

September 2026

A detailed illustration of a hydrogen economy. It features a central grey hydrogen storage tank with an H_2 symbol. To the left is a hydrogen fuel cell vehicle. Above it is a residential house. To the right are wind turbines and solar panels. At the bottom is a hydrogen storage vessel. The background is a dark blue grid with glowing green lines and circular patterns, suggesting a networked infrastructure. Several small blue cylinders and H_2 symbols are scattered throughout the scene.

Policy and Market Update

Our Membership

From SMEs to multinationals, HUK's 120+ members cover the full value chain



What is the current state of UK hydrogen market?

Strategy Refresh

- We have a new Government in the UK under PM Andy Burnham
- The Government will soon be publishing their **refreshed hydrogen strategy**, 5 years after the first iteration
- **The strategy is expected to be demand-focused** rather than concentrating on supply, in contrast to the 10GW production target stated in 2021
 - This will reflect the Government's latest thinking on where hydrogen should (and shouldn't) be targeted
- **Dispatchable power and energy storage will receive greater attention** than in the previous strategy, due to their importance for achieving Clean Power 2030
- This will be an important moment in the development of the UK hydrogen sector, but it comes as the Government tries to deal with significant financial challenges



Martin McCluskey, the Minister responsible for hydrogen



Andy Burnham, new UK Prime Minister

The Demand Picture

- Government signalling that hydrogen should be used in a targeted set of use-cases, particularly those considered ***hard to abate***:



Hard-to-electrify industry



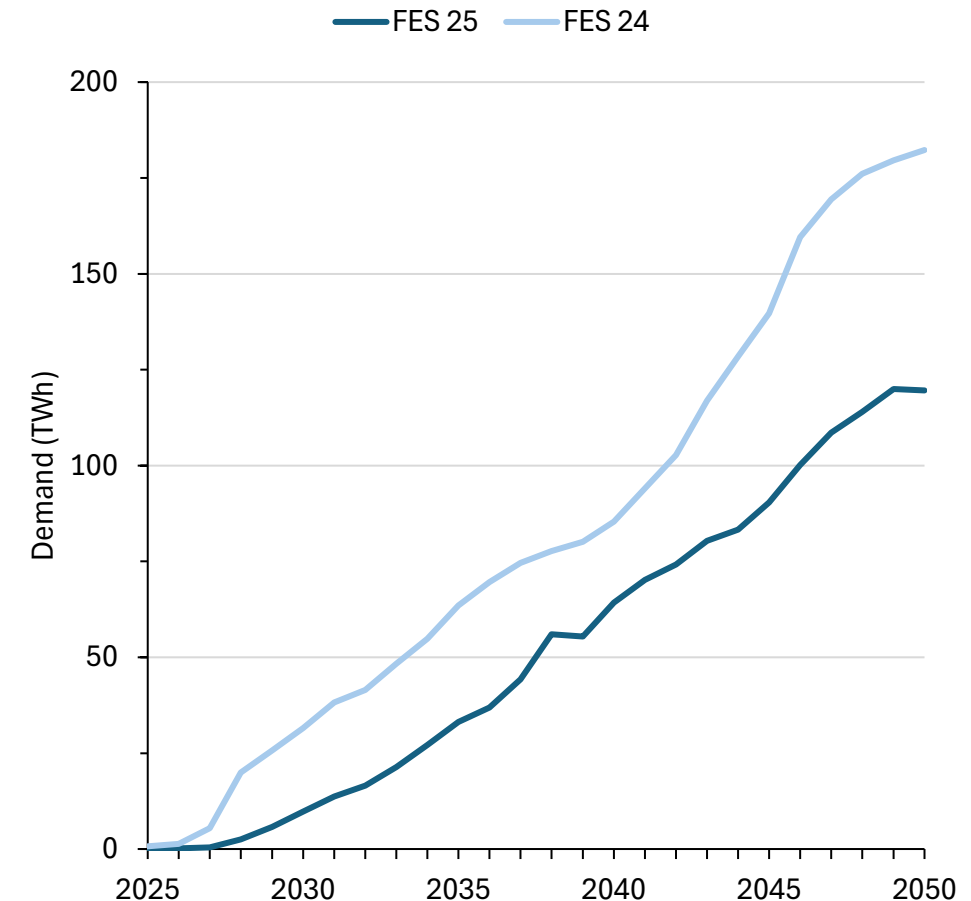
Dispatchable power and energy storage



Heavy transport, such as aviation and shipping

- Recent projections (CB7, FES25) reflect this, with ***demand revised downwards***
- ‘Value-for-money’ decarbonisation is a key theme for Government, with the ***potential to electrify industry being given increasing attention***
- Government support remains concentrated on supply rather than demand
 - UK ETS and upcoming CBAM*** will have more influence in coming years
 - SAF mandate and revenue certainty mechanism could also drive demand
 - Recent delay to IMO Net Zero Framework is unfortunate, but the ***maritime sector is set to be included into the UK ETS in 2026***

Hydrogen Demand Predictions – NESO’s FES



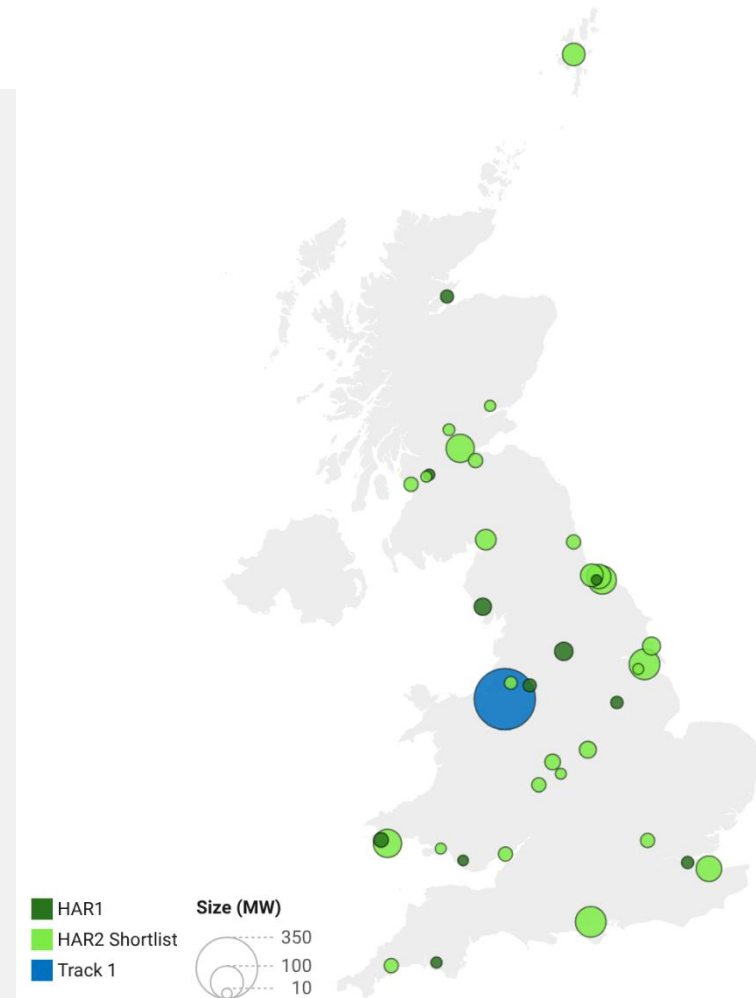
Progress in Production

Electrolytic Production

- HAR1 projects (~125MW) are beginning to take FID, with the first being operational
- HAR2 shortlisted projects (~765 MW) remain in the due diligence phase
- Aim for HAR3 to launch in 2026 and HAR4 in 2028
- DESNZ also looking at various parts of the HPBM that could be reformed:
 - Temporal Correlation
 - Strike Price Indexation

CCS-Enabled Production

- Both Track-1 CCS clusters originally included hydrogen production projects however the H2Teesside project has been cancelled:
 - HPP1 (350 MW) - in the HyNet region and currently in negotiations
- Further deployment of CCS-enabled production will rely on CCS cluster expansion
 - Multiple projects waiting for this, but limited line of sight on when they will be able to come forward



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Example UK Hydrogen Projects



HyMarnham

- HyMarnham Power, a joint venture between GeoPura and JG Pears, is transforming a former coal power station into a clean energy hub
- 15MW electrolytic project is live and operational!
- Alongside fuelling GeoPura's growing fleet of HPUs, providing zero emission power across a range of sectors including construction, festivals and events and live TV, this project will meet the growing demand from Midlands-based customers aiming to significantly reduce their carbon emissions

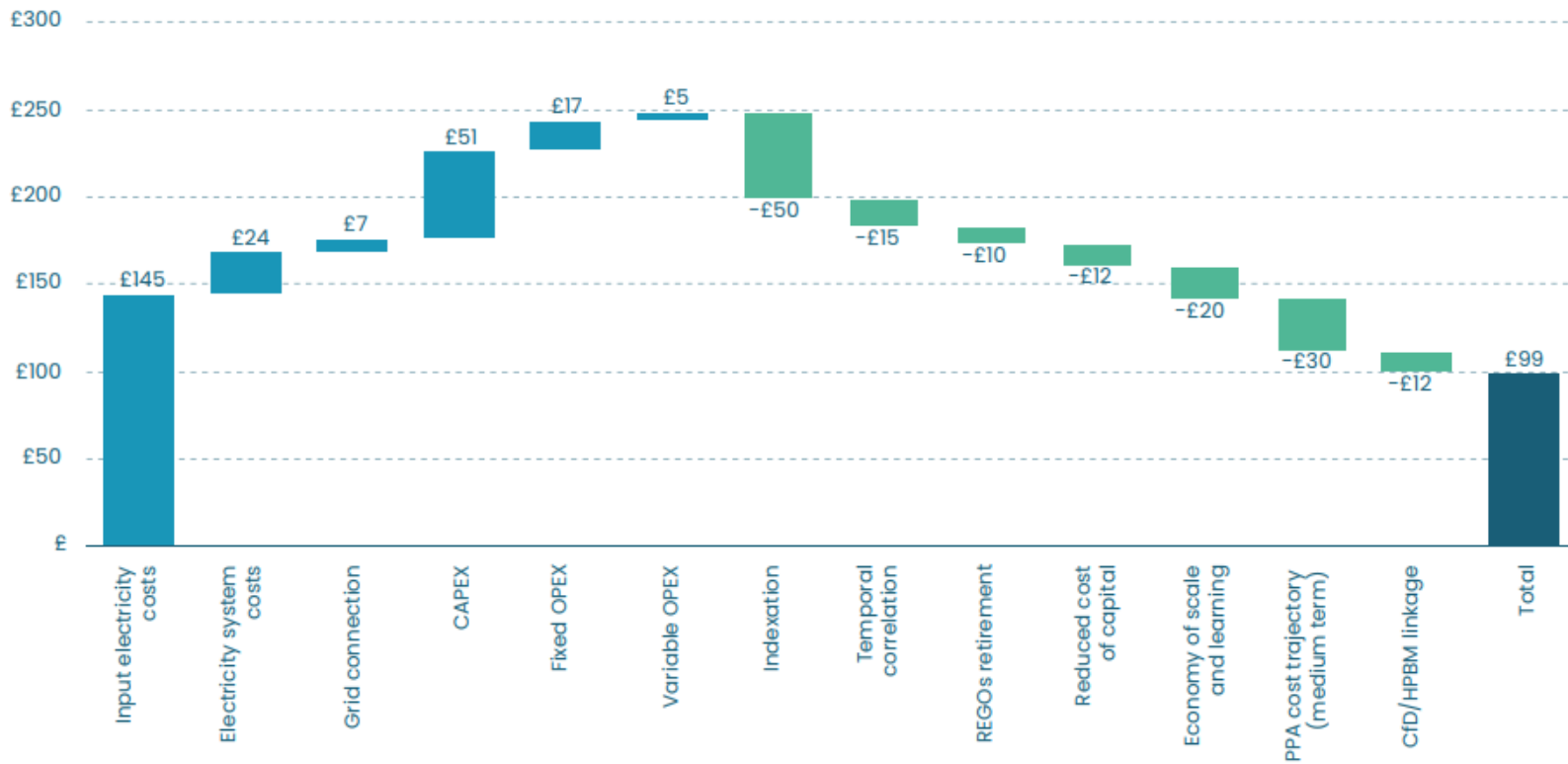


HPP1

- Hydrogen Production Project 1 is a project led by Essar Energy Transition (EET) and is based at the Stanlow Refinery in the North West.
- The project is a 350MW CCUS enabled project that is due to enter construction phase this year.
- The primary offtaker for the project is the refinery but phase 2 of the project (HPP2) would feed into the planned HyNet pipeline and decarbonise a range of industrial operators across the region as well as delivering dispatchable hydrogen power

Driving down costs

Potential options for reducing the cost of electrolytic hydrogen



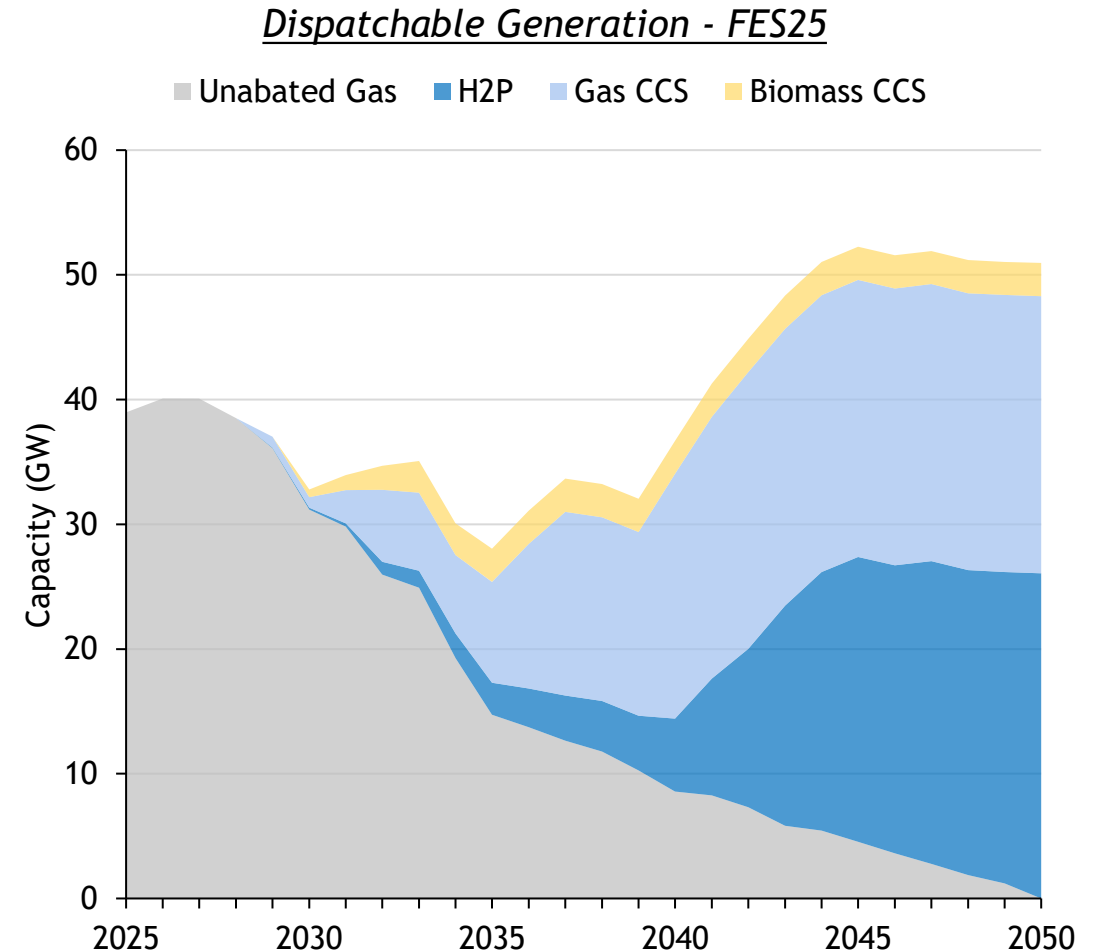
Progress in Infrastructure



- Government aim to establish UK's first regional T&S network from 2031, supported by £500m funding announced in the 2025 Spending Review
- Network development will be supported by the T&S business models, set to launch in 2026
- Detailed design of the business models is yet to be published, but we do know:
 - First allocation round to be aligned with HAR3, and applications must have proof of engagement with at least two electrolytic producers and one H2P offtaker
 - Hydrogen-to-power allocation will depend on T&S allocation decisions
- Government have also carried out two major consultations in this space:
 - Transmission level blending - potential offtaker of last resort until H₂ networks are developed
 - Hydrogen market frameworks - developing the governing processes of H₂ networks
- Elsewhere, National Gas continue work on Project Union, their proposed hydrogen backbone.

Hydrogen to Power

- Hydrogen-to-power (H2P) is seen by the UK Government as a key source of low carbon dispatchable generation
 - Importance restated in the Clean Flexibility Roadmap (July 2025), a joint publication between DESNZ, NESO, and Ofgem
 - The roadmap references figures from FES25, which predicts a requirement of 26GW H2P capacity by 2050
- The H2P Business Model will be used to support deployment
 - Market engagement exercise expected after the strategy refresh
 - H2PBM to launch in early 2026, following the market engagement phase
 - Expected to be closely aligned with T&S network allocation and development
- As with networks and infrastructure, H2P deployment will be closely linked to the work of NESO





The background features a complex isometric illustration on a teal grid. At the center is a large grey rectangular block with an H_2 symbol on its top surface. To the left, a white car is shown with a charging station icon above it. Above the car is a two-story house. To the right, there are three wind turbines and a solar panel array. In the foreground, a large grey storage tank with a flame icon is visible. Various green and blue glowing lines and circular patterns connect these elements, suggesting a networked energy system. Several small blue cylinders, likely representing hydrogen storage, are scattered throughout the scene. The overall theme is clean, sustainable energy technology.

Thank You!