

The Upcoming UK Hydrogen Strategy – What to Expect

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What we know so far – a recap

Back in November last year, Boris Johnson outlined the UK's Ten Point Plan for a Green Industrial Revolution, proposing 1GW of low-carbon hydrogen production capacity by 2025 and 5GW by 2030. To add to this, the government intends to increase hydrogen blending into gas distribution networks to 20 per cent to reduce reliance on natural gas, as well as create the first "Hydrogen Neighbourhood", in which all residential heating and cooking will be powered by hydrogen.

The UK's Energy white paper, published in December 2020, emphasised the need for significant investment into carbon capture and storage infrastructure in order to promote the production of low-carbon "blue" hydrogen. Moreover, while the white paper listed decarbonising gas supply for heating as a key strategic priority, it recognised the need for further testing to establish the feasibility of hydrogen blending in the gas distribution network on a large scale.

Business support for hydrogen continues to grow, as evidenced by the Hydrogen Strategy Now campaign, which stands ready to invest £3 billion into hydrogen projects in the UK. That said, regulatory support will be needed to generate significant investment in hydrogen projects across the country.

What to expect from the UK hydrogen strategy?

Market expectations are that the UK hydrogen strategy will cover some (if not all) of the points set out below, as well as addressing some key criticisms and concerns raised about

hydrogen:

- According to a survey conducted by Hydrogen Strategy Now, over three quarters of respondents claimed the UK's 5GW target by 2030 was not ambitious enough. Based on these results, it seems likely that the market will embrace a more ambitious target for hydrogen production by 2030.
- A roadmap to decarbonising hydrogen, with clarification on the efforts to promote and financial support for both renewable hydrogen (produced via electrolysis, known as green hydrogen) and low-carbon hydrogen (produced via steam methane reforming (SMR) with carbon capture and storage (CCS), known as blue hydrogen) and consideration on the feasibility of producing renewable hydrogen at scale due to the need for associated renewable electricity generation capacity.
- A regulatory framework including whether hydrogen will continue to be regulated under the Gas Act and through Ofgem, or whether a hydrogen regulation and authority will be created. Importantly, any regulatory framework should provide clarity regarding the strategy for injection of hydrogen into gas distribution networks.
- Policies to boost hydrogen demand, such as minimum quotas in specific end-use sectors.
- Focus on decarbonising residential heating and cooking through decarbonising the gas distribution network by blending greater quantities of hydrogen with natural gas.
- Sources of funding including governmental support schemes and grants for both research & development and projects, as well as the development of a hydrogen focused subsidy programme (similar to the contract for difference) to help incentivise the scaling up of low-carbon hydrogen production and clarification on how this might impact household bills.
- Regional hubs (akin to the Regional Clean Hydrogen Hubs identified in Manchin's recent hydrogen bill in the US).
- Efforts to promote the UK as a key hydrogen market globally.

Next steps

We are following the developments and commentary about the upcoming UK hydrogen strategy closely and await the UK government's announcement in due course. When the time comes, it will be interesting to consider and compare and contrast the approach taken by the UK against other hydrogen strategies announced globally including in the United States and the EU.

Categories

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