

St Lawrence House  
Station Approach  
Horley  
Surrey  
RH6 9HJ

Direct Dial: 020 7901 7295

Email: [Marzia.Zafar@ofgem.gov.uk](mailto:Marzia.Zafar@ofgem.gov.uk)

Date: 27th April 2026

Dear SOUTHERN GAS NETWORKS PLC,

SOUTHERN GAS NETWORKS PLC submitted The Green Molecule Project (the Project) to be considered for funding through the Discovery Phase of Cycle 5 of the Strategic Innovation Fund (SIF). In our (The terms 'we', 'us', 'our' refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority) SIF Funding Decision issued on 27th April 2026, we selected the Project for conditional funding for the Cycle 5 Discovery Phase and as a result we are now issuing this SIF Project Direction to implement that decision.

This Project Direction is issued pursuant to the Special Condition 5.7 of the Gas Transporter Licence and the SIF Governance Document and sets out the SIF Approved Amount and any Project-specific or Special Conditions applicable to the Project that SOUTHERN GAS NETWORKS PLC must comply with to receive funding.

### **Role of UK Research & Innovation (UKRI)**

As per Chapter 1 of the [SIF Governance Document](#) UKRI administers the funding programme, monitor Projects, collate data from Projects, make recommendations to Ofgem on operational matters, support third-party innovators and, where possible, support successful Projects to become 'business as usual' activities. To support the success of the Projects and the SIF programme, we expect that the Funding Party and Project Partners collaborate with Ofgem and UKRI.

### **Decision**

Provided the Funding Party complies with the SIF Governance Document and with the Schedule to this SIF Project Direction, the Project is deemed to be an Eligible SIF Project.

This SIF Project Direction constitutes notice pursuant to section 38A (Reasons for decisions) of the Gas Act 1986.

**Marzia Zafar**

**Deputy Director for Digitalisation, Innovation and Decentralisation**

**Senior Responsible Officer for Strategic Innovation Fund (SIF)**

**For and on behalf of the Authority**

## Schedule to SIF Project Direction

### 1. PROJECT DETAILS

Application number: 10192945

Project title: The Green Molecule Project

Innovation Challenge/Cycle: Whole system optimisation/ Cycle 5

Project start date: 1st May 2026

Project end date: 30th September 2026

SIF Approved Amount for SIF Funding: £148,257

### 2. PREAMBLE

This SIF Project Direction is issued by the Gas and Electricity Markets Authority (the "Authority") to SOUTHERN GAS NETWORKS PLC (the "Funding Party") pursuant to the SIF Governance Document issued pursuant to Special Condition 5.7 of the Gas Transporter Licence. It sets out the conditions to be complied with in relation to The Green Molecule Project (the "Project") as a condition of it being funded under the SIF Funding Mechanism.

Unless otherwise specified, defined terms in this SIF Project Direction have the meaning given to them in the Licence or Appendix 1 of the SIF Governance Document.

References to specific sections of the Funding Party's Application in this SIF Project Direction are, for ease of reference, made by referring to the section number in the Funding Party's Application.

### 3. PROJECT-SPECIFIC CONDITIONS

The Funding Party must comply with all requirements detailed in the SIF Governance Document and the relevant SIF Funding Direction. In accepting funding for the Project, the Funding Party is subject to the following Project-specific condition(s):

#### **Condition 1**

The Funding Party must not spend any SIF Funding until contracts are signed with the Project Partners named in Table 1 for the purpose of completing the Project, except that on this occasion, National Energy System Operator (NESO) shall not be required to enter into contractual agreements (see Condition 2).

**Table 1. Project Partners**

WALES & WEST UTILITIES LIMITED
University of Exeter
ZERO CARBON MARINE LIMITED
Q Power Oy

**Condition 2**

On this occasion, an exception shall apply to the standard requirements of the SIF Governance and Project Partner obligations. The National Energy System Operator (NESO) will provide support to the Project on the basis that no costs are requested, as set out in Annex 1. Under this exception, NESO shall only be required to: (i) attend End of Phase meetings, and (ii) review Project outputs. All other Project Partner obligations, including entering into contractual agreements, attending Kick-Off meetings, and providing Project Contributions, shall not apply.

**Condition 3**

Prior to the kick-off meeting, the Funding Party must provide further detail on how the electrolysis component of the synthetic methane production pathway will be modelled, including confirmation of relevant expertise within the Project team or how this capability will be secured.

**Condition 4**

Prior to the kick-off meeting, the Funding Party must provide further detail on the scope and assumptions underpinning the techno-economic assessment, including how key cost drivers and uncertainties will be captured and evaluated.

**Condition 5**

Prior to the End of Phase meeting, the Funding Party must provide a transparent and reproducible techno-economic and energy efficiency model for the integrated pathway (curtailed-power electrolysis, Direct On-site Carbon Capture (DOCC) and bio-methanation). This must include full CAPEX and OPEX breakdowns, clearly stated assumptions, sensitivity analysis, and benchmarking against defined counterfactuals, including as a minimum: green hydrogen use, synthetic methane from Direct Air Capture or alternative CO<sub>2</sub> sources, and alternative long-duration energy storage vectors.

**Condition 6**

Prior to the End of Phase meeting, the Funding Party must provide:

- (i) Evidence of the cost and efficiency of hydrogen and synthetic methane under realistic utilisation and curtailment conditions;
- (ii) identifies a credible niche market entry case, including siting and co-location constraints; and
- (iii) sets out clear next steps for testing, including a defined test plan grounded in empirical baselines, covering relevant data sources (e.g. SeaCURE/DOCC), justified electrolyser performance assumptions, and methanation interface requirements.

#### **4. COMPLIANCE**

The Funding Party must comply with Special Condition 5.7 of the Gas Transporter Licence, the SIF Governance Document and with this SIF Project Direction.

#### **5. SIF APPROVED AMOUNT**

The SIF Approved amount of £148,257 (as detailed under Section 1: Project details of this Project Direction) will be recovered by National Gas from GB customers and transferred to the Funding Party. The Funding Party is responsible for notifying National Gas of the bank account details to which transfers must be made, in addition to completing Annex 2 of this SIF Project Direction. If a Funding Party is required to return funding to National Gas, the reverse applies. The Funding Party must provide bank account details to National Gas within two weeks of accepting this SIF Project Direction.

#### **6. PROJECT BUDGET**

The Project Budget is set out in Annex 1 of this SIF Project Direction. The Funding Party must report on expenditure as set out in Table 3 in Chapter 8 of the SIF Governance Document.

#### **7. PROJECT IMPLEMENTATION**

The Funding Party must undertake the Project in accordance with the commitments it has made in the Application and with the conditions of this SIF Project Direction. These include (but are not limited to) the following:

- (i) undertake the Project in accordance with its Application,
- (ii) complete the Project on or before the Project completion date as detailed under section 1 of the schedule of this SIF Project Direction, and

- (iii) disseminate the learning from the Project at least to the level described in chapter 3 of the SIF Governance Document. Dissemination of learning must be carried out whether the Project was concluded successfully or otherwise.

## **8. REPORTING**

As set out in Table 3 in Chapter 6 of the SIF Governance Document, the Funding Party, are required to report on various information at set points through the lifecycle of the Project. Ofgem and UKRI may issue guidance (and amend it from time to time) about the structure and content of the Project reporting required. The Funding Party must follow this guidance in preparing the reports.

## **9. MONITORING**

The Funding Party must comply with any reasonable request for information by its Monitoring Officer at UKRI and with related deadlines. Ofgem, with the support of UKRI, will together monitor Project delivery, impacts and benefits. Throughout the term of the Project, progress is monitored by UKRI through a Monitoring Officer and Innovation Lead. The Monitoring Officer is the first point of contact for official notifications, queries and correspondence with UKRI and the Authority, unless otherwise required by this SIF Project Direction.

## **10. EVALUATION**

The Funding Party has acknowledged when it submitted its Application for this Project, that reporting information and data gathered during the Project's timescales (as detailed in Section 1 of this SIF Project Direction) will be used to evaluate Project performance. In addition, the Funding Party may be required to provide requested information outside of the Project timescales and, in particular, for the period from the Project end date to the end of the SIF Programme. Further data and reporting information may be requested (frequency and method based on requirement) outside of standard monitoring and reporting requirements as deemed necessary. Further data and information requirements must be complied with by the Funding Party and Project Partners.

## **11. DATA SHARING**

As set out in Chapter 3 of the SIF Governance Document, the Funding Party must follow the Data Best Practice Guidance issued by Ofgem in regard to all data gathered or created in the course of a Project. We expect the Funding Party to document any reasons, such as commercial sensitivities, for desensitising data. As defined by, and in accordance with, the Data Best Practice Guidance, Funding Parties must have a data

triage process. Where multiple Project Partners are collaborating on a Project, the consortium must adopt a consistent Open Triage Process for the data related to the Project. Ofgem may require that Project information and data is also shared with other specified parties, such as parties working on complementary innovation funding programmes (subject to redaction of sensitive data).

## **12. CYBER SECURITY**

It is the responsibility of the Funding Party and all Project Partners to implement and maintain appropriate security measures to protect personal data in accordance with The [GDPR \(General Data Protection Regulation\)](#) and [DPA \(Data Protection Act\) 2018](#).

Protection of computer systems from unauthorised access or being otherwise damaged or made inaccessible must be in place alongside effective working practices. These must be maintained in line with the Funding Party's IT management strategies and policies.

## **13. PROJECT MILESTONES**

The Funding Party must provide an outline in its end of Project Phase meeting with its UKRI Monitoring Officer that verifies that the Project milestones have been achieved or explains why they have not.

Project milestones are outlined below in Table 2, based upon details contained within the Funding Party's Application.

**Table 2. Project milestones**

Reference	Project milestone	Deadline	SIF Funding Request
Milestone 1	First principles analysis for three key technology pathways	21/05/2026	£22,220.10
Milestone 2	Model development and data preparation	10/07/2026	£45,011.88
Milestone 3	Model simulation and output analysis	20/07/2026	£20,997.91
Milestone 4	Data synthesis, output evaluation and feasibility conclusions	07/08/2026	£10,573.43



Reference	Project milestone	Deadline	SIF Funding Request
Milestone 5	Final report writing and Alpha stage planning	14/08/2026	£16,039.68
Milestone 6	Project Management	14/08/2026	£33,414.00

#### **14. USE OF LOGO**

The Funding Party and the Project Partners, External Funders and Project Supporters or subcontractors must not use the Innovate UK/UKRI and/or Ofgem logo for purposes associated with the Project in any circumstances. For additional guidance, refer to the SIF handbook.

#### **15. SHARING OF LESSONS LEARNED**

The Funding Party is required to ensure that the sharing of lessons learned and the facilitation of knowledge transfer is conducted as effectively as possible, to ensure that all parties, and therefore all consumers including future consumers, can benefit from Projects.

As outlined in Chapters 4 and 8 of the SIF Governance Document, we require the Funding Party to work collaboratively with other Networks and third-party innovators to disseminate the learnings and data from Projects and ensure that these are publicly available.

#### **16. COLLABORATION**

The Funding Party must collaborate with third-party innovators as Project Partners, as well as work closely with other parties in the energy supply chain, as set out in Chapter 4 of the SIF Governance Document.

The Funding Party must collaborate with other parties and with UKRI to organise an annual conference in a format appropriate to enabling the building of consortiums and disseminating learning widely. The conference may be a single event for gas and electricity, or more than one event, as appropriate.

#### **17. AMENDMENT OR REVOCATION**

As set out in Chapter 7 of the SIF Governance Document, this SIF Project Direction may be amended or revoked under the following circumstances:

- (i) if the Funding Party considers that there has been a material change in circumstance that requires a change to the SIF Project Direction, and the Authority agrees; or
- (ii) to reflect amendments made to the Licence.

#### **18. HALTING OF PROJECTS**

This SIF Project Direction is subject to the provisions contained in Chapter 7 of the

SIF Governance Document relating to the halting of Projects. By extension, this SIF Project Direction is subject to any decision by the Authority to halt the Project to which this SIF Project Direction relates and to any subsequent relevant SIF Funding Direction issued by the Authority pursuant to Special Condition 5.7 of the Gas Transporter Licence.

Further to the requirements in Chapter 7 of the SIF Governance Document, in the event the Authority decides to halt the Project to which this SIF Project Direction relates, the Authority may issue a statement to the Funding Party clarifying the effect of that halting decision as regards the status and legal force of the conditions contained in this SIF Project Direction.

**NOW THEREFORE:**

In accordance with the SIF Governance Document issued pursuant to Special Condition 5.7 of the Gas Transporter Licence of the Licence, the Authority hereby issues this SIF Project Direction to the Funding Party in relation to the Project.

This constitutes notice of reasons for the Authority's decision pursuant to section 38A (Reasons for decisions) of the Gas Act 1986.

Failure to comply with the conditions of this SIF Project Direction means that Ofgem may treat all or part of the SIF Approved Amount received by the Funding Party as SIF Disallowed Expenditure.

## ANNEX 1: PROJECT BUDGET

SIF Project Direction costs	
Cost Category	Total Project costs (£)
Labour	£187,172
Materials	£-
Subcontracting	£-
Travel and subsistence	£2,094
Other costs	£-
<b>Total</b>	<b>£189,266</b>

Project Partner	Total project costs (£)	Project contribution (£)	Total SIF Funding requested (£)	Project contribution (%)
SOUTHERN GAS NETWORKS PLC	34,080.00	3,652.00	30,428.00	
Q Power Oy	2,040.00	2,039.00	1.00	
University of Exeter	114,928.00	11,500.00	103,428.00	
WALES & WEST UTILITIES LIMITED	3,318.00	332.00	2,986.00	
ZERO CARBON MARINE LIMITED	34,900.00	23,486.00	11,414.00	
<b>Total</b>	<b>£189,266.00</b>	<b>£41,009.00</b>	<b>£148,257.00</b>	<b>28%</b>

**ANNEX 2 TO SCHEDULE: TEMPLATE OF BANK ACCOUNT DETAILS TO BE PROVIDED TO EITHER NGT ([BOX.GSOSETTLEMENTS@NATIONALGRID.COM](mailto:BOX.GSOSETTLEMENTS@NATIONALGRID.COM)) OR NESO ([REVENUE.INVOICE@NESO.ENERGY](mailto:REVENUE.INVOICE@NESO.ENERGY))**

**Company name:**

**Primary Contact Details (only one contact permitted)**

First Name:

Last Name:

Email address:

Mobile phone number:

Work phone number:

**Address details**

Address name:

Street address:

City:

State / region:

Post code:

PO box: (if applicable)

PO box post code: (if applicable)

**Banking details**

These should be evidenced in non-editable format. The evidence provided must show company name and bank details and it should be dated within the last 6 months.

Any of the below documents will suffice:

- Bank statement (scanned document)
- Void cheque
- Paying in slip
- Screenshot of online banking (showing a logged-in account with bank account and sort code, with browser visible)