

centrica

Energising a Greener, Fairer, Future

Secure, Sustainable
and Affordable



Foreword

Dear Policymakers,

Energy has been a pivotal issue in recent years. Over the course of the last Parliament, we have seen security of supply shocks, the increasing geopolitical impact on our energy system, the continued threat of climate change and a cost-of-living crisis. The good news is that as we embark on an exciting upgrade to our nation's energy infrastructure, what is good for our climate, is also good for consumers and communities. 2025 marks 25 years until we need to reach our net zero target. Net zero presents a huge opportunity for the UK and by working together, we can deliver a secure, sustainable and affordable energy market, which not only delivers for households and businesses, but creates skilled jobs and drives economic growth.

Creating an energy market that is secure, relies on an environment that encourages investment. Robust, diverse, and secure supply chains are vital, alongside stable policy and regulatory frameworks that balance key objectives around energy security and driving net zero.

Centrica is playing an important role in supporting the UK's energy security. We manage over £70bn worth of long-term gas supply contracts, which are critical in ensuring households across the UK have energy when they need it. During the energy crisis, we re-opened our huge Rough gas storage facility under the North Sea to help protect consumers and the country from volatile energy markets. As a country surrounded by depleted gas fields and gas infrastructure, the UK has a unique opportunity to harness

our expertise and infrastructure to become a world leader in sectors like hydrogen and to underpin our energy security as we transition to net zero.

As the owner of British Gas, which serves households right across the UK, we know that the most crucial choices start at home. Every household faces significant decisions about decarbonisation. Upgrading to energy efficient appliances, investing in home insulation and low carbon heating solutions are just a few of the steps we must take. These decisions are not merely about reducing our carbon footprints; they are about future-proofing our homes, lowering energy costs, and contributing to the national effort to combat climate change for future generations. We believe passionately that these choices should be made with consumers, so we can build the public support we need for net zero.

With many households still facing a cost-of-living crisis, we need to make sure the costs of the energy transition do not fall on the shoulders of those who can least afford them. British Gas has committed £140 million to support customers with their bills, but we believe more sustainable long-term reforms are required to make the energy market greener and fairer.

The energy choices we make over the term of the new Parliament will be pivotal in securing a sustainable future. The Government's ambition is to turn the UK into a clean energy superpower, with stable bills, secure energy,

and decarbonised homes. To achieve this, we need the private and public sectors working together. Government can do a lot to unlock investment and companies such as Centrica stand ready to invest. We have a once in a generation opportunity to lead the way in creating a resilient, green energy system that benefits everyone. Now is the time for decisive action and collaboration to power the UK towards a greener, fairer, future.

We look forward to working with policymakers in the years ahead to deliver on these ambitions.

Your sincerely,



Chris O'Shea,

Group Chief Executive, Centrica plc



Secure: Improving Our Energy Security Today and For The Future

Energy Storage

The UK is increasingly reliant on imported gas and now imports well over half of all gas used in the UK. The UK also has some of the lowest gas storage capacity in Europe at 12 days average, or 7.5 peak winter days. In comparison:

- Germany has 89 days
- France 103 days
- Netherlands 123 days

As well as helping to enhance the UK's energy security, gas storage also provides security of price, helping to protect consumers from large price spikes.

As we look to add more renewables to our energy mix, greater gas storage capacity will be needed, to ensure that we have electricity when the wind doesn't blow, and the sun doesn't shine. Today we use methane to generate dispatchable electricity, but in the future, we will use hydrogen. Gas will still be required to provide vital flexibility and security in our energy system and hydrogen is a sustainable option for the future.

As a country surrounded by depleted gas reservoirs, there is a strategic opportunity for the UK to capitalise on its gas infrastructure to become a world leader in hydrogen, creating high-skilled, well-paid jobs in the process.

Hydrogen

Hydrogen will be critical to improving the UK's energy security as we transition to net zero and look to deliver clean power by 2030. Hydrogen will help decarbonise sectors that cannot be easily electrified, particularly industrial processes and heavy transport and there is also huge potential for hydrogen to play a key role in providing flexibility in the power sector. There is significant storage capacity potential in the UK and a total of 10TWh could be delivered between 2030 – 2035.

We operate the Rough gas storage facility in the Southern North Sea and the Easington onshore gas processing terminal in East Yorkshire. In response to the energy crisis, we restarted storage operations at Rough in 2022 to bolster the UK's energy security and help reduce consumer bills.

Following significant new investment in Rough, the facility is now able to store up to 58 billion cubic feet of gas, boosting the UK's energy resilience – providing the equivalent volume of gas to heat 2.4m homes over winter. Our long-term aim is to turn Rough into the world's biggest methane and hydrogen storage facility - bolstering the UK's energy security, providing flexibility for decarbonised power and creating 4,000 skilled jobs.

Becoming a net exporter... again

There are different ways to make hydrogen, with the two principal methods requiring (a) a place to store CO₂, and (b) lots of renewables and water. As a country with lots of wind, lots of coastline and territorial waters, and a substantial amount of depleted oil and gas reservoirs, the UK has everything it needs to be completely self-sufficient in energy, and once again become a net energy exporter.



Secure: Improving Our Energy Security Today and For The Future

Policy Recommendations

- 1. A longer-term policy ambition on storage is needed, to give us additional energy security now, whilst also providing the enduring infrastructure needed for a net zero hydrogen economy.**
 - Energy security is once again of critical importance, and against an uncertain geopolitical backdrop, there is now a strong case for increasing the UK's gas storage.
- 2. To deliver more gas storage, the UK urgently requires a regulatory model. By extending the cap and floor regulatory framework that has successfully enabled private investment in the UK energy interconnectors, Government can encourage investment in storage.**
 - Increased storage at our Rough facility, would have saved consumers around £2bn–£3bn in each of the winters of 2021/22 and 2022/23.
- 3. Government should set a clear and tangible hydrogen storage target of 10TWh by 2030, which will help capitalise on its production target of 10GW. To drive forwards this ambition, Government should also expand the hydrogen storage business model to existing natural gas storage facilities.**
 - Development expenditure support to increase technology readiness for hydrogen storage in depleted reservoirs is essential to unlock the value for money that comes with storage at this scale.
- 4. Government should set a target of 10GW of Hydrogen to Power by 2030 to help drive decarbonisation of the power grid by 2030.**
 - We stand ready to invest £2bn repurposing Rough for hydrogen. A cap and floor regulatory support model would ensure operators use sites efficiently and consumers feel the greatest benefits.
 - Government can unlock the potential of hydrogen by ensuring hydrogen storage and hydrogen to power are just as important as hydrogen production. The UK's hydrogen economy should aim for 10GW of hydrogen production, 10TWh of hydrogen storage and 10GW of hydrogen to power capacity.



Sustainable: Driving A Just Transition To Net Zero

Delivering a net zero energy system is one of the biggest challenges facing the UK – and the world. It is a process that will take time, determination and significant investment.

Centrica is playing a key role in supporting our transition to a more sustainable energy system – and has made important investments to help the UK reach net zero. This includes investments in hydrogen, nuclear, solar power and storage.

Ensuring we have the right infrastructure is vital and we are working with the Government to improve grid connections, which is currently a barrier to connecting renewable generation, like solar and battery storage, onto the electricity grid.

We're also working hand in hand with our customers to help them decarbonise their energy. The next few decades require unprecedented changes in how we all use energy – from how we heat our homes, to how we drive our cars. We're helping customers navigate this changing energy landscape by putting them at the heart of the energy transition. We want net zero to be something we do with our customers, not to them and we are also using insight and technology to help our customers change their relationship with their energy and drive decarbonisation.

Net zero also requires a fundamental shift in training and skills and we are excited to be upskilling the net zero engineers of the future. We're proud to have the biggest unionised workforce across energy and services in the UK and we'll continue to work closely with our Unions during the transition.



Sustainable: Driving A Just Transition To Net Zero

Policy Recommendations

Low Carbon Homes

Around 27% of UK emissions are generated by households, so there is a real challenge to help people make their homes more sustainable. We don't believe there is a single answer to deal with this challenge – we will need a mix of different technologies and solutions to decarbonise the UK's homes. These will include a transition to low carbon heating, as well as improved insulation and energy efficiency measures.

Installation of energy efficiency measures reduces energy demand and is critical in preparing the building stock for the transition to low-carbon heating technologies. For example, our Hive products including our smart thermostat, have saved customers over £400 million on their energy bills over the last 11 years. It will also help customers to reduce their bills and provide them with warmer, more comfortable homes. There has yet to be a joint energy efficiency and decarbonisation of heat policy, despite the close link between the two sectors.

Policy Recommendations

5. **Replace and streamline existing low carbon heating support schemes from 2028 into one accessible scheme, with a wider reach.**
 - Current schemes can be quite restrictive and complex. A single scheme, with wider eligibility, will simplify the process and provide a one-stop-shop for customers to decarbonise their homes.
6. **By moving policy costs into general taxation, which are currently paid for by electricity bill payers, the system will encourage adoption of new technologies and will be less regressive than other options.**
 - Crudely reallocating costs of electricity assets to gas customers would be unfair and would mean gas consumers would be directly subsidising electricity consumers, both unnecessarily distorting the market and more importantly penalising those people who are least well off and unable to afford the transition to electrification.
 - We understand the running costs of heat pumps is an ongoing debate and the current cost of electricity may need to change to ensure heat pumps are affordable. However, the current cost of electricity reflects the actual cost of providing that electricity, including subsidies paid to producers. We need to strike a balance between this, protecting customers who still use gas as their primary fuel and avoiding large additional costs for the Exchequer.
7. **Reform planning rules across the UK to remove barriers for heat pumps.**
 - Planning regulations vary between UK nations. We were pleased to see that the Government recently removed the outdated one-meter boundary rule, required to install an air source heat pump in England.
8. **Simplify the net zero journey by reforming EPCs to ensure low carbon heating measures are recommended.**
 - However, in Wales, air source heat pumps need to be installed three metres away from the property boundary and in Scotland, the distance is one meter. To encourage heat pump installations, we need to remove these restrictions across the UK to ensure that those people who want to install heat pumps can do so.
 - We offer Home Health Checks which provide a full assessment of a household's consumption, energy efficiency and bespoke advice to help customers manage their energy. These are far more detailed than EPCs, which take account of energy costs instead of carbon savings. This is acting as a barrier to low carbon upgrades, as people find their EPC gets worse with lower carbon technology, which can be expensive to run, but more efficient and better for the environment.
 - We welcome the Government's decision to consult on EPC reform, particularly, updating EPC metrics and refining requirements for EPCs in England and Wales.

Sustainable: Driving A Just Transition To Net Zero

Policy Recommendations *(Continued)*

9. Low carbon heating schemes should be included in the Growth and Skills Levy. Skills England should focus on ensuring that this happens.

- Achieving net zero will depend on having the skills required to meet the opportunities of the energy transition. A stable policy framework will help to encourage investment in green skills.
- While our 7,000 engineers and technicians are best known for installing and maintaining boilers and smart meters, we are upskilling our engineers to install heat pumps and EV chargers to ensure that we can help our customers decarbonise their homes. Our apprenticeship programmes and cross-skill training courses are delivered in our academies across the UK – and we have plans to open a £75m new state-of-the-art net zero academy at Lutterworth next year, which will enhance our existing training for our engineers.
- We welcome the Government's commitment to reform the Apprenticeships Levy and the introduction of the new Growth and Skills Levy.
- We've long called for businesses to be able to access a portion of the unspent skills funds to use for upskilling their existing workforces in short and long-term training programmes, to help meet the UK's skills requirements.

Grid Connections

Our electricity grid is not delivering the capacity needed for the future, as we look to connect more and more renewable power. One of the reasons for this is that the current grid connections process and approach to network investment isn't fit for purpose.

Although we agree with many of the recommendations from the Electricity Networks Commissioner, Nick Winser, on halving the time to deliver new transmission infrastructure, these will take time to have an impact. We believe that radical reform of the grid connections process is the only way of achieving improvements in the short and medium-term. If changes aren't made quickly, low carbon projects will continue to be stalled for many years.

Policy Recommendations

10. We support the Government's commitment to improving grid connections and would like to see delivery of the Connections Action Plan commitments to raise entry requirements, remove stalled projects, and better allocate network capacity. This will be achieved by moving away from first-come-first-served to prioritising readier-to-connect projects that are aligned with Government's Clean Power 2030 Action Plan and through the use of financial tests and incentives to avoid capacity hoarding.

Smart Meter Rollout

As a gateway to net zero, smart meters are a vital first step on many customers' decarbonisation journeys, allowing access to innovative tariffs that encourage energy use when it is cheaper and greener. We have reached a stage in the smart meter programme where a policy review is needed to encourage more people to take up smart meters and ensure as many people as possible benefit from this technology.

Policy Recommendations

11. Working with industry, consumer groups and Smart Energy GB, the Government should revise the overall policy framework and rollout model to find new ways to try to encourage consumers to adopt smart meters.

Affordable: Making A Simpler, Fairer Retail Market

The energy crisis has demonstrated that the energy retail market requires reform. We are calling for a series of actions to make energy more affordable and easier to understand and to ensure customers are prepared for the energy market of tomorrow.

Since the start of the energy crisis, we have committed £140m to supporting our customers. As part of this voluntary package, we recently launched a new initiative, 'You Pay: We Pay' to 100% match energy bill payments for struggling customers.

But retail reform is broader than consumer protection; it must be considered as part of a holistic package of measures to engage customers and deliver net zero. We would like to see a package of measures that will make the retail market simpler, affordable, sustainable and investable.



Affordable: Making A Simpler, Fairer Retail Market

Policy Recommendations

12. Introduce a targeted social tariff with broad enough eligibility to ensure that energy is affordable for those least able to pay.

- The price cap is effectively a social tariff where the costs for those who don't pay are eventually recovered from those who do pay. However, it is a very inefficient social tariff and could be amended to charge different prices to consumers based on ability to pay.
- We believe funding a targeted social tariff via general taxation would be the most progressive option, but we appreciate the pressure on Government budgets and ultimately this is a decision for policymakers.
- We encourage the Government to consult on the implementation of a social tariff as soon as possible. Previous schemes have worked best when customers benefit from discounted tariffs, which is a simple delivery mechanism, and we believe that a social tariff could be implemented in a similar way.

13. The Government should improve data sharing with suppliers to help them better target available support.

- We know vulnerable customers often don't engage with suppliers about their personal circumstances, so sharing datasets from key agencies (Department for Work and Pensions/HMRC/NHS) would be transformative.

- There are pathways through existing legislation that would enable sharing of this data. We would like to see progress made on this as quickly as possible to enable us to act proactively rather than reactively in identifying and supporting those who need help.

14. Abolish standing charges and regional variations in tariffs for domestic customers on the price cap to simplify the market for energy customers.

- Removing standing charges and recovering all costs through a single unit rate will make energy simpler, promote consumer engagement, encourage energy efficiency and make life easier for customers on prepayment meters. There is consumer support for these proposals too. 55% of people surveyed regard standing charges, paid to energy companies regardless of usage, as unfair. Over a third (37%) could not describe what the standing charge is for and 80% of bill payers believe there should be some form of Government or regulatory intervention to simplify bills.
- Consumers should not face a postcode lottery for energy charges. The removal of regional variations in tariffs would improve consumer engagement through simpler, clearer pricing arrangements.



Conclusion

The next few years will define Britain's energy system for a generation. Delivering the transition to a low carbon, secure and affordable energy system will be a huge challenge – but at Centrica we also believe it is a huge opportunity for the UK. With Government support, business investment and public buy in, we can successfully deliver on this historically important task.

In order to protect consumers and support our economy as we transition to net zero, we must improve our energy security. It is our view that storage assets will be a crucial tool to enable this. We look forward to working closely with the Government to ensure the UK takes the steps needed to deliver energy security.

The second key action is to transition to an energy system that is low carbon and sustainable. As we set out in this document, this will require a range of different solutions for the UK's homes, including low carbon heating systems, vastly improved energy efficiency and improved grid connections for renewable energy sources. We believe these policies will also make the UK a more attractive place to invest, while reducing consumer energy use.

Lastly, we want to see a just transition that ensures we support those who need the most help. We believe a new social tariff can play a key role in ensuring the least well-off households are supported with their energy bills. In addition, steps should be taken to abolish the standing charge and tackle regional variations in tariffs to ensure we have a simpler and fairer energy market.

Delivering the transition to net zero will not be easy. But we believe the policy recommendations set out in this document can play an important part in helping the UK reach its goals. At Centrica, we stand ready to work with the Government and together we can unlock clean energy, boost energy security and ensure taxpayers, bill payers and communities reap the benefits of clean, secure, home-grown energy for decades to come.

About Centrica

Centrica brings together capabilities which support the UK and Ireland's energy security and will help the country reach net zero. As the UK's largest energy company, we provide energy and services to almost one in three homes. British Gas customers benefit from almost zero carbon electricity supplied from our interest in the UK nuclear fleet and long-term power purchase agreements with renewable electricity generators.

We are one of the largest gas producers in the North Sea, through Spirit Energy, and we are advancing a low carbon future with a £4bn investment pipeline. We also install low-carbon heating solutions in our customers' homes and work with hospital trusts, local authorities and large business customers to reduce their carbon emissions and improve their energy resilience.

We offer skilled, well-paid jobs for our 21,000 strong team - and we're growing, taking on a new apprentice for every day of this decade.



List of Recommendations

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Improving Our Energy Security Today and For The Future

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