EXPLANATORY MEMORANDUM TO

THE GREEN GAS SUPPORT SCHEME (AMENDMENT) REGULATIONS 2026

2026 No. 1051

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Department for Energy Security and Net Zero and is laid before Parliament by Command of His Majesty.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Declaration

2.1 Katie White OBE MP, Minister of State in the Department for Energy Security and Net Zero, confirms that this Explanatory Memorandum meets the required standard.

2.2 James Davis, Deputy Director for Biomethane Policy, at the Department for Energy Security and Net Zero confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Florence Goodchild at the Department of Energy Security and Net Zero can be contacted by email at the following address with any queries regarding the instrument: florence.goodchild@energysecurity.gov.uk. Alternatively, the department can be contacted at: greengassupport@energysecurity.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This Statutory Instrument amends the Green Gas Support Scheme Regulations 2021 (2021 Regulations), which provide the legislative framework for the Green Gas Support Scheme (GGSS) and the Green Gas Levy (GGL).

4.2 These amendments aim to provide new applicants with an additional two years to commission plants and begin injecting biomethane into the gas grid and improve the administration of the scheme. The amendments include: (i) extending the commissioning deadline for new biomethane plants from 31 March 2028 to 31 March 2030, (ii) changing sustainability audit reporting periods from an annual submission based on registration date to an annual submission based on scheme year, and (iii) changing the periods over which reconciliation payments are calculated to scheme years to align with the revised sustainability audit report timings. The instrument also corrects a drafting error in relation to how the use of an eligible heat pump is considered when calculating the periodic support payments.

Where does the legislation extend to, and apply?

4.3 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is Great Britain.

4.4 The territorial application of this instrument (that is, where the instrument produces a practical effect) is Great Britain.

5. Policy Context

What is being done and why?

Extending the commissioning deadline

5.1 This instrument will amend the commissioning deadline to extend it by two years to 31 March 2030. This extension is expected to address the delays which have been faced by prospective applicants for example in securing planning permission, by allowing them more time, following application, to build plants, begin injecting, and make their stage 3 application for GGSS registration.

5.2 This instrument prevents participants being paid for any period beyond 31 March 2043. This means that where a tariff start date is after 31 March 2028, but before 31 March 2030, payments will be payable for a period of less than 15 years. This will prevent scheme costs extending beyond the current lifetime of the Green Gas Levy, which funds the GGSS.

5.3 The application deadline will remain 31 March 2028 to maintain scheme effectiveness without increasing budgetary impacts.

Improving the administration of the scheme

5.4 This instrument will correct a drafting error in the process for registering an eligible heat pump, to clarify that heat supplied by an eligible heat pump will not be included in deductions in the formula used to calculate the proportion of eligible biomethane that may receive tariff payments. The correction aligns with the policy intent to incentivise the use of low carbon heat sources in the production of biomethane.

5.5 The 12-month reporting period for sustainability audit reports, and the corresponding data used to calculate reconciliation payments, were aligned with the date on which a participant registered on the GGSS. This instrument makes amendments to move this time period to align with scheme years, which run in line with financial years. The amendments to the reconciliation payments will apply from 1 April 2027, to allow participants time to factor in this change to their feedstock supply plans. Placing reporting and reconciliation on a single annual cycle reduces the administrative burden placed on participants and the administrator.

5.6 This instrument provides a transitional provision for the sustainability audit report obligation. This will require participants who have not yet submitted a report to submit one that covers the time period from when a participant was first registered as a producer of biomethane and before 1st April 2026.

5.7 This instrument also includes a transitional and saving provision in relation to the calculation of reconciliation payments. For a payment year that begins before 1 April 2027, the calculation will continue to be based on the 12-month period beginning with the tariff start date, or with the anniversary of the tariff start date. Where reconciliation is required for both the final payment year calculated on this basis, and the scheme year beginning on 1 April 2027 when the amendments take effect (2027 scheme year), for the calculation for the 2027 scheme year, the sum of the periodic support payments will be reduced by the sum of the periodic support payments calculated for the period that falls within both that final payment year and the 2027 scheme year. This provision is to ensure that payments are not counted more than once.

What was the previous policy, how is this different?

5.8 The 2021 Regulations established the GGSS and the GGL, which provide incentives for the injection of biomethane into the gas grid in Great Britain and for the funding of those incentives. The previous commissioning deadline aligned with the application deadline of 31 March 2028.

5.9 This instrument will affect the operation of the GGSS by making the amendments described in detail above. The amendments do not change the overall policy intent of the scheme and are expected to support the scheme in delivering its original objectives. The extension to the commissioning deadline will give applicants the extra time they need to build plants and commission onto the scheme.

6. Legislative and Legal Context

How has the law changed?

6.1 Section 100 of the Energy Act 2008 enables the Secretary of State to make regulations for establishing schemes to encourage the renewable generation of heat and to provide for administration of those schemes.

6.2 The 2021 Regulations, which were made under section 100 of the Energy Act 2008, established the GGSS and the GGL. The GGSS is a scheme to encourage the production of biomethane by the anaerobic digestion of biomass, such as food waste, sewage, and certain crops. This is intended to increase the amount of biomethane injected into the gas grid, thereby helping to decarbonise Great Britain's gas supply. The GGSS is funded by the GGL, which is charged to licensed fossil fuel gas suppliers in Great Britain. The 2021 Regulations came into force on 30 November 2021.

6.3 This instrument amends the commissioning deadline to extend it by two years to the 31 March 2030. The amendments to sustainability audit reporting obligations, reconciliation obligations and correction of the drafting error in relation to the registration of eligible heat pumps will ensure the scheme continues to deliver its objectives and address operational challenges.

Why was this approach taken to change the law?

6.4 This was the only available approach to make the required changes.

7. Consultation

Summary of consultation outcome and methodology

7.1 In accordance with section 100(7) of the Energy Act 2008, the Secretary of State has obtained the consent of the Scottish Ministers to the making of these Regulations.

7.2 The Secretary of State has consulted the Welsh Ministers in relation to making these Regulations.

7.3 No public consultation was required, however responses to the consultation on the GGSS Mid-Scheme Review 2023 were used to inform our approach to extending the commissioning deadline. Furthermore, the two technical changes improve the administration of the scheme and do not require consultation.

8. Applicable Guidance

8.1 Ofgem will be updating their guidance following this instrument coming into force: https://www.ofgem.gov.uk/guidance/green-gas-support-scheme-guidance

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because these amendments will not significantly change scheme impacts as set out in the original Impact Assessment: https://assets.publishing.service.gov.uk/media/61422e36d3bf7f05aa5f92d8/green-gas-impact-assessment.pdf.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on charities, or voluntary bodies. The legislation does not directly apply to activities that are undertaken by small businesses or micro businesses.

9.3 To the extent that there is an impact on businesses it is positive, as the extension provides greater certainty and opportunity for investment in the biomethane industry.

9.4 There is no, or no significant, impact on the public sector because the scheme is funded by a levy on fossil fuel suppliers.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is the evaluation of the GGSS and GGL, undertaken by the Department for Net Zero and Energy Security. The evaluation includes both process and impact studies to provide evidence on the performance and function of the scheme, alongside its impact against stated objectives. Two interim reports have been published in 2024 and 2025, with an impact evaluation of the GGSS due in October 2026. A publishable synthesis report is expected to be available in January 2027.

10.2 The instrument does not include a statutory review clause. The requirement under section 28(2) of the Small Business, Enterprise and Employment Act 2015 to make provision for review does not apply to this instrument as it falls within an exception in section 28(3) of that Act.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 This instrument contains provisions to correct a drafting error to ensure the 2021 Regulations will work in line with policy intent. Having consulted with the Statutory Instrument Registrar in accordance with paragraph 4.7.6 of the Statutory Instrument Practice, the Department will apply the free issue procedure.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020, or the Retained EU Law (Revocation and Reform) Act 2023.