

Gas System in Transition: Security of Supply

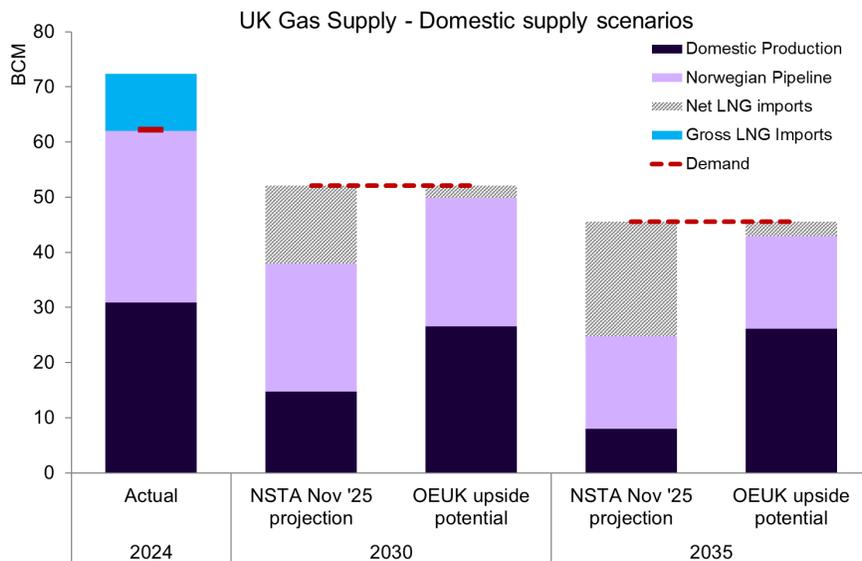
Offshore Energies UK Consultation Response

Offshore Energies UK is the leading trade body for the UK’s integrating offshore energies industry. Our membership includes over 450 organisations with an interest in offshore oil, gas, carbon capture and storage (CCS), hydrogen, and wind. Our members include multinational energy companies, independent oil and gas operators, wind developers, those investing in carbon storage and hydrogen opportunities, and our critical supply chain companies. Working together with our members, we are a driving force supporting the UK in ensuring security of energy supply while helping to meet its net zero commitments.

The consultation presents decline in UK Continental Shelf (UKCS) gas production as an unavoidable geological outcome and implies that no realistic level of investment can materially alter the trajectory of domestic supply. OEUK evidence shows this is wrong. The policies of successive governments have undermined the sector, and are accelerating decline in domestic gas production, increasing our reliance on imports at the expense of UK energy security.

OEUK evidence shows that the UKCS has significant gas volumes to be recovered. OEUK’s Upside Potential for domestic production for the period between 2025-2035 is 64% higher than the NSTA projection. This represents an increase of 112 bcm relative to the 176 bcm NSTA projection. This is contrary to the consultation premise that presents a decline in UKCS gas production as an unavoidable geological outcome and implies that no realistic level of investment can materially alter the trajectory of domestic supply. However, this opportunity can only be unlocked with an investable fiscal regime an enabling and predictable regulatory regime to actively support investment, innovation and productivity.

Figure 1: OEUK Gas Supply & Demand Scenarios¹



¹ OEUK upside potential scenario uses data provided by OEUK members submitted to government in our November 2025 budget submission using the gas portion of the 111 named projects equivalent to £50bn of investment unlocked under an investable fiscal regime. Current trajectories assuming no policy changes use the NSTA November 2025 projections.

Over the period 2025-2035, the UK will require an estimated 561bcm of natural gas², under the current production projections from the NSTA the UK is expected to produce 176bcm, however this could be as much as 288bcm under OEUK’s Upside Potential scenario³.

OEUK modelling indicates that introducing a stable, predictable fiscal and investment regime could unlock up to £25 billion of potential investment into gas projects, which could unlock an additional 230bcm⁴ to forecast gas production. This level of investment would significantly alter the UK’s production outlook, maintaining domestic gas output well above current forecasts.

Table 1: OEUK and NSTA gas supply projections⁵

mcm Scenario	Domestic Production	Norwegian Pipeline	Net LNG imports	Demand	Gross LNG Imports	Carbon intensity (kgCO ₂ e/boe)
2024 Actual	30,830	31,230	See gross LNG	62,177	10,278	27
NSTA Nov '25 projection	14,709	23,250	14,147	52,105		35
2030 OEUK upside potential	26,588	23,250	2,267	52,105		22
NSTA Nov '25 projection	7,999	16,750	20,791	45,540		47
2035 OEUK upside potential	26,180	16,750	2,610	45,540		24

Under a high import scenario LNG imports can reach 46% of supply by 2035. However, our modelling shows that under a scenario where domestic supply is prioritised LNG reliance can fall to 6% in the same year. The consultation assumes an annual decline in domestic production of 12 percent, but OEUK analysis demonstrates this outcome is not inevitable. Our upside case from data provided by OEUK member organisations identifies an additional 230 bcm, bringing the total potential gas production for the period 2025-2050 to 456 bcm. NSTA forecasts do not account for the impact of a change in fiscal and regulatory conditions, that would reverse decline as per OEUK modelling. Combining supportive fiscal policy with sustained asset stewardship deliver materially better outcomes for security, cost and emissions.

Piped imports, LNG, interconnectors and gas storage all have an important role in an evolving UK gas system, with LNG providing valuable flexibility and the UK already benefiting from significant import capacity. However, LNG should be treated as a complement to domestic production, not a substitute. Future Norwegian piped imports also cannot be taken for granted. Competition from European markets for those molecules is increasing, and the UK will only be able to fully benefit from such imports if its own gas infrastructure is sustained by reliable domestic throughput. Excess reliance on LNG increases exposure to global market volatility, higher lifecycle emissions and geopolitical risk. UK gas storage has seen severe underinvestment and there is a significant scarcity of UK storage relative to neighbouring

² NESO Gas Supply Security Assessment <https://www.neso.energy/what-we-do/resilience-emergency-management/gas-supply-security-assessment>

³ The 288bcm figure represents the total potential production over 2025-2035 in our upside case This is a sum of the 176 bcm projected by the NSTA November forecast and the additional 112 bcm of domestic supply to be unlocked over the period. The 230bcm figure is inclusive of the additional 112bcm and refers to the overall recoverable reserves.

⁴ 230 bcm is enough to meet domestic gas demand in every home in the UK for about ten years.

⁵ See footnote 1 and answer to question 3 for further detail.

countries. A resilient system balances domestic supply with flexible import options and gas storage rather than replacing one with the other.

The consultation also proposes significant government intervention, particularly to cover rare peak demand scenarios. OEUK's view is that in most circumstances the market will continue to respond. Government should avoid direct involvement in gas purchasing or the chartering of assets such as floating storage and regasification units. As set out in this response, there may however be a targeted role for government intervention where this is necessary to maintain resilience of gas storage assets and avoid premature closure.

The evidence in this response is informed by OEUK's internal modelling, with key assumptions set out in the answer to question 3, and by an independently commissioned assessment by Westwood Energy⁶. This analysis examines UK gas infrastructure including offshore production hubs, pipelines, processing terminals and storage assets, and shows how sustained domestic throughput underpins system resilience and peak day deliverability through the 2030s and beyond.

Domestic gas supply is not a residual commodity. It is a strategic asset that underpins the resilience of the entire system. Sustained throughput supports the viability of pipelines, terminals, processing hubs and storage assets that are essential for peak day deliverability. When domestic volumes decline faster than demand, reliance shifts to LNG and interconnectors that are subject to wider network constraints, global competition and geopolitical risk during stress events. Limiting LNG exposure during the upcoming decades is therefore consistent with the UK's climate objectives while strengthening energy security and reducing emissions.

OEUK therefore believes that a clear security merit order should guide planning and operational decisions through the 2030s. Domestic gas should be treated as the highest merit source. This reflects the beneficial security, cost and emissions characteristics of UK supply and best aligns with the consultation's own stress testing of the system.

Accelerated decline in domestic gas supply is a policy driven outcome, not an unavoidable geological one. A pragmatic, evidence-based approach that values domestic production as a cornerstone of security will deliver better outcomes for consumers, the economy and the climate, while supporting a managed transition to a lower carbon energy system.

This consultation is a critical opportunity to shape the UK's future energy security. Our submission makes clear that the most secure, reliable and lower-emission source of gas for the UK is our own domestic production. NESO's assessment rightly identifies emerging risks in the 2030s, but these risks arise not because the North Sea is geologically exhausted, but because policy choices are accelerating decline. With stable, investable conditions, substantial recoverable UKCS resources can be brought forward, reversing the projected fall in domestic supply and reducing exposure to higher-carbon, higher-volatility imports.

⁶ Westwood Energy: UK produced gas and its role in future security of supply. February 2026 (link available after submission)

The outcome of this consultation must therefore be to ensure security of supply by enabling a resilient gas system that is underpinned by maximised domestic production alongside flexible imports, not one that assumes decline is inevitable. A resilient, forward looking energy system must prioritise domestic production. For as long as the UK requires gas, it is in the national interest to produce as much of that gas as possible domestically, where it delivers lower lifecycle emissions, greater security and higher economic value than imported alternatives.

The case for UK gas

Domestic gas is essential for UK energy security. It is more reliable, less carbon-intensive than imports, and far less vulnerable to geopolitical disruption

Gas has been the mainstay of the UK energy system for decades, heating 24 million homes, powering major industries and anchoring reliable electricity generation. It is also critical to the UK economy, underpinning energy-intensive sectors such as steel, cement, glass, ceramics, refineries and chemicals; industries that rely on continuous, high-temperature processes only gas can currently deliver. It keeps the UK warm through winter, sustains manufacturing, and provides the fast, flexible back-up the grid depends on when renewable output dips. With its ability to be stored and deployed during peak demand, gas remains a strategic pillar of national resilience and a foundation of the UK economy.

Gas will remain a critical component of the UK energy system for decades to come. In 2024, gas provided 36% of the UK's energy needs. Even as electrification accelerates, gas is needed to provide essential flexible power to back up and balance the grid. As the roll-out of renewable power sources and the electrification of home heating and industrial production accelerates, the demand for gas in the UK is forecast to decline. However, according to the average gas demand scenarios from NESO, gas is expected to provide 30% of total energy needs for the UK in the period 2025 to 2050, and gas is still expected to provide 20% of the UK's energy needs in 2050⁷. Gas will continue to be a vital feedstock for wider products critical to the UK.

Domestic gas production remains a critical component of the UK energy system. In 2024, the UK Continental Shelf (UKCS) provided 43% of the UK supply with pipeline imports from Norway 43% and imports of Liquefied Natural Gas 14%.⁸

NESO's Gas Supply Security Assessment shows that while annual demand may fall as the energy system decarbonises, for days driven by cold temperatures and low wind, decline will occur much more slowly. This reflects the continued role of gas in providing essential generation and meeting heating needs. Moreover, both NESO and government scenarios show a wide range of uncertainty around future gas demand due to differing assumptions about the pace and scale of electrification across households, industry and transport.

Gas also remains critical to balancing the intermittency of renewables. During periods of low wind or limited solar output, gas-fired generation provides fast, reliable flexibility to ensure

⁷ NESO Future Energy Scenarios 2025: <https://www.neso.energy/document/364551/download>

⁸ DESNZ: Diversity of supply of natural gas in Europe 2024

https://assets.publishing.service.gov.uk/media/69403b35c72b0f8ccf33d7cf/Diversity_of_supply_of_natural_gas_in_Europe_2024.pdf

system stability. This balancing role is expected to persist well into the 2030s. As the transition progresses, gas will increasingly operate as a strategic enabler of decarbonisation, for example through gas-fired power plants with CCS and the production of CCS-enabled hydrogen to support industrial decarbonisation. These applications ensure that gas continues to underpin system resilience even as overall consumption may fall.

Figure 2: UK domestic gas production decline is not inevitable

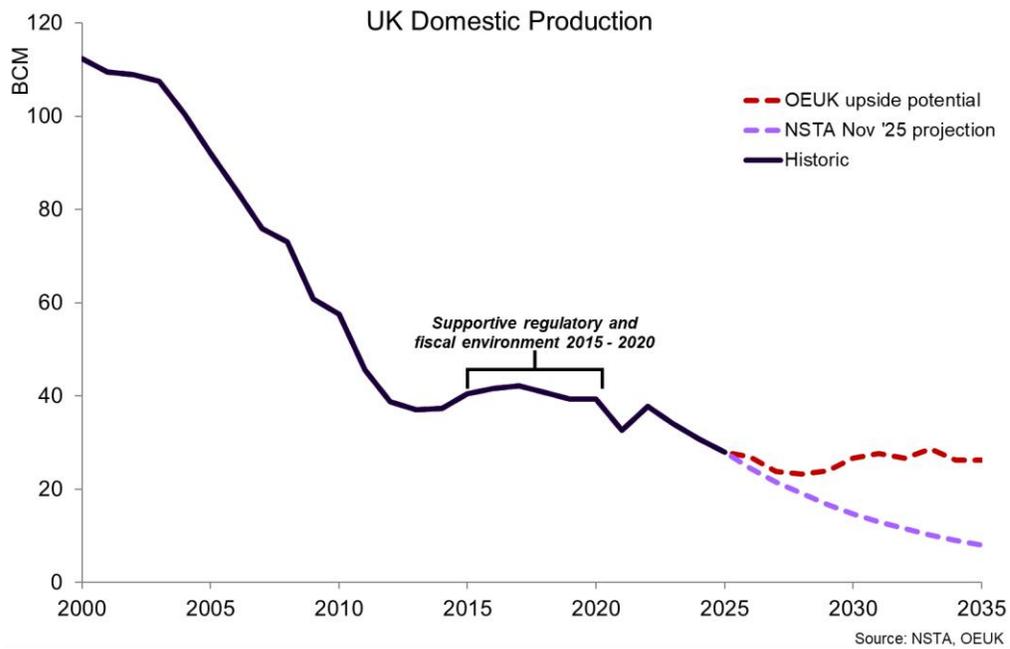
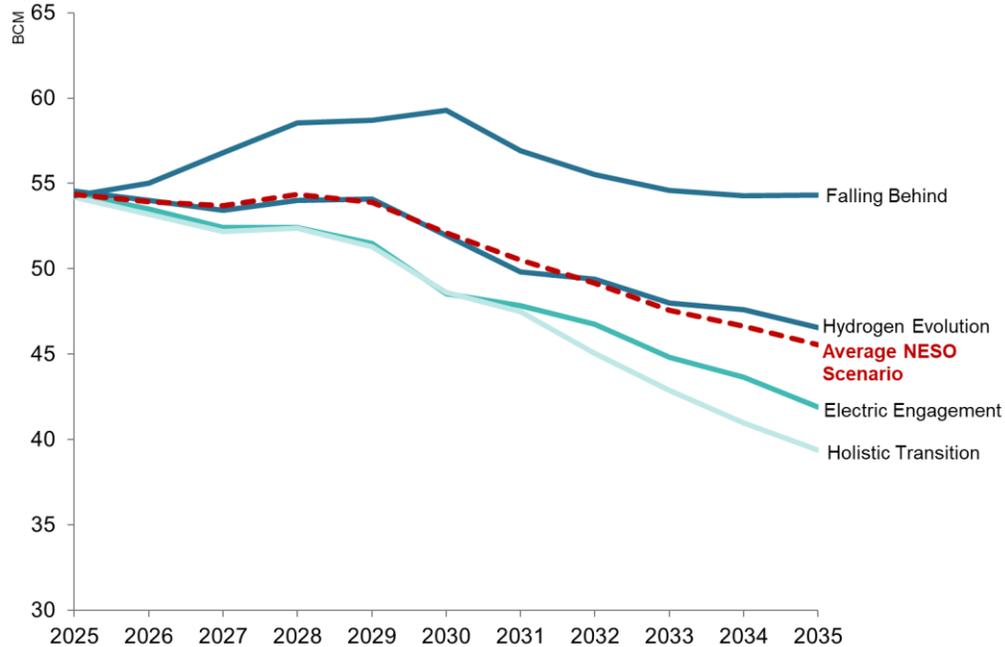


Figure 3: NESO Future Energy Scenarios - demand



Over the next 10 years decline in domestic gas production is not inevitable nor is it an irreversible geological fact as set out in the consultation. Growth is achievable under stable and competitive investment conditions and significant recoverable resources exist within reach of existing infrastructure

The government acknowledges the UK needs oil and gas for decades to come. As renewables roll out, 75 per cent of the UK's energy still comes from oil and gas and 10-15 billion barrels are required through to 2050. OEUK has shown how half of this amount could be produced at home with tax reform in tandem with a pragmatic approach to licensing. With supportive fiscal and regulatory conditions, operators can progress infill drilling, new wells, tiebacks to fields, pipelines and onshore terminals and extensions that would materially increase domestic production and sustain infrastructure throughput.

Historical evidence is clear: where supportive policies are in place, decline rates fall sharply. Between 2012 and 2020, investment helped stabilise output after years of steep decline.

The NSTA forecasts a total of 226 bcm of production from the UKCS in the period 2025 to 2050⁹. This compares with a demand of 792 bcm (CCC balanced pathway) or 867 (DESNZ net zero pathway) in the same period. As mentioned above, the NSTA projects a decline of 12% per annum from our gas fields, but our upside case from data provided by OEUK member organisations identifies an additional 1.34 billion boe of gas (equivalent to 230 bcm), bringing the total potential gas production for the period 2025-2050 to 456 bcm.

No new exploration wells were drilled in 2025, and domestic oil and gas production has fallen by 40% in the last five years and is on course to halve again by 2030 under current investment conditions. As NSTA forecasts confirm, this is an accelerated decline driven by government policy, not geology. However, the North Sea remains a proven, resource-rich basin. The NSTA's 2025 Reserves and Resources report shows that UKCS contingent gas resources (2C and 3C) increased between 2023 and 2024, demonstrating clear remaining potential.

These resources are already located near extensive offshore and onshore infrastructure. Key systems such as St Fergus, Teesside, the Forties Pipeline System and CATS form the backbone of gas supply to the UK, currently processing the majority of domestic production. Analysis from Westwood Energy reinforces this: more than 75 percent of UK gas flows through St Fergus and Teesside alone, both connected to multiple upstream hubs and liquids routes. Many undeveloped discoveries and prospective resources sit within close proximity of these established systems, representing near-term, commercially viable opportunities if policy stability is restored.

Domestic supply: Low emissions, high value

Domestic gas has a significantly lower emissions profile than imported LNG. NSTA data shows UK production currently averages around 28 kgCO₂e/boe, compared to around 85 kgCO₂e/boe

⁹ NSTA Production and Expenditure projections: <https://www.nstauthority.co.uk/data-and-insights/insights-and-analysis/production-and-expenditure-projections/>

for LNG imports¹⁰. New UK developments have an even lower emissions profile than average Norwegian levels. NSTA data shows that new (less than 10 years old) and smaller oil and gas fields are at 6kgCO₂e/boe.¹¹ New assets benefit from ongoing decarbonisation efforts, methane reduction programmes, efficiency improvements through shared use of process and transportation facilities.

There has been a 34% reduction in gross greenhouse gas emissions between 2018 and 2024, comfortably exceeding a 25% emissions reduction target outlined in the North Sea Transition Deal (NSTD) for 2027. There has also been a 57% reduction in methane emissions over the same period against an original target for methane reductions of 50% by 2030.

Industry targets require a 10% total emissions reduction by 2025, 25% by 2027, and 50% by 2030, relative to the 2018 baseline. Prioritising domestic production therefore supports the UK's decarbonisation objectives while ensuring a resilient supply through the transition.

This progress has involved a wide range of stakeholders such as operators, supply chain, energy developers, academia, trade associations, regulators and governments.

OEUK's 2025 Environment Report shows that 79% of offshore greenhouse gas (GHG) emissions are in relation to power generation. Analysis of the stewardship survey data reflects that between the period 2025-2030 there are at least 80 technical projects at various stages of the project cycle (under scoping, under evaluation, planned, under execution, completed) that will make a positive impact on emissions in relation to oil and gas production. These projects are reported as an above 50% of likelihood and have an abatement potential of above 5,000 tonnes and more than £5 million capital expenditure (CAPEX).

The meeting of targets to date has been achieved across a range of technical and non-technical factors with examples being:

- Cultural change and leadership accountability, including reporting requirements
- Operational improvement such as plant/ process optimisation
- Adoption of new technology
- Installation modifications

There is currently an unnecessarily steep production decline in the UK, which will result in early cessation of production of assets that could contribute to the UK's security of supply. This will result in greater hydrocarbon imports in the future (particularly gas) with a larger carbon footprint, as well as the loss of infrastructure, jobs, and value to the economy.

A strong supply chain and workforce are critical enablers of sustaining and growing domestic gas production

The capability to deliver the homegrown gas we need exists today. The UK's offshore energy sector and supply chain supports over 200,000 skilled jobs and underpins critical industrial capability across the country, yet 40 percent of companies report a declining business environment and almost 90 percent are now seeking growth opportunities overseas due to

¹⁰ NSTA: Emissions Intensity of Producing Natural Gas: <https://www.nstauthority.co.uk/media/nupk5sx1/emissions-intensity-of-producing-natural-gas-factsheet-sept-2025.pdf>

¹¹ NSTA Emissions Monitoring Report 2024: <https://www.nstauthority.co.uk/media/nugh4i0q/emissions-monitoring-report-2024.pdf>

uncertainty and reduced investment confidence. This supply chain spans hundreds of firms, from subsea engineering specialists to fabrication yards and technology innovators and has built world leading expertise over five decades. Their expertise and resources touch on all aspects of the offshore energy industry as they deliver offshore wind projects and are poised to deliver most of carbon transportation & storage projects as well as low-carbon hydrogen ones.

As highlighted in the “UK O&G supply chain opportunities in the energy transition”¹² published in 2024, the overlap in capabilities from oil and gas to new energy vectors is significant, and there is an opportunity to utilise and depend on UK ‘s supply chain Oil & Gas strength in handling molecules (CCS and hydrogen) and deepwater projects (floating wind). These segments have a capability overlap with the oil and gas sector of between 60% and 80%.

Hence it is critical for the UK to nurture and retain the supply chain that can deliver the energy transition. However today, more than 90% of our diversified supply chain members still make less than 50% of their revenue from renewables, meaning that oil and gas is still their primary revenue engine, as shown in below table. These results came from the Business Sentiment survey we published in our Business Outlook Report 2025¹³.

Table 2: Proportion of OEUK supply chain member revenue that comes from oil & gas compared to renewable and low-carbon solutions

	0%	<20%	20-40%	40-60%	60-80%	80-99%	100%
Oil and gas	2%	8%	10%	8%	19%	31%	23%
Offshore wind	55%	32%	10%	2%	2%	0	0
CCS	66%	34%	0	0	0	0	0
Hydrogen production	73%	27%	0	0	0	0	0
Other	50%	27%	13%	7%	3%	0	0

Without a stable pipeline of domestic gas production, gas storage and other gas infrastructure projects, the UK risks losing this strategic capability to international competitors, weakening national resilience and increasing dependency on imported goods, services and skills. Preserving and growing the domestic supply chain is essential to deliver energy security and to enable the energy transition.

Consultation questions

¹² Rystad Energy for OEUK UK O&G supply chain opportunities in the energy transition <https://oeuk.org.uk/product/uk-og-supply-chain-opportunities-in-the-energy-transition/>

¹³ OEUK Business Outlook 2025 <https://oeuk.org.uk/product/business-outlook-report-2025/>

Priorities for gas security of supply

Q1. Do you agree with the assessment that, as supply from the UK Continental Shelf continues to naturally deplete, imbalances between supply and demand become possible in low-probability, high-stress scenarios? Please provide evidence to support your answer.

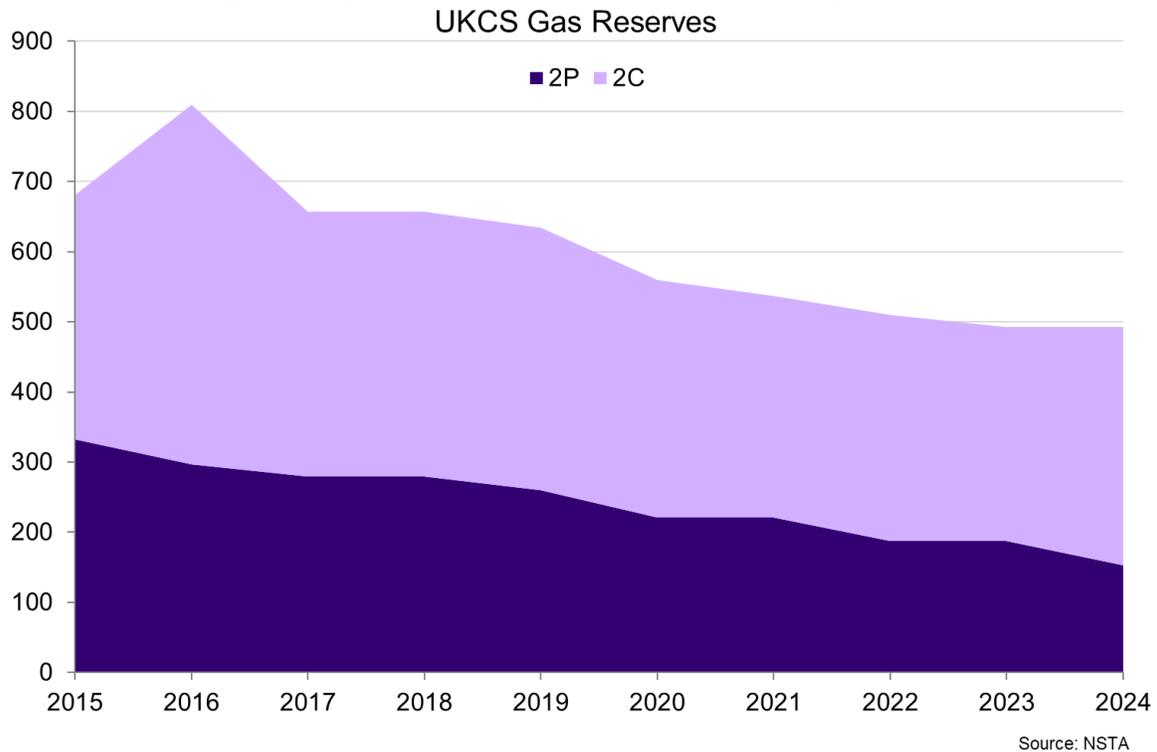
Imbalances are possible in low probability, high stress scenarios. However, such scenarios become materially more likely if domestic production is allowed to decline more rapidly than geology dictates. The UK's highly integrated gas system relies on steady domestic throughput to remain economically and operationally viable. A policy driven decline undermines infrastructure resilience, increases exposure to constrained import routes and elevates the risk of supply–demand imbalance. Conversely, creating an investable fiscal environment that sustains domestic production is the most effective resilience intervention available to government.

Infrastructure was originally designed, and still largely operates, to receive and transport gas from the North Sea, now supplied mainly from the UKCS and Norway. Moving away from this system too quickly would introduce unnecessary cost and delay in the transition, especially given the continuing potential of the UKCS and Norway. LNG can continue to play its current supporting role without significant expansion. Maintaining this balanced approach will be the most cost-effective option for UK consumers and taxpayers, while also helping to increase UK tax revenues.

The NSTA's annual Reserves & Resources report, published in October 2025¹⁴, revealed that the combined 2P + 2C reserves and resources remained steady at 493 bcm. This was achieved thanks to the addition of 34 bcm from the 33rd licensing round. This demonstrates that the decline in domestic gas supplies is not inevitable, rather, with a change in policies, future decline rates can be reduced.

¹⁴ NSTA Reserves and Resources Report (as at the end of 2024) <https://www.nstauthority.co.uk/news-publications/reserves-and-resources-as-at-end-2024/>

Figure 4: UK gas reserves continue to be impacted by policy decisions



As NSTA and Westwood Energy reports highlight, there are substantial discovered resources across the North Sea that exist which can be pursued quickly. Unlike the UK, Norway has continued to explore and develop its resources to maintain production, enabling it to export gas. This demonstrates that despite the headwinds created through fiscal uncertainty, policy flux and negative sentiment the North Sea remaining potential when supported by stable and prudent policy. To strengthen UK security and therefore UK energy security, the UK should implement all meaningful steps to reduce our increasing reliance on higher emissions imported energy, while continuing to accelerate investment in renewable energy. Crucially, supporting domestic gas reserves must happen alongside to ensure a balanced pathway to lower-carbon and a resilient energy transition.

OEUK and independently commissioned evidence show that decline rates are highly sensitive to policy and investment conditions rather than geology. Continued investment has previously arrested steep decline pathways, and the same remains possible with the right policy environment.

Accelerating UKCS production decline as a result of policy decisions now threatens the viability of essential domestic infrastructure.¹⁵ The UK's gas system is one of the most highly integrated networks in Europe, and this integration brings both resilience and vulnerability. The system relies heavily on domestic production to sustain economic throughput levels. If domestic supply drops too quickly, several key pipeline systems, terminals and hubs face early cessation because fixed operating costs are spread over fewer units of throughput.

¹⁵ Westwood Energy: UK produced gas and its role in future security of supply. February 2026 (link available after submission)

Evidence from the independent report commissioned to Westwood by OEUK highlights several structural risks:

- 75% of UK gas production is processed at just two terminal locations – St Fergus and Teesside. These terminals depend on parallel operation of associated liquids infrastructure and upstream hubs. A decline in domestic production therefore creates concentrated system-wide risks.
- St Fergus alone handles 25–50% of total UK gas flows, depending on operating conditions. The complex processes gas from multiple major systems (FLAGS, FGL, SAGE, Vesterled and FUKA). A failure, outage or economic cessation at St Fergus would simultaneously remove multiple feed streams, creating a single point of failure issue with far reaching consequences for national resilience.
- Offshore systems are deeply interdependent. Many hubs export gas and liquids through separate pipeline routes, meaning the shutdown of one liquids route can collapse the economics of the corresponding gas route, and vice versa. This risk is particularly acute outside the Southern North Sea, where almost all fields require both gas and liquids export routes to remain viable.

Without sufficient domestic volumes, throughput falls below economic thresholds, triggering early closures of key terminals and infrastructure. Once closed, these assets cannot be readily reinstated, permanently reducing capacity and flexibility.

Policy driven decline presents greater system risks than geological decline. Historical evidence shows that investment responds strongly to the fiscal and policy environment:

- From 2012 onwards, new investment and supportive terms arrested the steep decline that had persisted since 2001, demonstrating that decline is not a fixed geological inevitability.
- UKCS fields can and do deliver upside when investment is incentivised. Multiple hubs have substantial undeveloped discoveries, infill drilling opportunities and stranded prospective resources that could extend life materially.
- The absence of investment driven by fiscal uncertainty and high marginal tax rates results in decline rates of up to 12%, but where investment occurs, decline can be reduced significantly, dramatically extending system longevity.

A policy trajectory that accelerates decline therefore directly increases the likelihood of imbalances, not because domestic resources are depleting naturally, but because infrastructure becomes uneconomic prematurely. OEUK analysis shows that supporting domestic production materially reduces system exposure to imbalance risks by limiting reliance on LNG imports, which are constrained by the southeast network bottleneck during peak days and by maintaining higher baseline volumes through critical domestic infrastructure.

A system supported by domestic supply is therefore more resilient, lower cost and lower emissions. Conversely, high LNG or high decline scenarios heighten resilience risks by increasing dependence on import routes that are constrained during winter peaks. LNG import capacity is

constrained geographically. Constraints in the southeast network limit how much LNG can be transported northwards during peak periods. Maintaining diverse domestic entry points is essential to manage peak day flows.

The independent Westwood report commissioned to support this submission identifies specific case studies of gas projects which could be brought forward to reduce the decline in UK gas production with the right fiscal and policy in place, protecting UK energy security. These are actual case studies, that could provide real domestic gas resources, real UK jobs and real gas security solutions.

Q2. In light of the analysis outlining the priority of ensuring gas infrastructure capacity, do you think the market will respond to provide such insurance for low probability, high stress scenarios? Please provide evidence to support your answer.

Leaving security to merchant incentives while policy choices increase reliance on imports raises market risk. The consultation itself suggests that government will need to shape markets and intervene to secure storage, terminal and interconnector capacity for rare peak events in the early 2030s, reflecting one in twenty stress and loss of the largest asset tests and the South East constraint that can limit LNG and interconnector flows at the same time. The baseline already acknowledges that private signals will not procure sufficient peak insurance.

NESO's first security assessment reinforces this point by identifying emerging deliverability gaps in the early 2030s if the largest single asset is lost under peak conditions. A strategy that assumes plentiful LNG and higher import dependence therefore increases exposure to logistics, bottlenecks and geopolitical events that can reprice or divert cargoes just when the system needs them most. By contrast, sustaining domestic output lowers these risks and reduces the burden on constrained entry points in severe weather.

Markets alone are unlikely to deliver adequate insurance for low probability high stress events, but policy choices which sustain domestic supply materially reduce security risks compared with strategies that rely on higher LNG exposure as shown in our modelling.

Finally, as demonstrated by the NSTA Reserves and Resources report October 2025 the UK Gas reserves can increase. This was at a time when increased fiscal and policy headwinds, with support the UK could further increase these targets and further secure the North Sea infrastructure for longer.

Q3. What gas supply and demand scenarios are you using for planning in your organisation and why?

- a. **What impacts to your sector/business have you identified using these scenarios?**
- b. **What mitigating actions are you considering against the supply and demand scenarios your organisation is using for planning?**

Our internal modelling provides gas supply and demand scenarios to inform this response. These scenarios are designed to test security of supply, cost and emissions outcomes under different policy and investment conditions, while remaining anchored in the most credible publicly available external assumptions available.

Demand assumptions

For demand, our modelling adopts the average demand trajectory from the NESO Future Energy Scenarios (FES) as the central planning assumption. We consider this to be the most credible, balanced and unbiased reference point for planning purposes.

Using the NESO average deliberately avoids taking a policy position on either end of the scenario spectrum. It means that œUK is not assuming accelerated decarbonisation outcomes, nor is it assuming that the UK significantly lags behind its net zero objectives. Instead, it reflects a pragmatic central view of how gas demand is likely to evolve given current policy, technology deployment rates and system constraints.

This approach is particularly important for security of supply analysis. Planning against an average demand pathway avoids underestimating system requirements in the 2030s, when gas continues to play a critical role in heating, power system balancing and industrial demand, even as electrification progresses.

Norwegian pipeline supply

For Norwegian piped gas, œUK scenarios draw on NESO Future Energy Scenarios 2025 workbook data for future flows, reflecting the integrated nature of the UK and Norwegian gas systems. These assumptions have been cross checked against publicly available Norwegian industry and government data, providing confidence that they represent a realistic outlook for continued pipeline imports.

Norwegian gas is treated as a core component of UK supply, reflecting its relatively low lifecycle emissions, high reliability and strong infrastructure interconnection with the UK. However, the scenarios also recognise that Norwegian supply alone cannot offset a policy driven acceleration in UK domestic decline without increasing exposure to LNG imports.

LNG supply

œUK acknowledges the challenges involved in forecasting long-term gross LNG supply to the UK, particularly given the country's role as an intermediary between global LNG markets and mainland Europe and Ireland. Consequently, our approach mirrors that adopted in the FES data workbook. Where the future supply of imports, other than those via the Norwegian pipelines, remains uncertain, we apply a "Net LNG imports" designation, a proxy for the "Generic imports" category in the FES. This is determined by taking the difference between projected UK production plus Norwegian pipeline flows and the average demand trajectory from the NESO Future Energy Scenarios.

The scenarios explicitly demonstrate that higher reliance on net LNG imports leads to materially worse outcomes on cost, emissions, and energy resilience. As net imports (excluding Norwegian

pipeline) reliance increases, exposure to global market volatility rises, import costs increase substantially and lifecycle emissions intensify. This reinforces the conclusion that LNG should play a balancing and flexibility role, not act as the backbone of the UK gas system.

Domestic production scenarios

The two scenarios that we have modelled look at (1) the NSTA's November 2025 production projections, which take into account the current fiscal and regulatory regime and (2) The upside potential, looking beyond the NSTA's projections, modelling the impact that removing the Energy Profits Levy in 2026 and replacing it with a stable, predictable regime.

OEUK members have identified more than 100 projects, representing around £25 billion of potential investment into gas projects, which could unlock an additional 230bcm to existing gas reserves. This level of investment would significantly alter the UK's production outlook, maintaining domestic gas output well above current forecasts.

This is not speculative upside; it is grounded in known projects, identified reserves and investable opportunities, currently constrained by policy decisions rather than geological limitations. The scenarios clearly demonstrate that the decline in domestic supply indicated by NSTA forecasts is the result of policy choices, rather than an unavoidable physical reality.

Emissions intensity Assumptions

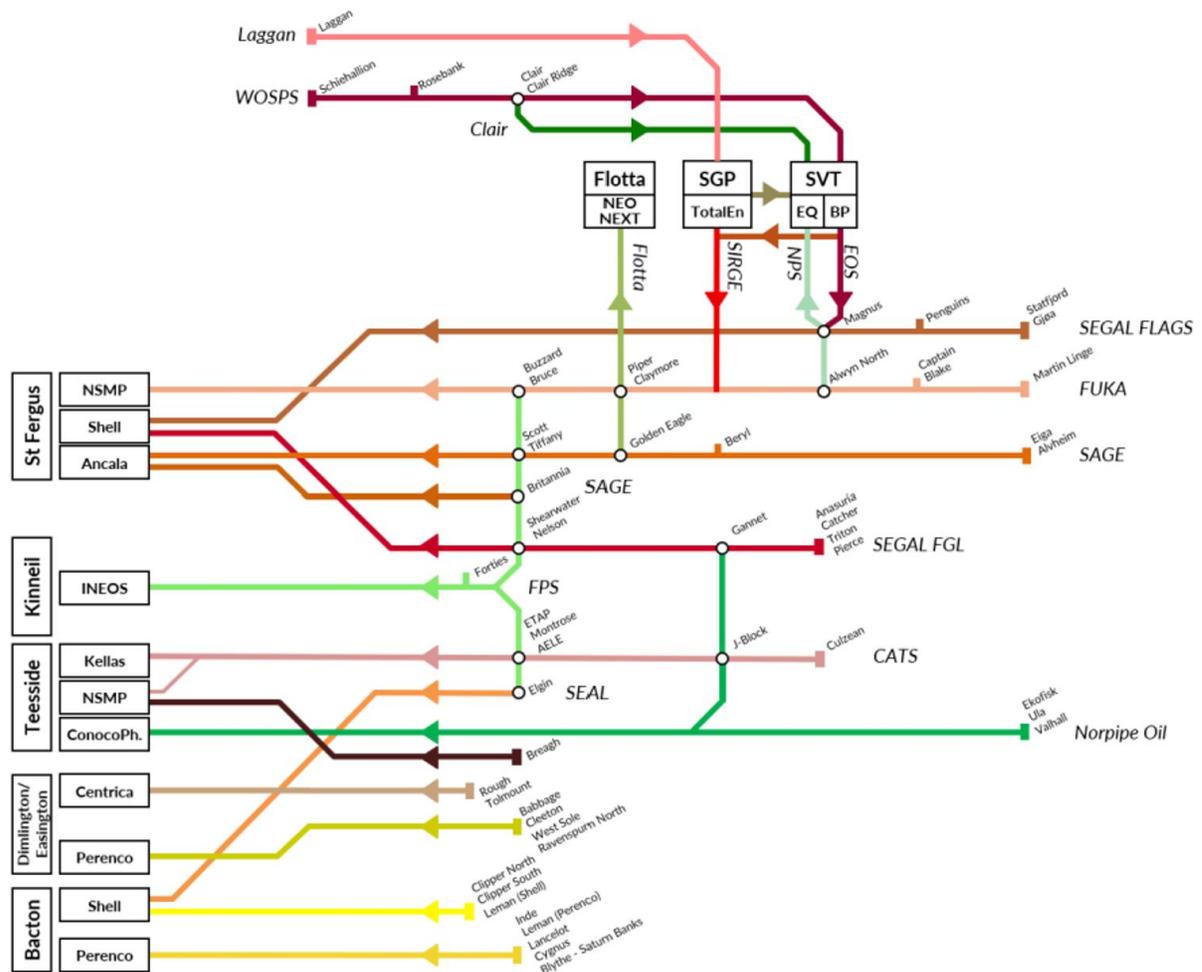
Our modelling uses the carbon intensity published by the NSTA in September 2025.¹⁶

In 2024, the average emissions intensity of UK domestic gas production was 28 kgCO₂e/boe. These are the average emissions generated by the production, processing and transport of one barrel of oil equivalent of UK domestic gas. The average emissions intensity is a combination of a CO₂ intensity of 24 kgCO₂/boe and a methane intensity of 4 kgCO₂e/boe. The emissions intensity of producing and processing pipeline gas imports, of which over 99% were from Norway, was 8 kgCO₂e/boe. LNG had a significantly higher average emissions footprint of 85 kgCO₂e/boe, including production, processing, liquefaction, shipping and regasification.

Q4. Do you agree with the assessment that ensuring resilient infrastructure capacity is a key priority as the gas supply mix changes? Please provide evidence to support your answer.

¹⁶ NSTA Emissions Intensity of Producing Natural Gas <https://www.nstauthority.co.uk/media/nupk5sx1/emissions-intensity-of-producing-natural-gas-factsheet-sept-2025.pdf>

Figure 5: UKCS infrastructure 'tube map'¹⁷



Ensuring resilient infrastructure capacity is a key priority, and the evidence shows clearly that assuming the system will simply adapt to a future dominated by imports is the wrong approach. As shown in figure 5 the UK's gas infrastructure is both highly integrated and highly segmented

¹⁷ Westwood Energy: UK produced gas and its role in future security of supply (February 2026)

by catchment area. Its resilience depends on maintaining the flows that keep pipelines, processing terminals and associated hubs operational. Total national import capacity is not a meaningful substitute for the physical and commercial characteristics of the domestic network.

The loss of key infrastructure such as the Forties Pipeline System, or any major offshore corridor that supports multiple hubs, should be treated as a critical system risk. These assets are not merely volume conduits but regional arteries whose failure would remove entire catchment areas from the network, reducing flow diversity and sharply increasing exposure during peak day or N 1 events.

NESO's Gas Security of Supply Assessment highlights that increasing the availability, reliability and deliverability of gas is a central requirement for maintaining system resilience under stress. While additional LNG regasification capacity, strengthened storage, and expanded interconnector flexibility can be useful complements, these options do not replace the foundational role of sustained UKCS production. Among all mitigation pathways, the most critical is therefore the preservation and enhancement of domestic throughput, which underpins the operability of midstream infrastructure and reduces dependence on a narrow set of import dominated entry points.

OEUK and independent modelling show that reduced domestic throughput directly weakens the underlying infrastructure. The policy driven fall in throughput is already reducing the viability of key terminals and pipelines. Throughput at UK terminals has fallen by almost 40 percent since 2020 and, without a change in policy conditions, is forecast to halve again by 2030. This decline is critical for the whole economy; it is triggering an emerging industrial contagion, where reduced domestic supply undermines the economic foundations of infrastructure networks that support critical industries across Scotland, Teesside, the Humber, East Anglia and the North West.

The independent Westwood Energy Licensing and Infrastructure Report¹⁸ (September 2025) reinforces these findings. The report concludes that many major systems now operate close to minimum commercial throughput levels, and that an unmanaged decline risks premature cessation of strategically important pipelines. It shows that systems such as the Forties Pipeline System, the Flotta system and several central and northern North Sea corridors depend on sustained domestic volumes to remain open. Once throughput drops below economic thresholds, infrastructure becomes vulnerable to closure, triggering knock on effects for neighbouring hubs. Westwood documents previous instances where terminal closures (such as Theddlethorpe in 2018) forced early field shutdowns and stranded resources because connectivity was lost. Closures do not remain local; they cascade across the network because each hub relies on shared infrastructure, cost sharing arrangements and export routes.

This interconnectedness means that reduced domestic throughput does not simply lead to higher import dependence; it actively degrades the UK's ability to move, process and balance the gas system. When a major trunkline or processing terminal closes, entire catchment areas are

¹⁸ Westwood Energy: licensing and Infrastructure report 2025: <https://oeuk.org.uk/product/licensing-and-infrastructure-report-2025/>

removed from the system. This eliminates both flow diversity and redundancy, increasing the risk that a single outage can cause regional imbalance. The loss of the Forties Pipeline System or another major asset would therefore remove an essential regional artery, not just a volume source.

Relying on imports cannot replace this functionality. Import terminals are geographically concentrated in the south, whereas most network resilience is delivered through the distributed offshore and onshore systems built around domestic production. Import-only systems offer neither the same redundancy nor the same ability to balance regional flows. As Westwood and OEUK evidence show, a system that pivots excessively towards imports without maintaining domestic throughput risks becoming more fragile, less flexible and more exposed to global market volatility.

The evidence is clear: reduced domestic throughput directly threatens the resilience, operability and longevity of the midstream network, and it is incorrect to assume that increased imports can compensate for this. Resilient infrastructure capacity depends on maintaining a balanced, flowing domestic system that supports the interconnected pipelines, hubs and terminals on which the entire network relies.

Q5. In light of the analysis outlining the priority of ensuring resilient infrastructure capacity, do you think the market will respond to achieve this priority? Please provide evidence to support your answer.

In order to address the priority of ensuring resilient infrastructure capacity, it should be a clearly stated policy objective to maximise UK domestic gas production and minimise the UK dependency on imported gas.

The decline in throughput across gas infrastructure is not simply a function of basin maturity but the direct result of policies that have decimated the role of domestic gas in the UK's energy system. NESO evidence confirms that peak day gas demand has not materially declined, and under slower decarbonisation scenarios in the early 2030s it remains close to today's levels, with shortfalls emerging in one in twenty peak events if major infrastructure is unavailable. This shows that despite a policy driven reduction in domestic production, the system continues to require substantial gas deliverability to maintain energy security.

The market has responded to the negative fiscal and sentiment by seeking a return on investment elsewhere as demonstrated by the graphic to the right which highlights the decline in production forecasts. Despite this the results of the 33rd Licence round highlighted that the UK Gas 2C and 3C contingent resources increased despite these headwinds.

Domestic production has been intentionally reduced by policies, which means that less gas flows through pipelines, terminals and storage sites. This has a profound commercial effect: infrastructure designed around stable flow patterns and scale now faces lower utilisation, more volatile revenue, and diminishing capacity to recover fixed costs. Markets perform well when policy direction is stable, predictable, and consistent with the physical needs of the system, but when throughput is reduced by policy rather than by geology, the commercial incentives for

infrastructure investment and maintenance fall out of alignment with system resilience requirements.

This weakening of the commercial foundation is exacerbated by current geopolitical developments, which demonstrate clearly that a strategy which prioritises a high level of import dependence significantly increases systemic risk. Events since 2022 have shown how global supply chains can be disrupted at short notice, how competition for LNG cargoes intensifies during stress periods, and how shifts in regional demand can redirect gas flows away from the UK. Heavy reliance on imported gas also exposes the system to the strategic decisions of other countries, including the pace of decline of Norwegian production, the expansion of European LNG regasification capacity, and changing priorities of suppliers in the Middle East, the United States and Africa. These factors materially increase the volatility and fragility of an import dependent system relative to one underpinned by stronger domestic production and domestic flexibility.

In this environment, markets continue to be well placed to deliver day to day security of supply where the risk profile remains within normal bounds. However, they do not naturally price or insure against very low probability, high consequence scenarios. Extreme tail risks such as simultaneous cold spells, supply shocks, or infrastructure outages require long lived investment in assets, even if they have lower utilisation rates. These forms of resilience do not emerge organically from commercial optimisation, especially when throughput has been reduced by deliberate policy choices. Without stable and credible policy conditions, midstream resilience is likely to erode over time, leaving the system increasingly exposed to global disruptions and less able to withstand future shocks.

Q6 Do you agree with our assessment that ensuring a viable commercial model for infrastructure capacity is a key priority facing the gas sector? Please provide evidence for your answer.

Yes. Commercial viability is fundamental. We challenge the assumption that domestic gas is written off, and our modelling indicates routes to reduce the assumed decline. Confidence is undermined by falling throughput in key corridors fiscal unpredictability competitive disadvantage relative to Norwegian infrastructure and a growing view that UK is not attractive for long term midstream dependent investments. This creates a negative feedback loop of rising unit costs and falling throughput.

Q7 In light of the analysis outlining the priority of ensuring commercially viable infrastructure capacity, do you think the market will respond to achieve this priority? Please provide evidence to support your answer.

Unlikely. Throughput risk and policy uncertainty elevate hurdle rates. A time limited clarity package on midstream longevity combined with targeted regulatory reforms would be more effective than direct commodity intervention.

The fiscal policy was altered and resulted in an increase in UK activity in 2015/2016/2017 resulting in an increase in reduction in the production declines curves.

Changing infrastructure requirements

Q8 Government's assessment is that existing LNG infrastructure is robust and commercially viable, do you agree? a. If not, what actions do you think would be required to protect the strategic importance of existing LNG infrastructure?

Existing LNG infrastructure already provides significant capacity, but on its own it is strategically incomplete. Whilst LNG terminals provide valuable flexibility, they cannot fully replicate the role of pipeline delivered gas or the stabilising effect of domestic throughput on the wider midstream network.

A strategy that emphasises expanded LNG regasification capacity, without also reinvigorating UKCS production is a strategic mistake. Domestic gas offers lower lifecycle emissions, higher resilience during stress events, greater price stability, and substantially higher domestic economic value, including support for onshore terminals, supply chains and industrial clusters. Domestic throughput underpins the viability of multiple onshore and offshore asset, when domestic flows decline, the commercial and operational foundations of these assets weaken, sometimes irreversibly.

LNG can complement but cannot replace this function. LNG infrastructure is geographically concentrated in the south, is dependent on global cargo competition, and is exposed to geopolitical, shipping and pricing shocks. By contrast, domestic pipeline gas supports a distributed network that provides inherent redundancy, rapid deliverability, and regional balancing capability, attributes that LNG cannot replicate at scale.

The critical action required is a clear strategic signal that domestic UKCS production remains essential for resilience. Reinforcing the role of domestic supply helps maintain throughput levels that keep midstream infrastructure operational, supports industrial demand, and reduces dependence on imports. LNG should remain part of the mix, but domestic gas must be recognised as the most resilient and system anchoring option.

The UK should actively take steps to prevent further supporting overseas gas production by limiting the LNG facilities to those currently established via supporting the UK domestic gas over buying any imported higher emissions alternative.

As set out in this response, UK LNG terminals already represent substantial import capacities but are currently underutilised due a lack of competitiveness versus continental terminals. One of the key contributory factors to the UK's lack of competitiveness is the high cost of entry to the gas grid. The outcome of Ofgem's proposed reform of gas transportation tariffs remains uncertain, as is the timeline for implementation. Effectively, policy needs to urgently address costs of entry to the grid.

Q9 Is there a strategic case for enhancing or expanding storage capabilities at LNG terminals? a. What role should government play in supporting this?

The value of additional LNG storage is highly situational and depends on the ability to accommodate additional tanks, whether operators can demonstrate that it would materially improve peak day deliverability, enhance system flexibility, or solve a clearly evidenced

network constraint. In many cases, LNG storage additions provide only marginal system benefit.

Any expansion must therefore remain a commercial decision for terminal operators, based on their assessment of market conditions, cargo scheduling, commercial risk, and global LNG availability. Decisions to build or expand on-site LNG storage should be made by private operators responding to commercial imperatives, not imposed by government. Government's role should be enabling rather than directing.

Where operators themselves identify a commercially credible case for additional storage, government could have an enabling and facilitating role. That means ensuring planning and permitting processes are flexible enough to accommodate terminal improvements, addressing network constraints where targeted reinforcements can demonstrably improve system performance, and maintaining a stable and predictable policy environment that gives investors the confidence to commit capital over the long term.

What government should not do is create the expectation that LNG storage is a public strategic asset. LNG storage cannot substitute for the resilience benefits provided by domestic pipeline gas or sustained UKCS production. Any expansion should therefore be privately led, evidence based and justified by clear operational need rather than policy signalling.

Answer to questions 10-13

Q10 Do you agree with the assessment that the introduction of an FSRU could help ensure gas infrastructure and resilience? Please provide evidence to support your answer.

Q11 Do you agree that there are no significant barriers to entry for new LNG entry points, including for an FSRU, and that the market can deliver additional capacity if this is necessary? a. If not, what could government do to resolve the barriers to entry for new LNG entry points?

Q12 Do you consider there to be other advantages and/or disadvantages of government directly chartering and appointing an operator of an FSRU, to be operated as a strategic gas supply source?

Q13 If HMG were to directly charter an FSRU, please explain whether and how you think this would impact your role in the market and your current operating model?

Floating Storage and Regasification Units (FSRUs) can provide rapid, relocatable regasification capacity and have been used in the UK (Teeside Gasport between 2007 and 2015) and elsewhere in Europe as short-notice tools. However, the evidence shows clearly that their role is context-specific, and they are not a substitute for addressing the underlying structural risks in the UK's midstream system.

Evidence from OEUK's modelling and the Westwood infrastructure study shows that the main emerging resilience risk is falling domestic throughput, which threatens the commercial viability of key pipelines and terminals in the 2030s. Premature decline risks shutting off catchment areas, removing flow diversity and amplifying peak-day vulnerability. This is a system-wide infrastructure issue, not an import-capacity issue.

An FSRU does not necessarily fix these structural risks:

- It cannot replicate the distributed balancing capability of UKCS pipeline corridors.
- It does not necessarily substitute for domestic entry point diversity (this is largely dependent on its location)
- It increases dependence on a supply source (LNG) which is higher-carbon, higher-cost, and more exposed to global competition.

Import dependence is already rising enough without adding an FSRU. This exposes the system to:

- congestion at constrained UK entry points
- diversion of cargoes during stress events
- geopolitical and price volatility
- the South East constraint which limits northwards flow during peak conditions

Introducing an FSRU therefore reinforces a system design that the consultation document and NESO analysis warn is already fragile. Government direct intervention, particularly chartering and operating an FSRU would create significant distortive effects, including:

- Crowding out private importers, who cannot compete against a state-backed buyer of last resort.
- Increasing policy risk premiums, as market actors would not know when or how government plans to dispatch, fill or utilise the FSRU.
- Destabilising commercial expectations, because an FSRU stocked by government would require periodic refilling regardless of market conditions.
- Triggering unintended spillovers, as seen in other EU markets where strategic interventions suppressed merchant behaviour and raised volatility.

Q14 How can the strategic importance of interconnector capacity be protected, and what actions do you think might be required?

N/A

Storage (Questions 15-23)

Q15 How can geological storage capacity and deliverability levels be protected and what actions do you think might be required?

Q16 To what extent do you think targets and compulsory stock obligations would address any of the three priorities set out in Chapter 2 (ensuring sufficient infrastructure capacity; ensuring resilient infrastructure capacity; and commercially viable infrastructure capacity)? Please provide evidence to support your answer.

Q17 What are your views on the strategic storage options outlined above in relation to addressing the priorities set out in Chapter 2 (ensuring sufficient infrastructure capacity; ensuring resilient infrastructure capacity; and commercially viable infrastructure capacity)?
a. Do you recommend a specific strategic gas storage option? b. Are there any alternative strategic gas storage options we have not listed?

Q18 How would a strategic storage reserve impact your role in the market (would it have a positive, neutral, or negative effect on your current operating model)?

Q19 Who would be best placed to operate a strategic storage site, purchase the gas, and set conditions of use?

Q20 What other factors, including gas usage and refilling terms, should be considered in any strategic gas storage proposal (either through new facilities or by securing capacity at existing sites)?

Q21 What are the implications of leasing part of an existing or future storage site, either in GB or abroad?

Q22 Please provide any evidence on the cost of developing a new storage facility.

Q23 Please provide any estimations on the cost of leasing existing storage capacity.

Combined answer to questions 15-23:

In addition to the vital contribution of UKCS gas production outlined above, OEUK believes government must also support the maintenance of existing gas storage assets in the UK, particularly as the country has limited large-scale gas storage opportunities.

Market mechanisms alone or and over-reliance on neighbouring countries are increasingly unlikely to provide adequate or value-for-money insurance against low-probability, high-stress gas system events. As evident from interventions in other parts of the energy market, such scenarios are difficult to predict and therefore difficult to price, which limits the incentive for market participants to procure or supply insurance-type products or spare capacity. Reliance on flexible supply, particularly spot LNG, does not provide reliable insurance because LNG availability tightens and prices rise sharply during periods of system-wide stress. This was seen during the Ukraine crisis and, to a lesser extent, during very the

cold winter conditions in much of the northern hemisphere that are being experienced in winter 2025-26.

A robust approach to energy security must include a diverse range of supply sources. This should encompass both local production, geographic diversity of imports and a balanced mix of infrastructure, including LNG terminals, interconnectors, and storage facilities.

The need to maintain storage is particularly important given the large range of uncertainty around both the demand and supply of UK gas. Regardless of the extent to which the UK is a net energy importer, it is increasingly exposed to global events, weather related disruption and market conditions. This amplifies the risk to UK consumers of potential disruptions of the nature discussed in NESO's assessment. Even if physical supplies are maintained, the impact on wholesale prices can be severe and lead to significant harm to consumers and the taxpayer.

Similarly, government should be mindful that, although UK is part of a wider European gas market, the approach of the EU and individual member states could undermine GB's own ability to ensure security of supply:

- Solidarity rules within the EU, and the needs of member states to secure their own supply of gas may have an impact on GB's ability to meet demand. In severe, Europe-wide stress events, flows over interconnectors cannot be guaranteed – even if GB prices rise above those in the EU.
- Changes to tariffs, or other cross-border cost-recovery mechanisms could further affect the economics and availability of interconnector flows.
- In the longer term, the integration of other gases including biomethane and hydrogen, also has implications for cross-border flows and infrastructure compatibility.

Q24 Should we attempt to encourage or require shippers to enter more long-term contracts with producers? If yes, can you explain what mechanism you believe to be most appropriate to encourage or require long-term contracting?

The market should continue to function on a merchant basis and government intervention will have distortive effects.

Q25 Do you agree with the assessment that there would be limited benefits to security of supply or to consumer prices if we entered the wholesale market and purchased gas directly?

Yes limited benefits and material risks. It could distort the market and accelerate shipper exit. Focus should be on stable conditions for private contracting.

Q26 If HMG were to secure gas on the wholesale market directly, what would be the impact on your current operating model and position in the market?

N/A

Q27 Do you think industrial demand side response measures are helpful in either ensuring sufficient infrastructure capacity; ensuring resilient infrastructure capacity; or ensuring commercially viable infrastructure? Please explain your answer.

N/A

Q28 Are you aware of National Gas' existing Demand Side Response scheme for Daily Metered consumers?

N/A

Q29 If you were aware of the scheme, are there any change(s) that would make it more likely for your organisation to submit a bid to the existing scheme? Please support your answer with quantitative data where possible.

N/A

Changing commercial requirements

Q30 Do you think the possible commercial support options outlined would address any of the three priorities set out in Chapter 2 (ensuring sufficient infrastructure capacity; ensuring resilient infrastructure capacity; or commercially viable infrastructure capacity)? Please include any additional evidence you have on why action of this kind is/is not required in your answer.

N/A

Q31 If you do think these commercial models address one of the three priorities, which option(s) do you believe to be most appropriate? Please provide evidence of how these options could work for the three types of gas flexibility facilities (LNG terminals, interconnectors, and storage sites) focused on in this chapter.

See storage section.

Q32 What might be the possible advantages and drawbacks (including unintended consequences) of such an intervention in the market?

N/A

Q33 Are there other alternative models that are preferable to those listed above? Please outline the basic principles of an alternative model and why you would believe it would be more appropriate.

N/A

Q34 What are the risks and opportunities of interaction between a possible gas storage commercial support model and other business models in energy, notably hydrogen storage and carbon dioxide storage?

N/A

Q35 To what extent do you think the current gas framework will remain fit for purpose over the coming decades? What changes, if any, need to be made and why?

Q36 Do you expect the standards set out in the GS(M)R to remain suitable should GB become more reliant on imported gas generally, and LNG for baseload supply? If not, why, and how could this be alleviated?

Standards must maintain safety while enabling compatibility with an evolving supply mix. A carefully evidenced increase in the upper Wobbe limit would reduce unnecessary nitrogen ballasting cost and emissions while maintaining safety. This would also open up additional global sources of supply which currently face import constraints due to the amount of nitrogen that would need to be added.

Q37 How might GB's gas regulatory regime (including assimilated EU legislation) be impacted by the EU's own regulatory and policy plans for transitioning their energy system to net zero?

It is essential to ensure energy is free to move frictionlessly in both directions between UK and neighbouring countries.

Q38 Are there any other current regulations (not the upper limit of the Wobbe number or LNG terminal capacity) that may be acting as a barrier to investment, gas security, and/or affordability? a. Please demonstrate the impact of the regulation, and the likely impact of alternative arrangements.

Q39 Are there any other aspects of GB's regulatory or market framework that could be a barrier to LNG being brought to GB where this is needed or impacting on our security of supply?

UK LNG terminals currently rely on submerged combustion vaporisers (SCVs) to regasify LNG having been prevented from using much cheaper and lower emissions open rack vaporisers, which utilise the heat in sea water. This puts UK terminals at a cost disadvantage, including the cost of the fuel and the associated carbon emissions, compared to LNG terminals in neighbouring countries which are allowed to use that technology.

Q40 Do you have examples of when these barriers had an impact on LNG imports?

N/A

Answer to 41-43

Q41 To what extent would increasing the upper Wobbe limit address any of the three priorities set out in Chapter 2 (ensuring we have sufficient supply capacity to meet future demand; ensuring resilient supply capacity; and ensuring commercially viable supply capacity)? Please provide evidence to support your answer.

Q42 Would increasing the upper Wobbe Index limit strengthen GB's energy security and competitiveness in the global LNG market and, if so, why? a. What would be the impact of making no changes to the upper Wobbe Index limit?

See answer to Q36

Q43 What impact would increasing the upper Wobbe Index limit have, particularly in relation to cost and operational burdens, for your organisation, whether positive or negative?

Any relaxation of the Wobbe limits should apply to all UK (UKCS) gas terminals and not simply LNG terminals, as there are also potential benefits to UKCS gas processing terminals of any relaxation and these will improve the system operation and UK supply as a whole (including reducing operational emissions).

Previous engagement with industry on changes to the Wobbe index (in 2022) ended with the relevant regulator, HSE, unable to demonstrate that increasing the upper limit would maintain or improve safety standards set by the GS(M)R.

Past discussions, as set out in the OFGEM call for input in 2024, concluded that the costs of mitigating any resulting safety risks could fall on domestic and industrial end users, and may be prohibitive.

Consequently, before proceeding with a change an assessment needs to be undertaken to ensure that the overall benefits outweigh the costs and that any such costs are fairly distributed.

Q44 To what extent do you agree that current regulatory and market arrangements for LNG terminals are suitable for the future needs of the gas system? Please provide evidence to support your answer.

The current arrangements do allow for new build and expanded LNG terminal capacity, but are slow, costly, and uncertain.

Q45 How could HMG best support the continued effectiveness and adaptability of the regulatory and market framework for LNG terminals, if needed?

N/A

Q46 Are there any other areas of emerging regulation you believe government should monitor or engage with to support the existing commercial models in place within GB’s gas sector?

N/A

Methane emissions import standard

Q47 Would the introduction of an equivalent UK import standard be a viable route to managing the risks presented by the EU standard? Please provide evidence to support your answer.

Q48 If applicable, what Measurement, Reporting and Verification frameworks do you currently have in place and do you believe they meet EU requirements? a. If not, what do you think the main barriers are to your Measurement, Reporting and Verification frameworks meeting EU requirements?

Q49 Do you consider it feasible to provide methane-related data for gas traded through virtual hubs, given the challenges of physical traceability, and how?

Q50 What are your views on the different options for addressing methane emissions from imported gas (e.g. mandated Measurement, Reporting and Verification requirements, certification schemes, and performance standards)?

Q51 Are there any other alternative mitigations we have not named that could address the priority of ensuring a commercial model that works?

Combined answer Q47-51

Please see below for response to the methane emissions import standard section of the consultation. While gathering details on how it may be possible to address the risks presented by the EU standard, OEUK are keen to comment on the principle being established by this section.

The UK’s priority should be to work with European and global partners to establish globally accepted technical standards and formal systems of verification. It would be more effective to find solutions to the issues already identified with the EU MR than to adopt similarly flawed legislation.

It would be counter to reason to choose to further restrict or add additional costs to supplies of gas to the UK in the name of energy security.

The introduction of an equivalent UK import standard would not be a viable route to managing the risks presented by the EU standard. This is not an option for “reducing regulatory barriers and promoting frictionless trade”. Instead, it would extend the challenges currently faced by domestic producers who export to the EU to the entirety of the UK gas market. By adopting the regulation as it stands or regulation that is “equivalent” as per EU MR the UK would in effect be domesticating the risks and ambiguities already arising on the EU market. Evidence from oil and gas operators shows that the EU’s importer requirements currently lack the fundamental building blocks needed for compliance: key MRV standards, verification protocols and accredited verifiers,

methane intensity methodologies, and country level equivalence procedures as well as certification schemes will not be available before 2027–2028 – at least not at the required scale, leaving importers without clear or workable compliance pathways.

The impact of the regulation regarding import standards is not fully understood at present, as the relevant chapter, Chapter V, was not included in the impact assessment. Although the EU Methane Regulation does not explicitly block any non-compliant gas from entering the market, concerns have been raised that it will inevitably impact security of supply by creating market uncertainty and/or additional costs arising from importer penalties or price premia for product that is compliant with the regulation. Analysis by IOGP Europe highlights that no exporting countries currently meet the EU’s MRV equivalency criteria, that global operators are far from being able to deliver OGMP Level 5 volumes at scale, and that producers require four or more years to transition between OGMP reporting levels, with verification capacity remaining severely constrained.

The UK is not alone amongst exporters to EU gas markets in struggling with the challenges of physical traceability of gas within the system, potential impacts on import markets, and remaining gaps in the existing legislation, such as a common technical framework/standard for MRV. Such issues arising from the current form and timeline of the EU Methane Regulation have been raised repeatedly by other trading partners and within the borders of the EU. This is why we propose the UK government should prioritise international engagement to ensure the building blocks of agreed, practical technical and verification standards are agreed first and all implementation options, including those listed in Q50, are then being evaluated on their impact and efficiency rather than legislation at this point.

Replicating this approach in the UK would therefore import all the same failings while creating additional risks for domestic energy security. A joint industry letter by IOGP and a wide range of industrial associations active in the EU warns that the absence of workable compliance routes under the EU regime is already delaying contracting, reducing supply options and generating fragmentation across Member States, outcomes directly detrimental to security of supply. Stakeholders also stress that EU MR obligations may undermine diversification objectives, increase costs, deter investment, and expose the system to supply interruptions where compliant volumes cannot be sourced. Adopting an equivalent UK import standard in these conditions would expose the UK to the same risks: reduced supplier participation, heightened price volatility, uncertainty for infrastructure operators, and legal exposure for importers without the assurance of deliverable compliance tools. The UK should therefore avoid mirroring the EU model at this time and instead focus on proportionate, evidence-based approaches that safeguard energy security while supporting methane reduction objectives.