hydrogen solutions. Perspectives on hydrogen's role in decarbonising heating and transport vary, as evidenced by the diverse assumptions across third-party net zero pathways. While the CCC sees no role for hydrogen in these specific sectors, FES presents multiple scenarios where hydrogen could contribute to their decarbonisation to varying extents.
Specific asks	Our main asks are for Government to support hydrogen as a low carbon energy source by designing a fair and efficient levy system, investing in hydrogen transport & storage infrastructure, and testing and establishing competitive and innovative hydrogen production business models. In particular, we are seeking for the UK government to allow hydrogen blending into the gas grid and to deliver against the Hydrogen Allocation Rounds for production. We also wish to see a timely policy from the Irish government that supports hydrogen production and storage at scale for the purpose of power generation. Furthermore, to support a whole-system approach for decarbonising the power grid, we are calling on the UK government to aim for 10GW of hydrogen to power capacity by 2030, matched with a clear and tangible hydrogen storage target of 10TWh by 2030, to capitalise on its current 10GW production target. Finally, we call on the government to establish regulatory models to encourage investment into hydrogen storage assets.
Clean Power	
Target	Customer & Centrica
Lever	Electricity grid decarbonisation & Green investment
Alignment	CCC & CCAC

Description	We believe that the UK's target of achieving clean power by 2030 and Ireland's goal of having 80% renewable electricity by 2030 are bold and ambitious. While we welcome these stretching ambitions, as suggested by the CCC's latest capacity projections and the CCAC's carbon budget proposal, their success will depend on a significant buildout of new generation assets, such as renewable technologies. They will also need to be coupled with flexible solutions to ensure that supply and demand are matched at all times, even when renewable energy sources are intermittent. Moreover, we believe that nuclear generation and nascent technologies such as SMRs/AMRs have the potential to provide further low-carbon capacity to the grid in the long-term and are supportive of the UK government's investment in this area. Centrica aims to deliver 100% renewable and low-carbon power to UK and Irish customers by 2030, aligning with government objectives and the latest carbon budget. To achieve this, we advocate for robust market mechanisms to stimulate increased investment in renewable and low-carbon energy generation and infrastructure, as well as addressing barriers related to grid connections and the wholesale market. In addition to the large-scale infrastructure needed to deliver a clean power grid, behind-the-meter solutions should also be promoted through generous export terms, requirements for new builds, innovative tax reliefs for renewable generation/storage products and wider access for installation grants.
Specific asks	We are asking the UK government to fulfil the Transmission Acceleration Action Plan and Connections Action Plan to reduce network infrastructure build time and invest strategically ahead of demand, and to improve network access for ready projects, discouraging capacity hoarding, and removing stalled projects. We support Ofgem's April 2025 decision approving the move from first-come-first-served to prioritising readier-to-connect projects that are aligned with Government's Clean Power 2030 Action Plan. We believe the new connections regime can be further strengthened by adding a financial instrument as an incentive to avoid capacity hoarding. Finally, we are urging the government to urgently address the skills gap in network engineering, planning, and local authority planning. To encourage investment needed in new generation technology, we look to Ofgem to establish a stable framework that will provide a predictable basis on which to invest. In Ireland, we are urging the government to provide timely planning permissions for windfarm development, so that they can be built and commence generation in the necessary time frames.
Energy efficiency	
Target	Customer

Lever	Efficiency
Alignment	CCC
Description	Energy efficiency is a crucial decarbonisation lever for short and medium-term gains, delivering long-term cost and carbon savings for our customers. This is an important policy area for us, as we aim to ensure the government continues to drive forward schemes, grants, and standards to improve the UK's housing stock. Increasing the energy efficiency of buildings is essential for achieving net zero, and we see this need reflected in the CCC's report, which underscores the urgency of accelerating the implementation of these measures. We advocate for policies that encourage insulation alongside low-carbon heating and smart energy measures, especially for customers who struggle to afford energy. In addition to energy efficiency schemes, it is essential that key enabling technologies such as smart meters continue to be rolled out across the UK. Smart meters provide consumers with real-time visibility over energy consumption, leading to behavioural change and consumption savings of around 3%, based on a review commission by the Department for Energy Security and Net Zero. This technology can also support other reduction initiatives, such as dynamic pricing to incentivise shifts in energy consumption, thereby reducing pressure on the grid and saving carbon by managing the energy load more effectively. As stated by the CCC, access to energy flexibility allows households who can shift energy demand to off-peak hours gain access to cheaper electricity rates, which incentivises a reduction in peak demand. We aim for 80% of our electricity customer base to have access to smart services (access to a working smart meter) by 2030. To achieve this ambition, the provision and maintenance of smart meters must be supported by government and regulatory policy to aid and protect progress.
Specific asks	We call on the UK government to review the numerous funding and incentive programmes for energy efficiency interventions. We believe there is scope to simplify and consolidate existing initiatives, which will enable a renewed focus on value for money and simplicity of delivery which are key to driving consumer uptake. Specifically, we urge the government to implement a ten-year regulatory commitment following updates to EPCs, the Home Energy Model and other inflight policy changes to provide confidence to consumers and suppliers on its long-term commitment to energy efficiency. Additionally, we are encouraging local authorities and suppliers to work in partnership to deliver the measures needed. Transition schemes will be needed to bridge the gap between then and now.

	To support the roll-out of smart meters in the UK, we look to the government to collaborate with industry, consumer groups and Smart Energy GB to review the current policy framework and roll-out model for smart meters, aiming to boost customer adoption and retention. Specifically, we are seeking a mandatory smart meter programme that is funded by suppliers and incorporated into bills and the price cap. Finally, to enhance energy management and flexibility, we call for the implementation of the Smart Secure Electricity Systems Programme and product standards to support the flexible use of low carbon devices. Additionally, we believe that the flexibility market should have clear roles and responsibilities between aggregators, distribution companies and a single market facilitator to allow for alignment between local and national flexibility market arrangements, reduce friction and increase liquidity
Decarbonisation of heat	
Target	Customer
Lever	Fuel switching
Alignment	CCC & CCAC
Description	We continue to support the UK and Ireland's goal of achieving net zero by replacing fossil fuel-based heating systems with low-carbon alternatives. Our commitment remains focused on ensuring customer satisfaction and affordability throughout this transition. We maintain a technology-agnostic approach and align with the CCC's perspective that different buildings and locations will require tailored solutions for low-carbon heating. Therefore, we are dedicated to developing various pathways to enable effective fuel switching. Similar to the CCC and CCAC, we view heat pumps as the primary solution for many homes in the UK and Ireland to reduce carbon emissions from heating, while recognising that a small proportion of homes will require alternative low carbon technologies due to feasibility constraints. However, we recognise several challenges that hinder their widespread adoption, including the need for extensive planning and adequate insulation for optimal performance. The CCC's milestone of installing 450,000 heat pumps annually in existing homes by 2030 is highly ambitious and will require a suite of dependencies to be met. Nevertheless, we maintain that an accelerated heat pump rollout is essential to achieve net zero and are prepared to strengthen our deployment if the right conditions prevail. We remain committed to advocating for such conditions to increase the adoption rate of all low-carbon heating solutions needed by 2030 and beyond.

Specific asks	We are asking the governments to help customers reduce the planning and cost barriers for installing heat pumps, which will make them more attractive to households. This includes replacing and streamlining existing low carbon heating support schemes from 2028 into one accessible scheme, with a wider reach. We would also like to see the easing of planning permission requirements and a reformed EPC system, which removes current dependence on EPC bands to fully return to deemed scores. Moreover, we seek a more equitable system and to lower the running costs of electric heating by moving policy costs into general taxation, rather than being paid by consumers through their electricity bill, which will encourage adoption of new technologies and be less regressive than other options. We are open to all forms of low carbon heating solutions and seek a broader definition of clean heat, alongside a series of government-run public awareness campaigns to raise awareness around adoption. We are supportive of the latest proposal to expand the eligibility criteria for the BUS grant to include Air-to-Air heat pumps, provided they are used in conjunction with other low-carbon solutions for power and hot water. Finally, the government should also provide a timely decision on the role of hydrogen for domestic heating to allow for better planning.
Transport	
Target	Centrica & Customer
Lever	Fuel switching
Alignment	CCC & CCAC
Description	We are committed to supporting the rapid decarbonisation of the transport sector. Our pledge to achieve a zero-emission fleet by 2030, primarily through the adoption of electric vehicles (EVs), underscores this commitment. Additionally, we are actively assisting our customers in transitioning to cleaner transport by installing EV chargers. We believe that accelerating EV uptake is crucial for the transport sector to achieve net zero, as endorsed by the CCC and CCAC. While we align with the view that EVs will be the immediate solution for decarbonising surface transport, we also recognise the potential of other low-carbon fuels, such as biogas and low-carbon hydrogen, particularly for heavy transport, depending on their cost-effectiveness and various use cases. To expedite the transition to a low-carbon transport sector, incentives are essential to encourage and sustain EV adoption. This includes a focus on deploying EV charging infrastructure to boost consumer confidence in adopting EVs.

	Public charge points must be reliable, easy to locate, operate, and pay for. Our policy advocacy reflects the CCC's recommendations, emphasising the need for a continued rollout of charging infrastructure, reducing charging costs, and simplifying payment methods.
Specific asks	Our main request to government is to remove barriers to make EVs accessible for all. One of the key barriers against uptake include no driveway/off street parking. Government should look at ways to make it easier for this group of customers to own and charge an EV at home, for example, removing VAT on public charging to make charging more economical. Additionally, to streamline deployment, we are seeking more consistency in planning rules across the UK for domestic and public EV charging, as well as a network development and interoperability among public charging operators to expand scope for public EV charging. Finally, we are also encouraging the government to have EV chargers readily installed as part of the Future Home Standards.
Natural Gas	
Target	Centrica
Lever	Electricity grid decarbonisation[1]
Alignment	CCC & NESO
Description	We acknowledge the uncertainty and diverse perspectives on the role of gas in achieving net zero. Our stance is that natural gas serves as a crucial bridge fuel in the near to medium term, facilitating a smooth and equitable transition. Globally, moving away from high-carbon fuels like oil and coal is vital, and LNG shipping is essential for aiding countries in this transition, reducing emissions, and ensuring supply security. Gas also remains indispensable for heating homes in the UK and Ireland until widespread electrification or an affordable low-carbon gas alternative becomes available. The CCC's carbon budget indicates that fossil-fuel-based heating will continue to be used in many homes in the mid-term, and significant carbon savings can be achieved through efficient technology in this area.

[1] We note that natural gas makes an indirect contribution as a transitional fuel, aiding the decarbonisation of the electricity grid. It provides an essential service, ensuring the grid remains reliable as more renewables are integrated.

	Gas-fired peaking plants also play a key role in balancing the power supply as we transition to a renewable electricity grid. The CCC's modeling and NESO's reports show that substantial unabated gas generation is necessary to balance the system and ensure a reliable supply. Specifically, NESO estimates that unabated gas generation will account for 5% of overall capacity even with a clean grid by 2030. Additionally, methane storage can provide energy security for the UK during unpredictable times before these sites can be transformed to safely store hydrogen or carbon. We also believe that biomethane will be an alternative for baseload power generation in the future. And from the near term, we see biomethane blending as a solution to reduce emissions from the gas grid and for decarbonising hard-to-abate industries. Similarly, the CCC's latest carbon budget suggests that biogas can be blended into the gas grid as biomethane to displace natural gas in the mid-term and for direct use in other sectors.
CCUS	
Target	Centrica
Lever	Depletion & CCS
Alignment	CCC
Description	Our position is that the UK should leverage its abundant natural geological formations capable of storing carbon dioxide to achieve net zero emissions across hard to abate sectors. Negative emissions technologies are essential for this goal, in line with the CCC's perspective. The CCC, amongst others, currently forecasts that carbon storage capacity will be required within the power supply and industrial sectors, as well as for engineered removals. Given that the final extent of storage demand is uncertain, the ultimate capacity needed will be determined by the level of government support and the economic viability of such storage. Nevertheless, Centrica's gas fields in Morecambe Bay have the potential to become a valuable asset for reducing carbon emissions through CCUS. We endorse public policies that create feasible and sustainable business models for each component of the CCUS value chain - capture, transport, utilisation, and underground storage.

Specific asks	We urge the UK government to support the development of CCUS using subsidy programmes. In particular, the cluster sequencing process should continue to be supported and expanded, particularly the Track 1 Cluster, while maintaining momentum in delivering both Track 1 and 2 projects, Furthermore, the government should support CCUS developers by providing a clear route to market for technically and commercially mature CCUS projects outside of the current Track process.
Carbon Pricing	
Target	Centrica
Lever	Green investment
Alignment	CCC
Description	We believe that carbon pricing is a vital tool to encourage the shift to lower carbon energy sources. It provides the necessary incentives for both energy producers and consumers to cut their emissions. However, simply increasing the carbon price is not enough; it must rise alongside the development of low carbon alternatives that are both technically and economically feasible. As such, we believe the government should provide a predictable, stable carbon pricing trajectory that incentivises emissions reduction from crucial industrial sectors including cement and lime production. Our views align with the CCC's stance, which acknowledges that carbon pricing is a key driver in effective climate policy when complemented by additional measures to overcome non-financial barriers, support new technologies, and address distributional impacts. Without these supplementary policies, carbon pricing could be regressive, leading to inflation and higher costs for consumers. Additionally, we need to ensure that carbon prices are consistent across different regions, such as Europe. Therefore, we support the CCC's view that the UK Emissions Trading Scheme (ETS) can be enhanced by establishing links with the EU ETS.