



SGN LOCAL TRANSMISSION SYSTEM (LTS) FUTURES PROJECT

Consultation Response

Summary

OGUK is the leading representative organisation for the UK offshore oil and gas industry. Our membership includes over 400 organisations with an interest in the UK's upstream oil and gas, and other energy sectors including offshore wind. As the champions of industry, we work on behalf of the sector and our members to inform understanding with facts and evidence, engage on a range of key issues and support the broader value of this industry in a changing energy landscape. From exploration through to decommissioning and located across the length and breadth of the UK, our members are critical to safely providing security of energy supply, while supporting around 270,000 jobs and contributing billions of pounds to the economy each year.

Our sector is fully aligned with supporting the government's objective to achieve net-zero by 2050 and is already committed to reducing emissions from oil and gas production and in delivering objectives on CCUS and Hydrogen. Many of our members are key investors and developers for Hydrogen production projects including both those supported by carbon capture and electrolysis (i.e. "blue" and "green"). The sector recently agreed the North Sea Transition Deal (NSTD) with government with these objectives included. As a consequence, OGUK has recently amended its focus to *all* offshore energies (including hydrogen) and will shortly rebrand the organisation as Offshore Energies UK.

It is strongly in energy consumers' interests to continue to develop Hydrogen as a large scale energy resource in terms of, for example, its versatility, energy storage properties, and high energy-mass density. It is particularly well suited to industrial and heavy-duty transport applications and in the development of synthetic fuels for marine transport and aviation. In addition, hydrogen may also form an attractive consumer focused product for domestic heating and personal transport alongside, and complementing, electricity-based solutions. Hydrogen and other decarbonised gases will also help accommodate renewable generation in the overall energy system by managing flexibility and potentially reducing electricity network investment costs, avoiding delays resulting from connection constraints.

Both "green" and "blue" hydrogen will be important routes for the production of hydrogen. The targets set out for 2030 will establish the industry at scale and open up a route to a variety of applications and give the potential for cost reduction. Industry is confident of the potential for blue hydrogen to be developed with low levels of embedded GHG emissions including ensuring further reductions of methane emissions from natural gas production from already low levels. OGUK members have already adopted a Methane Action Plan in this respect, although current estimates suggest methane emissions are already close to the standard of 0.2% of gas production set by the Oil and Gas Climate Initiative.



Developing a hydrogen market at scale, initially through methane reformation, will create space for the green hydrogen sector to develop as more and more renewable electricity generation is added to the system. Reliable supply of hydrogen will encourage more fuel switching and establish a virtuous circle creating growth in the sector and alleviating the various coordination market failures. Government has a key strategic role in nurturing both the production of Hydrogen and the development of demand.

As well as the business models and certification requirements being developed by UK government, there is a strong role for network companies and Ofgem in developing suitable network and storage investment. This includes innovation projects such as LTS Futures and given the nature of the project OGUK can support the allocation of these costs to transmission tariffs.

**OGUK Sustainability
February 2022**

RESPONSES TO INDIVIDUAL CONSULTATION QUESTIONS

Question 1: Do you agree that this project should be approved, and at the value proposed?

The overall cost is not totally clear from the consultation document or the redacted Annex. However, it would appear (from paragraph 2.19) that the overall cost is £28m for all phases of the project. It would be useful for this to be confirmed and the monitoring arrangements set out.

Question 2. Do you agree with our assessment of and additional requirements for SGN's project plan?

The additional requirements are required, and stakeholder engagement should be a central feature of the work.

Question 3. Do you agree with our proposals on how we will hold SGN to account for the project deliverables?

A sound process is required to assure the delivery of outcomes funded by NZASP applications. We would expect the various stakeholder user groups to be involved with this, including the NGGT Stakeholder User Group.

Question 4. Do you have any views on the appropriate funding approach for this project?

OGUK is content for this work to be funded through transmission tariffs, for the reasons set out in the document.

Question 5. Do you agree with our assessment of SGN's proposed level of contribution and treatment of benefits in kind?

A contribution level consistent with the innovation funding projects is appropriate.