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20/10/2023

Sent by email to: hydrogentransportandstorage@energyscurity.gov.uk

Dear Sir or Madam

Centrica's response to the consultation on Hydrogen Blending into GB Gas Distribution Networks

Thank you for the opportunity to respond to the above consultation. This is a non-confidential response on behalf of Centrica plc.

Centrica is a leading energy services and solutions provider founded on a 200-year heritage of serving people. We are the UK's biggest retailer of zero carbon electricity, serving around 10 million customers across the UK, Ireland, and continental Europe through brands such as British Gas, supported by around 9,000 engineers and technicians. Centrica's purpose of helping customers live sustainably, simply, and affordably drives our strategy and our People and Planet Plan.

Our arms Centrica Energy, Centrica Business Solutions, Centrica Energy Storage+ Limited, British Gas, and Bord Gáis Energy are involved in the development of hydrogen projects that sit across the whole value chain, including centralised CCUS enabled hydrogen production, as well as decentralised electrolytic hydrogen production, distribution, storage and offtake.

Overall, we are very supportive of the Government's proposals on hydrogen blending into the gas distribution network and we are pleased that the Department has taken on board industry's feedback on the value and strategic role of blending to expedite the roll out of the hydrogen sector and deliver wider system benefits in the UK.

We note that Government will separately assess the case for supporting blending into GB gas transmission networks, which may be subject to a separate policy decision at a later date. We strongly encourage Government to set by the end of 2023 a specific timeframe for when a decision will be made on transmission-level blending and to provide visibility on the factors and the evidence required to make that decision. We believe this will be critical to support further hydrogen production in the UK and drive down the levelised costs of hydrogen whilst strategic storage and transport infrastructure is being developed. We would hope that all assessments can be concluded, and a strategic decision made by the end of 2024 at the latest, and that physical blending in the transmission system can commence at the same time as distribution-level blending.

Finally, we urge Government to reconsider the use of certificates in association with hydrogen blends and the proposed trading restrictions. The role of certificates is to create a market pull and drive demand for low carbon hydrogen which in turn can provide investment signals and help support the growth of the nascent hydrogen market. Being able to trade certificates is key to support a liquid market and increase their value. Recognition of certificates under regulatory schemes such as the UK Emissions Trading Scheme could also help create an important market pull for the certificates.

I hope you find these comments helpful but please contact me if you have any questions. We look forward to future engagement with you and other industry parties.

Yours faithfully,

Dr Kiara Zennaro - Regulatory Affairs Manager – Biomethane, Hydrogen and GB Gas,
Centrica

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