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EnergyPathways PLC
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EnergyPathways plc

("EnergyPathways" or the "Company")

Collaboration with Government on Hydrogen Storage

EnergyPathways plc (AIM: EPP), an energy transition company developing low carbon integrated energy solutions in the UK, is pleased to advise that Department of Energy Security and Net Zero (DESNZ) has invited EnergyPathways to participate in the Hydrogen StorageBusiness Model (HSBM) Design Group. This group comprises a select number of companies, including several Tier-One companies that are at the forefront of the UK's energy transition.

TheHSBM, when finalised following consultation with the Design Group, will define DESNZ'snew investment support schemeto promote the development of hydrogen storage projects.

EnergyPathways expects thefirst DESNZ Hydrogen Storage Allocation Round to be launched during 2025and intends to submit an application for its large-scale MESH natural gas and green hydrogen storage project.

Hydrogen Storage in the UK

In order to achieve the UK's ambitions of up to 10 GW of low carbon hydrogen production capacity by 2030, a significant build-out of hydrogen storage and transport infrastructure will be needed.

Hydrogen storage at scale will be important in the UK's future energy systemin order to harness renewable power that would otherwise be wasted.Excess electricity generation from renewable sources, arisingdue to network constraints or low demand,is already a challenge for the UK, with wind generators being paid to turn-down or curtail. The UK's annual constraint costs are expected to rise from around £2bn per year to around £8bn per year by 2030.

The initial focus of government supportin the first Hydrogen Storage Allocation Roundis expected to be on scalable geological storage for green hydrogen.The National Grid Energy System Operator suggests that up to 2 TWh of geological storage could be required by 2030 and that somewhere between 11 and 56 TWh of storage could be required by 2050. Locating electrolysers and hydrogen storage behind network constraints is seen as the best means to utilise these otherwise wasted constraint costs.

Government guidance indicates that projects will be prioritised that can unlock whole of energy system benefits, enable decarbonisation at pace and advance the development of a hydrogen market. Projects that are expected to be ranked highly will:

- connect hydrogen producers with consumers and balance misalignments in energy supply and demand;

- enable low carbon-fuelled flexible power generation to complement intermittent renewable generation;
- provide at pacedecarbonisation pathways for unabated gas generation and gas use;
- be capable of repurposing natural gas infrastructure and reducing decommissiong costs; and
- connect new hydrogen production to new demand centres.

DESNZ has indicated that it plans to complete the design of the HSBM in 2025 and aims to announce the launch of the first Hydrogen Storage Allocation Round during 2025. Through this process, a shortlist of projects will to be taken to due diligence and negotiations stage, with successful projects announced after approximately 12 months, subject to administrative and legislative arrangements including licensing.

About MESH

EnergyPathways plans to participate in the first Hydrogen Storage Allocation Round proposing an expansion of its MESH project.

The MESH natural gas and green hydrogen storage facility, located off the UK'sLancashire coast, will be initially equivalent in size to the Rough facility, currently the UK's largest gas storage facility. It will have a storage capacity of ~15TWh (~500 million therms or ~50 billion cubic feet of gas). EnergyPathways has further identified growth upside and plans to expand the MESH storage capacity by as much as three times, including developing upscaled green hydrogen storage with potential capacity of ~1.5TWh.

MESH is ideally positioned to play a leading role in the development of the hydrogen sector and to provide a total energy system solution for the UK, bringing attendant economic benefits to the North West of England through increasing supply chain activity, jobs and investment.

The MESH project is uniquely located for green hydrogen storage and transportation. By being located close to 7-8 GW of regional planned and existing wind power, it will be able to harness curtailed wind energy at scale behind network constraints, with green hydrogen production and storage. It can also readily connect new green hydrogen supply to the nearby emerging hydrogen markets being developed with the HyNet NorthWest project, the UK's leading 'blue' hydrogen hub and Carbon Capture and Storage (CCS) project. MESH is also ideally positioned to decarbonise at pace the UK's natural gas supply by integrating and repurposing existing gas infrastructure to transport new green hydrogen production to energy markets and play a leading role in decarbonising gas power generation and UK gas supply with hydrogen blended natural gas, which is an initial means of decarbonising flexible gas power generation and gas use.

EnergyPathways is forming a stakeholder partner group for the MESH integrated energy project comprising several global leading Tier-One engineering and energy companies. It plans to complete pre-FEED by the end of 2024 and FID at the end of 2025.

Commenting on the update, Ben Clube, CEO of EnergyPathways, said:

"We are very pleased to have been invited to participate in the DESNZ Hydrogen Storage Business Model Design Group - an honour, given the select group involved including Tier-One companies.

"Through itsinvolvement in the Group,EnergyPathways will have an opportunity to contribute to the shape of the final commercial and regulatory design of the Hydrogen Storage Business Model that will be used in the First Hydrogen Storage Allocation Round to be launched in 2025.

"Our invitation results from our progressive engagement with the relevant authorities and shows the collaborative approach required between government and industry to enable the UK to achieve its

objectives with regards to an effective Net Zero and energy security agenda.

"We believe EnergyPathways' MESH project is fully aligned with the UK government's strategic objectives for hydrogen storage and transporation and has a number of competitive advantages to warrant Government support under the HSBM.

"We look forward to making a material contribution to the UK's energy transition objectives and working with all our stakeholders to deliver mutually beneficial outcomes."

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 (which forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018).

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EnergyPathways Investor Website

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Forward Looking Statements

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