T&S Future Network Strategy Policy Team

Carbon Capture, Usage and Storage Programme
Department for Energy Security and Net Zero
6th Floor
3-8 Whitehall Place
London
SW1A 2AW

By email: ccus.future.network.strategy@energysecurity.gov.uk

Uniper UK Limited
Compton House
2300 The Crescent
Birmingham Business Park
Birmingham B37 7YE
www.uniper.energy

Registered in
England and Wales
Company No 2796628

Registered Office:
Compton House
2300 The Crescent
Birmingham Business Park
Birmingham B37 7YE

Future Network Strategy for CO2 Transport and Storage Call for evidence on CCUS Future Network Strategy
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About Uniper

Düsseldorf-based Uniper is a European energy company with global reach and activities in more than 40 countries. With approximately 7,400 employees, the company makes an important contribution to security of supply in Europe, particularly in its core markets of Germany, the UK, Sweden and the Netherlands.

Uniper's operations encompass power generation in Europe, global energy trading, and a broad gas portfolio. Uniper procures gas—including liquefied natural gas (LNG)—and other energy sources on global markets. The company owns and operates gas storage facilities with a total capacity of more than 7 billion cubic meters.

Uniper intends to be completely carbon-neutral by 2040. Uniper aims for its installed power generating capacity to be more than 80% zero-carbon by the early 2030s. To achieve this, the company is transforming its power plants and facilities and investing in flexible, dispatchable power generating units. Uniper is already one of Europe's largest operators of hydropower plants and is helping further expand solar and wind power, which are essential for a more sustainable and secure future. The company is progressively expanding its gas portfolio to include green gases like hydrogen and biomethane and aims to convert to these gases over the long term.

Uniper is a reliable partner for communities, municipal utilities, and industrial enterprises for planning and implementing innovative, lower-carbon solutions on their decarbonisation journey. Uniper is a hydrogen pioneer, is active worldwide along the entire hydrogen value chain, and is conducting projects to make hydrogen a mainstay of the energy supply.

In the UK, Uniper owns and operates a flexible generation portfolio of power stations and a fast-cycle gas storage facility and two high pressure gas pipelines, from Theddlethorpe to Killingholme and from Blyborough to Cottam. We also have significant long-term regasification capacity at the Grain LNG terminal in Kent, to convert LNG back to natural gas. .

Consultation Response

This call for evidence seeks views on the steps that could be taken to advance CO2 network development and network operations towards becoming a self-sustaining and commercially operated sector.

Our views in summary:
- Pragmatically, at this point when the first of a kind CO2 networks in the Track 1 clusters are on the verge of the construction phase, it is too early to provide informed views.
- The early years of operation of the Track 1 cluster transmission and storage companies will provide a great deal of information that will inform government, Ofgem and all stakeholders when developing the sector.

We answer only those questions most relevant to our business.

Q1. Who are you responding on behalf of, and what is your interest in this call for evidence?

Uniper UK. Uniper has a shortlisted Track 1 extension project to build a CCS power station at Connah's Quay, connecting to the Hynet CO2 network.

Q2. In responding you confirm that you consent to members of the team reaching out for clarifications on responses provided, please provide contact details.

Yes.

Q3. In responding you confirm that you give permission for your anonymised responses to be shared with external advisors, ALBs and regulators where appropriate for the purpose of analysis

Yes.

Q10. How can the evolution of the Code and capacity products be optimised to enhance network utilisation and reduce reliance for the T&S operator, on external financial support mechanisms?

The CCS Network Code including the open governance arrangements are based largely on the UNC. It is a "living contract" which can be changed at any point in time and adapted for market developments as they occur. As a result, there is no need to foresee every possible issue and code change, as incremental change is possible under the governance arrangements. Obvious defects in the code should clearly be addressed as soon as possible, but it is important now that the Code is fit for "Day 1" and remains relatively stable to support investor confidence, as the first projects are developed and connected. Introducing sophisticated user products before the first network is even operational risks deterring new entrants and increasing risks for existing users. At this stage it is also unclear how much appetite there is for such products. As such, it would be more appropriate to allow industry develop solutions to problems as and when they arise, as permitted under the code governance rules.

Q11. What specific flexible capacity products, interruptible offerings and/or network access would be required by different user types to best address the inefficiencies caused by seasonal fluctuation or another other reason for variable CO2 flows under the current Code?

In a more mature market, there may be a case for more sophisticated capacity products, such as interruptible capacity. However, the effectiveness of such regulatory arrangements relies not just on the Code, but also on the network operators being funded appropriately to take risks, to maximise the release of discretionary products. Without this, the network operator, as a monopoly will simply lack the incentive to offer discretionary products to network users. There are different regulatory solutions, but Government/Ofgem could consider things like system operator incentives / penalties similar to those in place in existing gas and electricity markets. However, there clearly needs to be demand for such products from network users.

Q12. Does industry see a need for government to help define wider commercialisation priorities for the Network Code? Or are priorities sufficiently clear that industry can deliver on them, outside of or through an Ofgem SCR?

It is too early for Government to be setting commercialisation priorities under the Network Code. Market participants are best placed to define and implement optimal solutions to problems identified under network code arrangements. Government or Ofgem intervention is generally only needed where there are vested interests or structural issues that cannot be overcome through code governance, e.g. through an Ofgem SCR.

Q15. Is there potential for different roles and responsibilities on the planning of future network build-out and new connections? What would the advantages and disadvantages be of any alternatives?

Adding in new connectees to a network designed to only accommodate its existing users presents significant risks for all parties (users and network operator), if it results in regular constraints. Government has a key strategic role to play in helping to avoid such constraints by ensuring that potential new connectees can be accommodated without undue commercial impact on the existing users. It would not be acceptable for Government to choose future projects without also considering their potential impact on existing users. This will require close cooperation between Government, the network operator and its network users to ensure that new connectees do not undermine the efficiency and commercial viability of the existing network. In future NESO may have a greater role here in ensuring all parties are aligned when dealing with new applications to connect to CO2 networks.

Q21. What key enabling factors/steps does industry see as being needed for a market transition phase to enable growth in a self-sustaining market? Are there any other significant considerations, benefits or challenges that you believe could impact market transition that have not been discussed within this document?
and
Q22. What does industry believe is within their power to do to aid in market transition as discussed in this document?

The Hydrogen Delivery Council Transport & Storage Working Group has completed a significant amount of work looking at potential Hydrogen market developments and the regulatory arrangements that would be needed to support them. We would support a similar, focused group that draws on industry expertise, to deliver a credible range of scenarios for CO2 market transition and identify future issues for Codes and Government / Ofgem to consider.

Uniper UK Limited