



# CCSA Briefing Note – UK Government response to the Hydrogen Economic Regulatory Framework Consultation

Friday, 5 December 2025

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## **Summary**

On Wednesday 3 December DESNZ [published a response](#) to the Hydrogen Economic Regulatory Framework consultation, which the CCSA offered a response to. Review the CCSA response [HERE](#).

Government intends to take forward the following actions to support the development of hydrogen pipeline networks:

- **Maintain primary and residual balancing licence structures for hydrogen pipeline networks**, ensuring clear roles and responsibilities for market participants.
- Further consider how best to license hydrogen shippers, with the expectation that hydrogen producers are likely best placed to assume primary balancing responsibilities under a shipper licence, while allowing other network participants, such as offtakers, to apply should they meet necessary eligibility and legislative criteria.
- **Assign the role of System Operator to hydrogen transporters under licence.**
- **Introduce secondary legislation to exempt hydrogen supply to premises from supplier licensing requirements**, keeping this under review as networks develop.
- Refrain from introducing new licences for other activities including hydrogen production or storage at this stage but continue to monitor the need for future regulation.
- **Develop a new, hydrogen network code, led by government in collaboration with industry and other stakeholders, using a Minimum Viable Product (MVP) approach**, to ensure timely and proportionate implementation.
- Consider statutory powers to modify the hydrogen network code in the future

*CCSA Analysis: The Government response is largely in line with the positions put forward by the CCSA during consultation.*

*A notable exception to this is how storage costs for balancing responsibilities will be managed, which Government acknowledged the potential for but did not offer a specific response to.*

*Furthermore, the CCSA offered a detailed response regarding the network code development process, and stressed that the original consultation lacked significant detail on the timeframes and clear responsibilities for development of the code, and the need to give appropriate oversight to a wide variety of stakeholders. The Government response only noted that further details on the development of the code will be forthcoming.*

*The CCSA also strongly noted that parties which are directly connected to network infrastructure – i.e., producers, users (in scenarios where they assume balancing responsibilities), and storage operators – should be signatories to the code. The need for Government to consult further on these arrangements could lead to slight delays in the formal development of the code.*

### **Balancing hydrogen networks**

- Balancing activities proposed in the consultation will be used to inform development of licences and the hydrogen network code. This will include consideration of how responsibilities could reflect the potential role of storage in balancing and how activities could be allocated to different parties.
- Government agree with the importance of sharing data in the early networks and note that the technical characteristics of hydrogen networks will be important to guide how entities carry out balancing activities in practice, for example considering variable demand, fluctuating supply patterns, and the role storage could play for balancing.
- Government will retain primary and residual balancing licence structures for hydrogen networks and agree with establishing the role of commercial incentives for primary balancers will be important.
- Government confirm that for early networks, hydrogen producers are likely best placed to hold primary balancing.
- Government will ensure that the design of the shipper licence will not exclude other participants, such as offtakers, from applying to undertake primary balancing activities subject to meeting eligibility criteria.
- It is government's intention that Gas Act unbundling rules will be maintained, which prohibits certain participants like gas transporters and interconnector licence holders from seeking a shipper licence and vice versa.
- Government recognises the role that other participants, like third party commercial gas shippers could have in a well-functioning market and will continue to develop this over time.
- As the shipper licence and network code for primary balancers is developed, government will work closely with Ofgem and industry to ensure licence conditions are proportionate and transparent.
  - Government recognises the potential costs, complexity and regulatory impacts that the proposed approach could carry for some hydrogen networks and their users.

*CCSA Analysis: The CCSA strongly noted that the responsibility of storage is likely to be a significant cost consideration for primary balancers. In scenarios where hydrogen producers, rather than offtakers, assume primary balancing duties this will be a particular issue; principally because in the current design of the HPBM there is no mechanism to recover the costs of delivering and maintaining this storage. We noted that government needs to consider this matter further to help minimise the costs and associated risk, or develop a separate mechanism for cost recovery.*

*While Government acknowledged there may be costs and complexities with balancing responsibilities, no specific reference to the cost of storage was given in their response.*

### **Allocating a system operator for hydrogen pipeline systems**

- Government will allocate system operation responsibility to an entity through licence – as it was determined a licence-based approach would provide transparency and accountability – enabling confidence in the market.

- Government also notes that alternative arrangements might be more appropriate for non-networked, smaller-scale pipelines and early-stage networks.
- Government believe hydrogen pipeline network owners will be best placed to hold responsibility for system operation, under their transporter licence.
  - Government also agrees that this allocation of responsibility should be kept under review, as hydrogen pipeline networks grow and connect.

### **Supplier licences and other licences**

- Government intends to proceed with readying secondary legislation to exempt the supply of hydrogen to premises from licencing requirements. Government will, however, ensure that existing regulatory arrangements continue to apply in respect of the H100 Fife Neighbourhood Trial.
- Government will keep regulatory arrangements under review as networks develop and new regulatory needs emerge.
- Government agrees that the regulatory framework that will be in place through the Gas Act, the range of applicable hydrogen safety regulations and hydrogen business models will provide sufficient oversight of activities like production and storage, without the need for new licences at this time.
- Government confirm that other activities, like hydrogen production and storage will not be regulated through a new licence in initial hydrogen networks. Instead, government will consider how regulatory objectives can be met through the wider framework, for example through interactions with the HSBM.

### **Hydrogen Network code**

- It is government's position for early hydrogen pipeline networks, including those funded through the HTBM to be subject to a new network code.
  - The process will be informed by the existing UNC and CCS Network Code.
  - However, government recognises the view that particularly while the hydrogen economy is nascent, there may be networks where a network code is not necessary.
  - Furthermore, hydrogen pipelines that are exempted or have an exception from the requirement to hold a transporter licence, under the defined circumstances in the Gas Act, will not be required to be subject to a network code.
- Government will lead the process of developing a hydrogen network code, particularly in the early phase of development when the industry is most nascent.
  - Government intend to develop the code in partnership with industry, Ofgem and other relevant stakeholders. The specific details of the roles and responsibilities of different stakeholders will continue to be refined during the process of code development and kept under review.
  - Government will establish processes to modify the code after its first issue, where they anticipate government having a reduced but ongoing role.

- Government also intends to consider a statutory ability to be able to modify the code in the future. This will ensure government has the flexibility to support delivery of their objectives, and in the interest of future network users. Any statutory ability to modify the code would be used by exception, only where considered to be proportionate and necessary.
- Government agree with the principle that it is appropriate for stakeholders to be engaged to different degrees, depending on their level of interest in the hydrogen network code. In addition, Government will give further consideration to the suggestion of a phased approach that evolves over time.
- Respondents disagreed over whether those connected to hydrogen pipeline networks who do not hold a shipper licence should be a party to the code.
  - Government recognise the view that the level of costs and risks that different entities will experience as a result of using hydrogen pipeline networks is a relevant factor in considering who should be party to the code. The nature of these costs and risks is expected to become clearer through the process of developing the hydrogen network code. Government will engage further on this question.
- The hydrogen network code will be developed using an MVP approach.
- Government acknowledges that a complete or near complete hydrogen network code will be needed to enable project developers associated with hydrogen pipeline networks to take FID.
- Government recognise the potential benefits in publishing early iterations of the code, such as in the form of a HoTs. Government also recognise the need for a clear timeline for code development, and for those involved in code development to be able to show regular progress against the plan.

*CCSA Analysis: The CCSA noted that parties which are directly connected to network infrastructure – i.e., producers, users (in scenarios where they assume balancing responsibilities), and storage operators – should be signatories to the code. All of these users will be able to directly influence the functioning of the networks, with potential implications on other users, necessitating them to have a clear framework by which to operate within. The stated need for Government to consult further on these arrangements could therefore lead to slight delays in the formal development of the code.*

*Furthermore, the CCSA noted that the original consultation lacked significant detail on the timeframes and clear responsibilities for development of the code. We surmised that a workable code would be needed by early 2027, so as to align with the likely shortlisting decisions for hydrogen transport. Without sufficient detail, projects would not be able to partake in allocation rounds or take final investment decisions, and the code would become one of the main bottlenecks to the development of the overall hydrogen economy. Moreover, we noted it would be useful for Government to lay out, or begin to consider, how modifications to the code will be delivered and administered – for instance if a modification panel will be set up – as this detail would help to supply confidence to the hydrogen sector and prospective hydrogen projects that progress will continue to be made and they can connect to networks in the future. While the Government noted that they will design a process for code modification, and will lay out further details on roles and responsibilities, the consultation provided few details on the nature of these specific arrangements.*