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EnergyPathways PLC
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EnergyPathways plc

("EnergyPathways" or the "Company")

UK government to remove Climate Change Levy (CCL) costs from electrolytic hydrogen production

EnergyPathways (AIM: EPP), an energy transition company, notes with interest the update provided by the UK government within the Spring Statement 2025, regarding the removal of Climate Change Levy (CCL) costs from electricity used in electrolysis to produce hydrogen. This measure supports the growth of low carbon electrolytic hydrogen production in the UK, which benefits EnergyPathways' wider hydrogen ambitions.

EnergyPathways' Planned MESH Project

EnergyPathways' planned MESH project ("MESH" or the "Project") is an integrated energy storage hub with an estimated storage capacity of up to 20TWh, equivalent to 7% of the UK's current annual electricity demand.

The Project is expected to include the development of a large-scale salt cavern hydrogen storage facility (to be known as MESH-H2) of up to 640 MW, with total storage capacity of 2.8 TWh. The hydrogen storage facility will be integrated with the wider MESH project and linked to regional offshore wind to store and supply decarbonised energy. MESH-H2 will potentially be the UK's largest hydrogen storage facility.

The MESH project will also include the development of a 400 MW compressed air Long Duration Energy Storage (LDES) facility, providing a multi-day clean power supply. Once developed, it will have the potential to be the largest LDES facility in Europe. MESH can be enhanced to provide up to 700 MW of low-carbon flexible power through a highly flexible future-proofed hybrid compressed air storage system (H-CAES) that can be transitioned to carbon free hydrogen based power.

EnergyPathways plans to submit an application in the UK Government's planned Hydrogen Storage Allocation Round and believes the MESH H2 design has competitive attributes that can attract Government support.

EnergyPathways has also submitted a gas storage licence application to the Government regulator in relation to both hydrogen and natural gas storage development and operations. If successful, EnergyPathways will further progress the MESH development.

Department of Energy Security and Net Zero (DESNZ) Consultation:

In its Spring Statement 2025, the UK government committed to removing CCL costs from electricity used in electrolysis to produce hydrogen, currently charged at a rate of £7.75 per MWh. This will support the growth of low carbon electrolytic hydrogen production, which will play an important role in decarbonising the power system and hard to electrify industrial and transport sectors.

In conjunction with this commitment, DESNZ has issued a consultation that seeks views to determine the best legislative route to remove these CCL costs and ensure their removal is delivered in a way that achieves the government's objectives, whilst avoiding unintended consequences. The consultation acknowledges that the *wider energy landscape has changed significantly since CCL was introduced, and will continue to develop*, therefore the government also announced that it will conduct a wider review of CCL.

The consultation recognises that electrolytic hydrogen has the potential to support the delivery of net zero in several different ways and references the Autumn Budget 2024 in which the government confirmed that it would *support projects awarded contracts in the first electrolytic Hydrogen Allocation Round, harnessing renewable energy to decarbonise industry and transport across the length and breadth the of the UK.*

To inform the scope of this review, the consultation seeks views on other areas where CCL may need to be reviewed to ensure it is aligned with developments in the changing energy landscape and the government's clean power and net zero missions

The consultation can be viewed here:https://www.gov.uk/government/consultations/climate-change-levy-electrolytic-hydrogen-and-energy-context

Ben Clube, CEO of EnergyPathways said:

"It is encouraging to see the UK government increasingly promoting the benefits of the hydrogen economy and emphasising the important role [green] hydrogen will play in decarbonising the UK's energy future. It is also reassuring to see that the UK government is committing to improved fiscal terms that encourage investment into the hydrogen sector. As referenced in the

consultation, the changing energy landscape requires stakeholder collaboration to collectively deliver on the UK government's clean power and net zero mission. It is exactly in this context that EnergyPathways is promoting the multiple socioeconomic and environmental benefits of its planned MESH project, that seeks to provide a secure and dependable supply of natural gas, compressed air and green hydrogen for the UK market for over 25 years. We believe that MESH therefore represents an important project in supporting the delivery of the UK's energy policy. It is also noteworthy that MESH's compressed air storage power, generated from harnessed wind power, also falls outside the CCL remit."

About MESH

MESH is a new large scale energy storage facility that is expected to provide a secure and dependable supply of natural gas and green hydrogen and low carbon flexible power for the UK market for over 25 years. MESH is an integrated energy system solution. It is electrifying and integrating existing infrastructure, connecting gas storage, hydrogen storage, and compressed air storage technologies with offshore wind and decarbonised power generation to establish a new major decarbonised energy hub for the UK.

MESH is expected to be the UK's largest integrated energy storage facility combining natural gas, compressed air and hydrogen storage. It will be able to store up to 20 TWh of energy. The MESH project is intended to deliver on the Government's 2030 Clean Power timeline and will ensure a reliable and secure supply of energy for the UK. MESH has been designed as a fully decarbonised and electrified zero emission facility that is to be powered by the renewable wind farms of the UK Irish Sea region. EnergyPathways aims to play its role in supporting the Government in accelerating the UK's energy transition.

Investor Engagement with EnergyPathways
Engage with us by asking questions, watching video summaries and seeing what other shareholders have to say. Navigate to our Interactive Investor website here:https://energypathways.uk/link/WPGpzy

Enquiries

Investor questions on this announcement We encourage all investors to share questions on this announcement via our investor hub	https://energypathways.uk/announcements
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