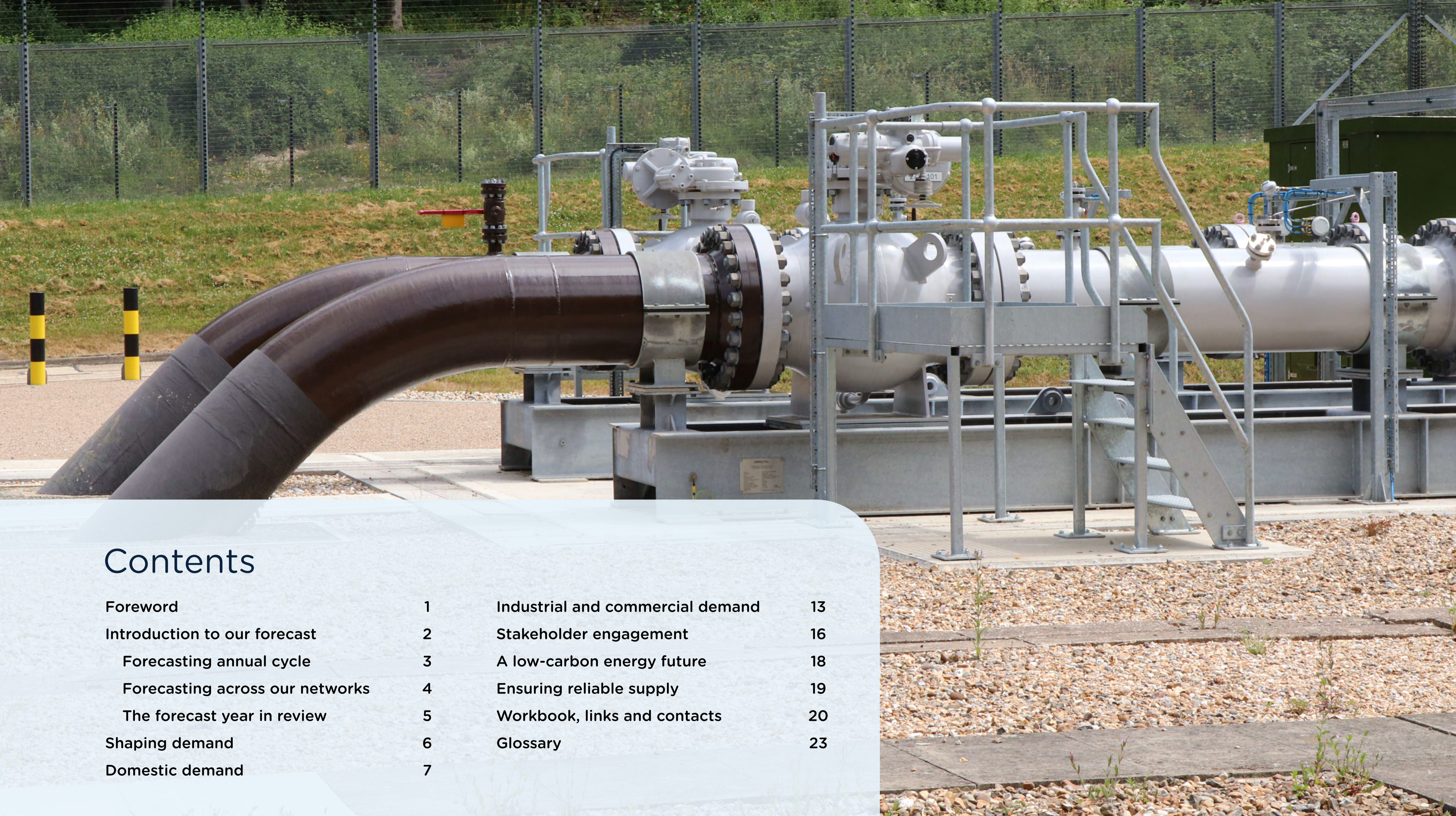




Long Term Development Statement 2025

Forecasting energy on behalf of
our customers





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Foreword

I'm pleased to introduce SGN's 2025 Long Term Development Statement (LTDS), our annual publication sharing the latest insights from our gas demand forecasts and how we see energy needs evolving over the next decade. This document reflects our commitment to transparency, strategic foresight, and operational excellence in a rapidly changing energy landscape.

The UK's energy system continues to undergo profound transformation, shaped by political reform, economic pressures, and the drive toward net zero. These forces are reshaping how energy is produced, distributed, and consumed, presenting both challenges and opportunities for the energy industry.

We operate three networks across two national jurisdictions navigating a complex mix of regional priorities and policy landscapes serving over six million customers. That diversity strengthens our forecasting approach, which is grounded in real-world customer behaviour and observed demand. We connect homes, schools, hospitals, electricity generation and industries to safe, reliable, and increasingly sustainable energy. Our infrastructure plays a vital role in national energy security and resilience while also supporting jobs, growth and the wider economy.

Our forecasts reflect what is happening on the ground — not just what needs to happen to meet long-term decarbonisation goals. While national models often focus on idealised pathways, our data shows the transition is not yet unfolding at the speed or scale assumed. Policy interventions have yet to deliver the necessary shifts in demand, and we believe it's vital to be transparent about that reality and plan accordingly, not least as we forecast annual and peak gas demand to grow over the ten year period. Over the past three years, the average variance between forecasted and actual annual demand across our three networks has remained within 1.2%. This consistent accuracy reflects the strength of our modelling approach and reinforces confidence in the robustness of our process.

Over the past year, we've deepened our focus on supporting the transition to low-carbon energy. We're harnessing renewable biomethane from organic waste, and our connected capacity can already power up to one in ten homes in Scotland. We're working closely with producers and stakeholders to enable greater biomethane injection into our systems, helping to reduce emissions and decarbonise whole communities while maintaining a safe, reliable and resilient network for customers.

We've also been working closely with our regulator Ofgem to shape our investment plans for the five-year period starting in April 2026. We have invested in our gas network for decades, replacing old cast iron mains with modern plastic pipes and upgrading our high-pressure transmission sites. Our GD3 plan sets out the funding needed to operate a safe and reliable gas network, maintain security of supply, and support long-term resilience while ensuring affordability to protect the interests of all our customers.

This report is part of our broader commitment to innovation, infrastructure investment, and proactive engagement on policy and regulation. Stakeholder engagement is central to our process, ensuring we gain a deep understanding of current and future energy needs so that our forecasts remain relevant, responsive and grounded in reality. Your insights matter to us.

We've also reworked this year's LTDS to improve clarity and accessibility, with a streamlined format and new workbook for charts and tables.

I hope you find this publication both informative and valuable. The LTS Demand and Emergency Planning team, which leads our demand forecasting and produces this report, would welcome your feedback and insights to help us refine our forecasts and ensure this publication continues to meet the needs of our customers and stakeholders.



Our latest Long Term Development Statement (LTDS) shows gas demand across our networks is forecast to rise over the next decade, with annual consumption projected to increase by 8.6% and peak day demand by 1.8%. It demonstrates natural gas, and our network infrastructure in Scotland and southern England, remains an essential part of the UK's energy mix.

“ Jeremy Deveney
Director of Engineering and Network Strategy

Introduction to our forecast

Over the next ten years, our forecasts indicate an 8.6% increase in annual gas demand and a 1.8% rise in peak day demand across our networks. These figures reflect a steady recovery from the sharp contraction in demand experienced during the cost-of-living crisis and signal a return to pre-pandemic consumption levels by 2028.

The projected growth is driven primarily by a rebound in domestic demand. Between 2021 and 2023, domestic gas consumption fell by 16%. This was the steepest 2-year decline ever recorded on our networks, largely due to rising energy costs and economic pressures. As conditions stabilise, households are gradually returning to previous comfort levels, with heating behaviour becoming less constrained by affordability. This behavioural rebound is the largest influence on our domestic demand forecasts. Since domestic customers account for 71% of peak day demand, this trend is also the most significant driver of total demand.

We use data from the Office for Budget Responsibility to inform our forecast of household disposable income, employment, GDP, and gas prices. While income growth is expected to be modest, it appears sufficient to support a gradual rise in energy use. Gas prices, though still volatile, have eased from their 2022 peak, which may encourage greater consumption. These factors are reflected in our econometric modelling, though outcomes may evolve as conditions change.

Energy efficiency measures continue to play an important role in driving change for domestic demand. While not sufficient to offset the broader trend of recovery, high-efficiency condensing boilers remain the most effective measure for reducing domestic gas use, and we forecast a 2.6% reduction in demand over the next decade due to boiler upgrades alone. Government schemes are contributing to improvements, but uptake remains limited and performance is below target. Heat pumps are not being installed at the scale required to significantly influence demand.

New homes contribute modestly to demand growth, slightly offset by better build standards and efficiency. In Scotland, the New Build Heat Standard prohibits new gas connections from 2027, leading to a projected 2.6% regional drop in domestic demand by 2033. In England, interim building regulation changes – based on the proposed Future Homes Standard (FHS) - introduced in 2022 have begun the transition toward the full implementation of the FHS. The Government has announced plans to publish the full Future Homes Standard in 2025, but it remains unlegislated and subject to change until formally passed by Parliament. The overall effect remains relatively small within the forecast period.

Our forecast of demand has remained stable in the industrial and commercial sector, with regional variations. Power generation, although a smaller share of annual demand, continues to have a significant impact on peak day forecasts. Gas-fired power generation remains essential for maintaining electricity grid stability during periods of high electricity demand or when supply from other sources, including renewables, is disrupted.

Our forecasts are underpinned by a rigorous annual cycle of data collection, analysis, and stakeholder engagement. In 2024, 73% of engaged customers told us they expect to continue using natural gas through to 2045/50, citing reliability, cost, and compatibility with existing infrastructure. This feedback reinforces the enduring role of gas in the UK’s energy mix and informs our planning decisions.



8.6%

Annual demand increase during this forecast period.

1.8%

Peak demand increase during this forecast period.

Legislation and energy policy

Limited policy change over the past year with net zero measures continuing to fall short of intended targets.

Energy price

Demand has increased as energy prices have eased. However, prices remain volatile so this trend may change.

Domestic demand

Is forecast to recover to pre-pandemic levels by 2028, with further growth to the end of this forecast period.

Industrial and commercial demand

Larger customers continue to have a strong influence on our forecasts and the operation of our networks.

Stakeholder engagement

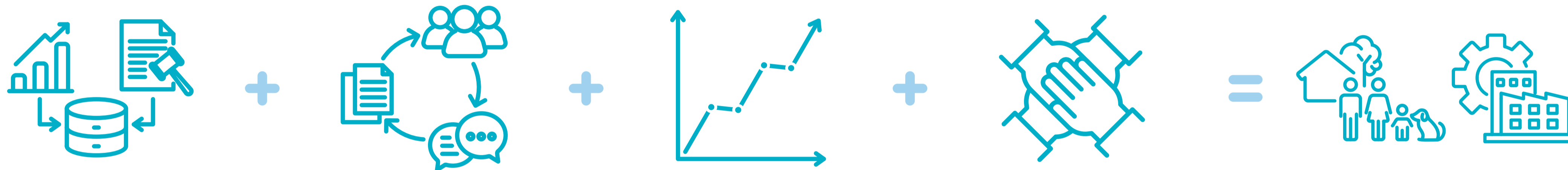
By listening to our customers, we understand their current and future energy needs.

Gas generated electricity

Our networks continue to play a crucial role supporting the national electricity grid.

Forecasting annual cycle

Each year, our forecasts deliver reliable insights that inform stakeholders and support decision-making across our networks. By building on a strong track record, analysing historical data, and considering the broader energy landscape and evolving policies, we continuously adapt to emerging challenges. This approach ensures we are well prepared to meet peak gas demand and deliver long-term value for our customers.



Data and review

Our demand forecasts are developed through an annual cycle of data collection, analysis and stakeholder engagement.

We begin each year by reviewing actual gas throughputs, weather-corrected demand relationships, energy policy performance and key economic indicators from trusted sources. By comparing actual outcomes against previous forecasts to assess accuracy, we are able to identify areas for improvement.

[Learn more about the factors shaping demand across our Local Distribution Zones \(LDZs\) on page 8.](#)

Stakeholder engagement

Engaging with our customers is an important part of our forecasting. It enables us to better understand their current and future energy needs, including their decarbonisation ambitions.

This collaboration not only enhances the accuracy of our forecasts, but also plays a key role in shaping a future-ready energy system for our customers.

Each year, we continue to broaden the scope of our engagement to support the development of more informed outputs.

[Learn more about our annual stakeholder engagement programme on page 18.](#)

Developing our forecasts

We complete our analysis by the end of May each year, producing a ten-year outlook for both annual and peak gas demand for all customer types (domestic, commercial and industrial) across all three of our LDZs.

Our peak demand forecast is central to our planning decisions. It informs the annual rebuild of over 150 local transmission models, which are used to develop our capacity booking strategy for National Gas Transmission and inform how we plan, manage and operate our networks.

Collaboration and reporting

Once complete, our forecasts are shared with our customers, our regulator Ofgem and across the energy industry, including the recently appointed National Energy System Operator (NESO).

We welcome comments, feedback and questions on the outcomes of our forecasts, as well as how we report them.

Our customers

All of this is carried out on behalf of our six million customers, ensuring our networks meet both current and future demand, providing the secure source of energy our customers want and need.

Forecasting across our networks

Our forecasts play a vital role in helping us secure energy supplies for the homes, businesses and communities we serve. By accurately forecasting our customers' energy requirements, we help ensure a dependable supply of gas, supporting everyday life and contributing to the UK's economy. We forecast demand across our networks in Scotland and southern England, focusing on regional specifics and the distinct energy policies of the UK and Scottish governments, carefully evaluating the changing energy requirements of our customers as we all transition towards a low-carbon future.



Supporting Scotland's unique energy needs

Colder weather and the challenges of a high number of remote communities and businesses are part of everyday energy planning for our Scotland Local Distribution Zone (LDZ). We see government policy beginning to have more impact here, in part driven by the Scottish Government's ambitious goal to reach net zero by 2045. Energy efficiency improvement accounts for much of this change and is significant in reducing energy costs for customers facing fuel poverty.

1.8 million
homes and 58,000 industrial and commercial customers

25,064km
of network pipeline, and five stand-alone networks know as SIUs

1 in 3
customers are in fuel poverty and 451,600 are on our Priority Services Register



Meeting the energy needs of southern England

Our South and South East Local Distribution Zones (LDZs), which make up our Southern regulatory area, face distinct energy challenges. High population density and rapid housing development are key drivers of domestic demand. Compared to Scotland, this region has a higher proportion of single-storey, multi-occupancy dwellings and smaller living spaces, which typically require less heating. Our large industrial customers also play a major role in shaping this region's energy requirements; their operations can significantly influence peak usage, particularly when they are supporting electricity grid balancing. These combined factors make southern England's energy landscape both dynamic and complex, and our forecasts are focused on adapting to this ever-evolving challenge.

4.2 million
homes and more than 131,000 industrial and commercial customers

50,212km
of network pipeline across a highly urbanised and congested area - above and below ground

1 in 5
customers are in fuel poverty and more than 840,000 are on our Priority Services Register

The forecast year in review

Our forecasts are the product of a complex annual cycle of data gathering, in-depth analysis and comparisons of current influences on demand and historic patterns of demand change.

This process is improved and refined each year, making sure we are up to date with the UK's ever-evolving energy landscape. Accurate forecasts are critical to ensuring the safe supply of gas to our six million customers and to assist in future planning as we transition towards net zero.

for the same period for our networks. We then assess the assumptions and influencing factors which resulted in the difference, making changes if required.

In the industrial sector, we are seeing large customers in each LDZ having a significant influence on our forecasting.

We have seen a period of significant fluctuation in gas demand, with economic pressures giving us one of the largest contractions in gas usage ever seen, followed by a slow recovery.

This year's review showed our domestic forecast of annual demand for last year was just 2.6% above actual figures. Our prediction of recovery and growth occurred, but the rate of change was slightly slower than expected.

There has been the closure of a large refinery in Scotland and uncertainty about future activity on the site, significant expansion of a refinery in the South LDZ, and changing demand from a large power-generation site in the South East LDZ, all creating a challenge when it comes to understanding how we should allow for these customers each year.

This year's forecast follows this trend, seeing demand rise due to an improving economic situation. We are also seeing government policy beginning to work to lower gas consumption, particularly in the domestic sector, but this is still underperforming against targets and isn't yet effective enough to cause overall demand decrease.

Our annual forecast for daily metered sites was also slightly over forecasted, but a significant element of this was attributable to a single customer not using as much gas as they advised during our annual stakeholder discussions. The overall forecast for annual demand, adjusted for this customer, ends up only 2.3% higher than actual flows for the year.

We have worked hard to expand and improve our stakeholder engagement, which gives us advance notice of these changes from large customers and enables us to better understand their expected future energy needs.

The five-yearly review of CWV (Composite Weather Variable) has resulted in changes to our peak demand values for this forecast. However, the real change is relatively minor and we continue to see established trends followed, where peak demand figures are more resilient to change than the annuals.

There have been some changes to net zero policies over the past year, but these are minor, and we are not seeing a significant change in this year's forecast as a result.

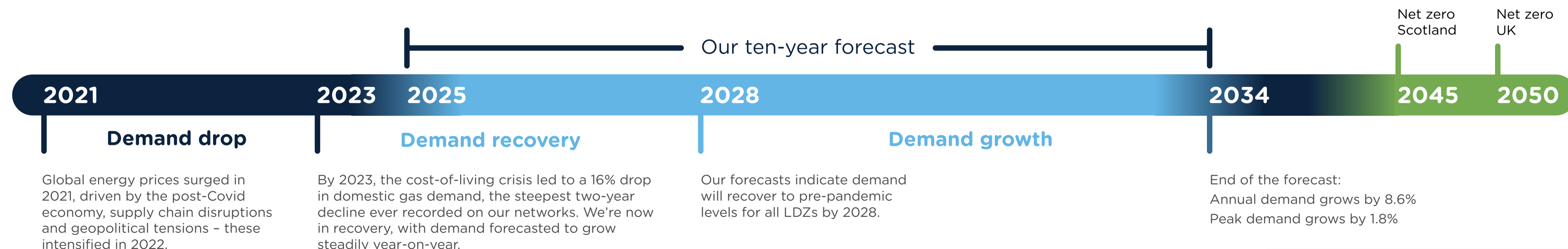
The general trend in the industrial and commercial sector is a similar push-pull of factors as in the domestic sector. There is an overall contraction of the sector, due to efficiency improvements and changes in behaviour driven by net zero targets, but this is largely offset by an improving economy.

An integral part of our forecasting processes each year is testing the accuracy of the outputs.

We include all legislated policies in our analysis, but are careful to consider their actual performance and potential future impact, instead of simply the expected results. While government legislation demonstrates a clear commitment to change, its limited scope and slow implementation means we are yet to see the intended impact materialise in our demand forecasts.

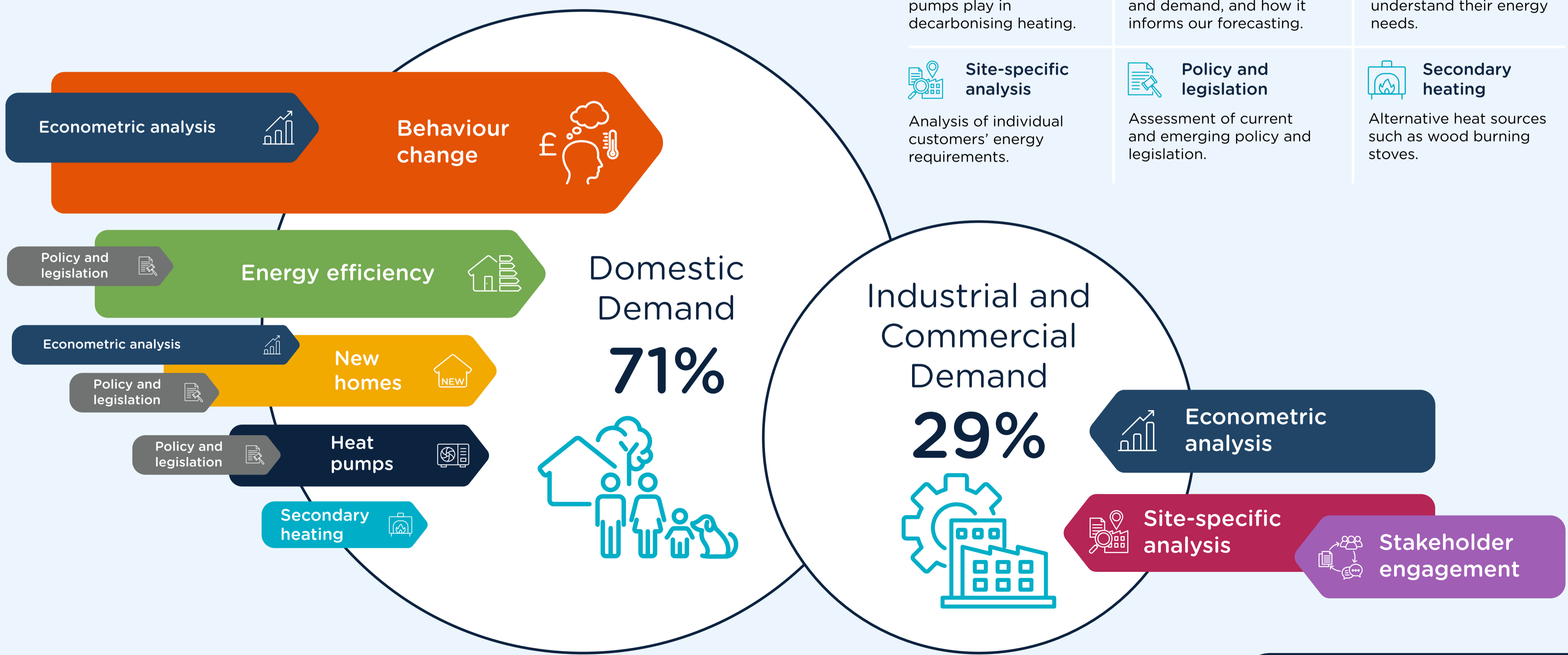
In summary, we don't currently see significant changes happening in the short term and the forecast is still dominated by recovery from past economic stress. Our focus has been on further refining processes to ensure the magnitude of potential change is forecast as robustly as possible.

We do this by comparing the figures from the previous year's forecast with the actual annual throughput figures recorded



Shaping demand

We break down the various factors that impact gas demand to see how each has changed over time and why. Each factor is then forecast separately over the ten years of the annual planning cycle for each of our Local Distribution Zones (LDZs).



Behaviour change

How households choose to heat their homes.



Energy efficiency

Thermal and non-thermal energy-efficiency initiatives.



New homes

The impact of new homes in our LDZs.



Heat pumps

Assessment of the evolving role heat pumps play in decarbonising heating.



Econometric analysis

The relationship between historical economic indices and demand, and how it informs our forecasting.



Stakeholder engagement

Discussions with our customers to better understand their energy needs.



Site-specific analysis

Analysis of individual customers' energy requirements.



Policy and legislation

Assessment of current and emerging policy and legislation.



Secondary heating

Alternative heat sources such as wood burning stoves.



Domestic demand



71%
Peak Demand

Our domestic customers account for 71% of total peak day demand delivered by our networks.

Domestic demand is assessed using a detailed bottom-up approach, shaped primarily by customer behaviour; specifically, the temperatures that households choose to keep warm in their homes. These “comfort levels” are closely linked to economic conditions, including disposable income, energy prices, employment levels and GDP.

Between 2021 and 2023, the cost-of-living crisis triggered a 16% drop in domestic gas demand, the largest decline ever recorded across our networks. As economic conditions began to stabilise, our forecasts reflected, and continue to reflect, a gradual recovery in comfort levels following a period of high inflation and elevated energy costs.

The following pages explore how behavioural, economic and policy-driven factors interact to shape domestic demand forecasts. For detailed figures and data, please refer to the accompanying workbook available on our website [here](#).

Behaviour change

Our domestic customers are central to our forecasts. By understanding how households respond to financial pressures and adjust their energy use, we ensure the network continues to deliver a safe, reliable and responsive supply of energy that meets their needs.

Behavioural rebound is the principal driver of both current and forecasted changes in domestic demand. Without it, demand would remain largely flat.

Our analysis integrates economic indicators with historical gas consumption data to capture these behavioural shifts. While annual demand reflects changes in household heating behaviour, peak day demand remains relatively stable, driven by the consistent need to heat homes during extreme cold spells.

New homes

In addition to behavioural shifts, our forecasts account for new housing developments. However, their contribution to demand growth is modest due to changes in build standards. While new homes act to increase demand, they are marginally offset by improvements in energy efficiency in existing buildings.

Energy efficiency

Efficient boilers remain the leading factor in reducing gas demand across existing homes. While the uptake of low-carbon heating technologies, such as heat pumps, has been gradual, they offer further potential to lower gas demand, particularly when installed correctly and paired with retrofit insulation. These demand-reducing factors are largely driven by government policy and support schemes aimed to accelerate the transition to net zero.

Policy and legislation

We closely monitor both legislated and proposed policies from the Scottish and UK governments. However, only measures that have been formally legislated are incorporated into our forecasts. Crucially, we assess these policies based on performance rather than stated ambitions, ensuring our forecasts reflect real-world outcomes.

Historically, the effectiveness of legislation and initiatives aimed at reducing reliance on carbon-intensive energy sources has often fallen short of expectations.

We continue to track policy developments closely. This allows our forecasts to remain responsive and aligned with the evolving regulatory landscape.

Domestic demand



Behaviour change

Econometric analysis

Behaviour change

This factor is the single largest influence on our domestic demand forecasts. Since domestic demand accounts for 71% of overall peak demand, it is also the most significant driver of total demand.

The recent cost-of-living crisis has had a substantial impact over the past few years, and the slow recovery from it remains the dominant theme in our forecasting narrative.

We account for behavioural change through an assessment of “comfort levels”, which, at its simplest, refers to the temperature at which people choose to heat their homes. To evaluate this, we analyse economic indicators alongside historical domestic gas demand, adjusting for the effects of energy efficiency improvements.

This reveals the relationship between economic conditions, heating behaviour and efficiency gains, which we then apply to future demand projections based on our economic forecasts. Beginning in 2021, energy demand declined sharply over a two-year period as many households struggled to afford the energy needed to heat their homes.

Our forecasts suggest a gradual easing of economic pressures, leading households to prioritise comfort and increase the temperature at which they heat their homes. This suggests that comfort levels will return to their previous high levels by 2028, followed by a gradual increase thereafter. However, any growth in comfort levels beyond 2028 is expected to occur at a much slower pace than the rates observed prior to the cost-of-living crisis. This shift in comfort-level behaviour is the most significant factor contributing to the projected rise in domestic energy consumption within this year’s forecast.

It’s important to note that the narrative above mainly reflects annual demand. Peak demand is less affected, due to ‘cold weather upturn’, as even under economic pressure, people still heat their homes on very cold days. While 1-in-20 peak demand conditions haven’t occurred recently to test this fully, increased demand during the coldest periods supports the validity of this adjustment.

Econometric analysis

Economic factors play a major role in shaping domestic demand, influencing customer behaviour and comfort levels. We look at four economic influences in detail to ensure our assessment is as accurate as possible.

Wholesale gas price

Looking at recent price changes, the average wholesale gas price peaked in 2022 at twice the level of 2021. It then fell sharply in 2023, followed by further reductions throughout 2024 and into early 2025.

Prices remain volatile but are forecast to rise driven by a market heavily influenced by political and economic factors.

In developing suitable gas price forecasts, we assess multiple trusted data sources from across industry. This allows us to bring a degree of stability to our forecast. This year’s analysis led us to adopt the Office for Budget Responsibility (OBR) forecast, which only covers the period up to 2030. Beyond that, we used Deloitte’s gas price forecast to complete our input data.

Once established, our wholesale gas price forecast is tested against historical demand and pricing data to create our domestic gas price forecast for use in our sectoral demand projection. Compared to last year’s forecast, all price levels are slightly higher, resulting in comparatively lower projected demand across all sectors. This element is also aligned with the latest domestic price caps.

Gross Domestic Product (GDP)/Gross Value Added (GVA)

The final two elements we use to establish behaviour change are also sourced from the OBR. Gross Domestic Product (GDP) and the associated Gross Value Added (GVA). These factors have the least impact but remain relevant, so continue to be incorporated. The forecasts for these show long-term growth to remain similar to the average of the last decade, at around 1.6% per annum.

Household Disposable Income (HHDI)

We have always seen a strong link between HHDI and domestic behaviour, and this continues to be the case. Historically, we have seen this metric rise steadily, but since 2021 it has significantly reduced in real terms, as inflation has grown at a faster rate than HHDI. The main impact of this has been significant behaviour change in households, resulting in a reduction in domestic comfort levels.

We use the OBR forecast to assess HHDI, and it shows small annual increases until 2030. As there is no further data available, we have had to assume the forecasted trend continues with a 0.9% annual increase, slightly lower than historic growth rates.

Jobs

Changes in employment have a smaller impact on domestic gas demand, compared to wholesale gas prices or Household Disposable Income (HHDI).

For this element of our forecast, we use data from the Office for Budget Responsibility (OBR). OBR projections show that the total number of jobs across our LDZs is expected to grow by 0.9% in both 2025 and 2026, consistent with average increases over the past decade. Then, from 2027 onward, job growth is forecast to slow to 0.6% annually for the remainder of the forecast period.

Domestic demand

Energy efficiency

Energy efficiency improvements are an important driver of change in our domestic demand forecast. This area continues to show steady progress over time, although the rate of change and the underlying drivers can vary. Several government policies aim to enhance efficiency, either by mandating upgrades or by offering funding and loans to support homeowners in making improvements. The success of these initiatives varies. For each policy or measure, we assess performance using all available data, including historical trends, current implementation rates, and changes in supporting budgets. This approach provides a pragmatic view of energy efficiency and its potential impact on future gas demand.

► Condensing boilers

High-efficiency condensing boilers have been a legal requirement in the UK since April 2005 and these have been the single largest contributor to domestic gas demand reductions since then. Data from the last ten years shows an improvement of almost 7% in average boiler efficiency. This year's forecast indicates that this will continue to improve, albeit at a slower rate of change, as the remaining non-condensing boilers are replaced. Boiler efficiency is forecast to reduce domestic gas demand across our network by 2.6% over the next ten years. This continues to be the single largest energy efficiency element of our domestic forecast.

► Energy Company Obligation (ECO)

The Energy Company Obligation (ECO) scheme provides grants to support improvements in some of the UK's most vulnerable homes. These improvements include insulation, boiler repairs, heat pump installations and solar panel installations. Introduced by the UK Government in 2013, ECO aims to tackle fuel poverty and reduce carbon emissions.

The current phase of the scheme, ECO4, is the fourth iteration and runs until 31 March 2026. Each successive phase has delivered diminishing efficiency gains, largely due to changes in budget allocations and the specific efficiencies targeted.

While the impact on individual properties benefiting from ECO can be significant, the overall effect on our forecasts remains low due to the small number of homes improved under the scheme.

Mid-scheme changes to ECO4, announced in November 2024, aim to simplify household eligibility for both ECO4 and the Great British Insulation Scheme (GBIS). These changes broaden support to include low-income households in work, rather than

limiting eligibility to those on means-tested benefits. Additionally, installers will be permitted to deliver a tailored package of measures per property, rather than implementing single measures in isolation. These changes will be monitored as part of our ongoing assessment of ECO, and incorporated into our forecasts as appropriate. Although no announcements have been made regarding budget allocations beyond March 2026, ECO remains an active government policy, so we have chosen to make allowance, based on current performance outputs, beyond this date within our forecasts.

► The Great British Insulation Scheme (GBIS)

The Great British Insulation Scheme (GBIS) was launched in April 2023 to support homeowners who may not qualify for energy efficiency improvements under the ECO schemes, as well as those receiving certain means-tested benefits.

The scheme targets homes with an Energy Performance Certificate (EPC) rating between bands D and G, within Council Tax bands A-D in England and A-E in Scotland and Wales. A total budget of £1 billion was allocated to the scheme over its three-year duration. Analysis of the scheme's impact on home energy efficiency across SGN's customer base shows that properties in Scotland and the South East LDZ have benefited the most, achieving approximately 10% higher efficiency levels than those in the South LDZ.

Despite these improvements, the overall impact of GBIS on our gas demand forecast remains relatively low, as the scheme is underperforming. This was acknowledged by the government in its June 2025 impact assessment, which stated: "Whilst GBIS performance is improving, it is not on course to reach 300,000 households."¹

1. Energy Company Obligation 4 and the Great British Insulation Scheme: mid-scheme changes - equality impact assessment - GOV.UK
2. Warm Homes Plan - Help to save households money and deliver cleaner heat to homes - GOV.UK



Energy efficiency

Policy and legislation

► Home Energy Scotland Grant and Loan Scheme

This scheme offers homeowners in Scotland a grant, an interest-free loan, or a combination of both, to install clean heating systems and energy efficiency measures.

For energy efficiency upgrades, grant funding is available for up to 75% of the combined cost of retrofit measures, capped at £7,500 per property. The remaining 25% of costs can be covered by an optional interest-free loan.

We have incorporated a 0.5% reduction in domestic gas demand within our Scotland forecast based on our assessment of the energy efficiency performance outputs from this scheme.

► Warm Homes: Social Housing Fund and Local Grant

The Warm Homes Plan, which includes £3.4 billion of investment in heating and household energy efficiency over the next three years, was introduced by the current Labour Government in November 2024.

The plan consolidates several existing schemes and their associated funding. As a result, the overall funding remains consistent with previous forecasts, and there is minimal change compared to last year's assumptions. The main exception is the Warm Homes: Local Grant (WHLG), which now includes gas grid-connected homes, attracting an additional £500 million in funding over the next three years.²

While the impact of these schemes is significant for individuals, the overall effect on our forecasting is limited. Compared to programmes such as ECO and GBIS, relatively few homes are upgraded through these mechanisms. Consequently, the total benefit from these schemes accounts for just 17% of the energy efficiency improvements within our forecast.

Domestic demand



New homes

Although overall connection rates have declined, new homes continue to join our networks, contributing to additional demand that must be accounted for. We use a range of sources to develop realistic projections for the number of new houses, assessing energy demand for new and existing homes separately. Currently, the average new home connecting to our network uses less than half the gas of an average existing home. The factors that inform our assessment of new homes include the following:

► Econometric analysis

Our econometric assessment for new homes includes estimating new home connections by linking historical connection figures to GDP forecasts. We then apply relevant legislation and policies, following our established methodology, to these outputs, using EPC ratings to determine the potential heat demand for each new house. This gives us our forecast of gas demand allowance for new homes. Finally, we apply our behaviour change forecasts to the new homes element, to ensure economic changes are fully accounted for.

► New Build Heat Standard (NBHS) – Scotland only

This legislation came into effect in Scotland in April 2024, mandating that heating systems in new homes and buildings

cannot connect to the gas network. Existing building warrant applications remain valid for three years, which results in a forecast of no new houses connecting to SGN networks from April 2027 onwards. The result of this Scotland-specific legislation is a projected 2.6% reduction in domestic gas demand in Scotland by 2033.

► Future Homes Standard (FHS) – Building Regulations update (England only)

In 2022, significant updates were made to energy efficiency regulations for new homes in England, representing the most substantial uplift in performance standards in nearly a decade. These changes were introduced in preparation for, and designed to align with, the proposed Future Homes Standard (FHS), under which all new homes will be expected to be “zero-carbon ready”.

According to government guidance, these regulations will result in new properties producing at least 31% less CO₂ compared to those built to previous standards. We currently incorporate these interim standards into our assessment of the impact of new homes within our forecasts. However, as these changes apply only to new houses, the overall impact on domestic demand remains low.

Secondary heating

In recent years, the use of wood burners in UK homes has increased, driven by rising energy costs and the aesthetic appeal they offer. We account for the impact of secondary heating sources, such as wood burners, as part of our domestic demand forecasting process.

While their popularity has grown, the overall impact on gas demand remains low. Our forecast reflects a 0.25% reduction in domestic demand over the ten-year period, as wood burners are typically used as a supplementary heat source, and their contribution is already captured within broader heating behaviour assumptions.

Domestic demand

Heat pumps

When installed in suitably insulated properties, heat pumps have the potential to be one of the most efficient alternatives to traditional heating systems. Several government policies are in place to support homeowners with installation costs and to stimulate growth in the market overall. Government installation targets are aligned with net zero ambitions; however, they are highly ambitious and currently lack the necessary legislation and infrastructure to be fully achievable. Progress in this area remains limited, and targets are not being met. In our forecasts, we assess the impact of heat pumps using the following policies:

► Home Energy Scotland Grant and Loan Scheme

This scheme provides homeowners in Scotland with financial support in the form of a grant, an interest-free loan, or a combination of both, to install clean heating systems and energy efficiency measures. For heat pumps, the scheme offers a grant of up to £7,500, with an optional interest-free loan of up to £7,500, bringing the total potential support to £15,000. Rural and island households may receive an additional £1,500 uplift on both the grant and loan, increasing total support to £18,000.

This scheme is currently the primary mechanism for delivering heat pumps to homeowners in Scotland.

Based on our modelling, this element contributes to a 1.9% reduction in domestic gas demand by the end of the forecast period, due to heat pumps replacing traditional boilers. This reduction is higher than in our Southern LDZs, reflecting the slightly more generous incentives available in Scotland.

► Boiler Upgrade Scheme (BUS)

The Boiler Upgrade Scheme (BUS) has been in place since April 2022, supporting the installation of heat pumps and biomass boilers in homes and non-domestic buildings across England and Wales. Grants of up to £7,500 are currently available for the installation of air-source and ground-source heat pumps, while biomass boilers are eligible for grants of up to £5,000.

The scheme’s budget for the 2024/25 financial year was increased to £205 million, following an additional £25 million allocation by the Department for Energy Security and Net Zero (DESNZ). Ofgem has also been authorised to over-allocate vouchers up to £280 million to ensure continuity.

Since the grant increase to £7,500 in October 2023, uptake has improved significantly. In 2024, installations were approximately 60% higher than the previous year. However, overall numbers remain modest. By the end of March 2025, the scheme had supported 49,136 low-carbon heating installations, with 36,714 of these replacing fossil-fuel based systems. Notably, only around half of the heat pumps installed replaced gas boilers, limiting the overall impact on domestic gas demand.

Despite its growing maturity and increased funding, the BUS continues to face challenges in scaling up to meet net zero targets. Our forecasts reflect this limited impact, with only a modest reduction in gas demand attributed to the scheme.

► Warm Homes: Local Grant

The Warm Homes: Local Grant replaces the Home Upgrade Grant and targets low-income households in England living in homes with poor energy efficiency ratings (EPC D-G). Delivered via local authorities, the scheme enables eligible households to carry out energy upgrades, including insulation, solar panels and heat pump installations.

Unlike its predecessor, the scheme now includes homes connected to the gas grid, expanding its reach. It has been allocated £500 million in funding as part of the 2024 Autumn Budget.

Despite its broader scope, the impact on our forecasts remain extremely low, as relatively few heat pumps are currently installed through this scheme. Most installations focus on insulation and other energy performance measures, with heat pumps representing a small proportion of upgrades.



► Clean Heat Market Mechanism (CHMM)

Introduced in April 2025, the CHMM is a legislative mechanism scheduled to operate until at least 2029. It requires major manufacturers of gas boilers to sell a proportionate number of heat pumps relative to their boiler sales, or face financial penalties.

We currently do not include CHMM in our forecasts for the following reasons:

- It was not in place at the time we carried out our forecast.
- In its first year, the scheme allows reduced penalties for manufacturers who fail to meet targets.
- Despite available incentives, gas boilers remain significantly cheaper than heat pumps for most homeowners, limiting uptake.

We’ll continue to monitor the scheme’s performance and assess its potential impact on domestic gas demand as market conditions and policy enforcement evolve.

Domestic demand

Unlegislated policy

A number of government policies relevant to energy demand remain unlegislated. As such, we do not include them in our demand forecasts, due to significant uncertainty around key factors such as budget allocation, policy specifics and implementation timelines. Including these prematurely could misrepresent future demand and lead to inaccurate planning assumptions, potentially affecting the investment decisions we make on behalf of our customers.

However, many of these policies have the potential to be enacted and begin influencing gas demand within the forecast period. It is therefore essential that we continue to closely monitor their development, to ensure we remain responsive to emerging policy changes and can understand when and how they may need to be incorporated into future forecasts.

► Future Homes Standard (FHS)

As discussed earlier in this year's LTDS, the Future Homes Standard (FHS) remains in development. Its aim is to future-proof new-build homes by mandating high energy efficiency and low-carbon heating systems. Crucially, it will prohibit new homes from being connected to the gas network, similar to the New Build Heat Standard (NBHS) already in force in Scotland.

The Labour Government has confirmed that the full FHS will be published in Autumn 2025, with legislation expected to be laid before Parliament in December 2025 and come to effect in December 2026, followed by a 12-month transitional period. From December 2027, all new homes will be required to comply with the standard.

Key features of the FHS include:

- Mandatory solar PV installation on most new homes, subject to practical constraints.
- Relaxation of the one-metre boundary rule for air-source heat pumps (ASHPs), simplifying planning requirements.
- Updated building regulations (Part L and Part F) to support airtight, well-insulated homes with clean electric heating.

Our assessment of the full policy indicates a modest impact on domestic gas demand, with a projected 1.7% reduction in our Southern LDZs by the end of the forecast period.

As noted in our main domestic demand narrative for new homes, interim building regulation changes introduced in 2022 have already begun the transition toward the FHS. These are fully legislated and therefore included in our current forecasts.

► Heat in Buildings (Scotland) Bill

This Scotland-specific legislation aims to decarbonise heating systems and improve energy efficiency across all buildings, supporting the Scottish Government's legally binding target of achieving net zero by 2045.

The Bill, currently under development, originally proposed that all properties transition from fossil fuel heating systems (eg. gas or oil boilers) to Zero Direct Emissions Heating (ZDEH) by 2045. It also included a requirement for new homeowners to replace non-compliant systems within a defined period after purchase, and for all homes to meet enhanced energy efficiency standards by 2033.

Following public consultation, the revised approach softens these requirements. Rather than placing obligations directly on individual homeowners, the Bill now sets national targets for decarbonisation, aiming to reduce the financial burden and avoid exacerbating fuel poverty—particularly in rural and island communities.

The Bill remains technology-neutral, allowing flexibility in heating solutions, and will be supported by related measures such as the Social Housing Net Zero Standard, reforms to Energy Performance Certificates, and expanded heat network development.



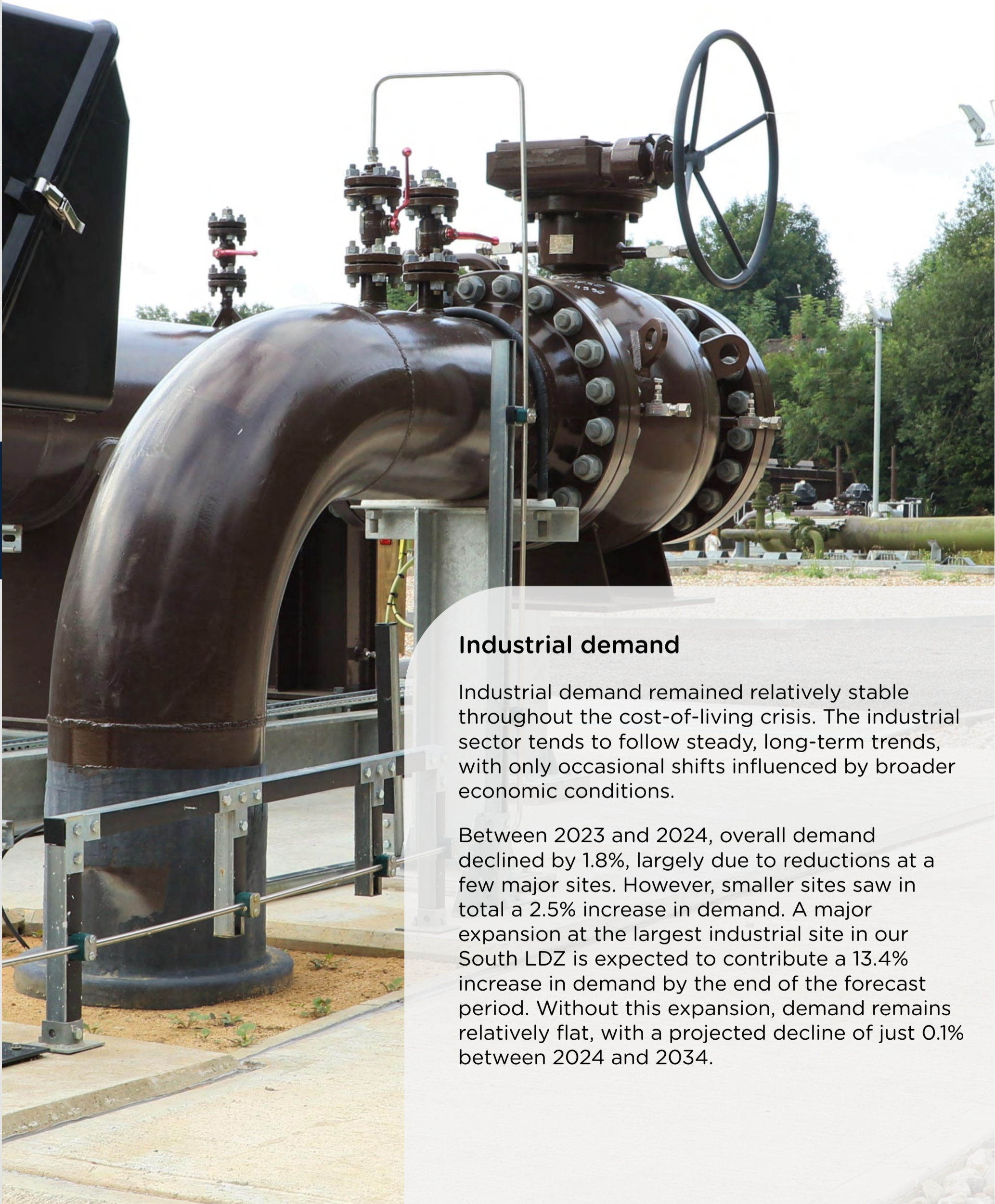
► Heat in Buildings Strategy (HIBS)

The Heat in Buildings Strategy (HIBS), published in 2021, outlines the UK Government's long-term plan to decarbonise heating in homes and buildings as part of its net zero ambitions.

A key element of the original strategy was the phasing out of new natural gas boiler installations by 2035, with a gradual transition toward low-carbon heating technologies, such as heat pumps and district heat networks.

Since its publication, the strategy has undergone several revisions. The current Labour Government has indicated a shift in approach, moving away from an outright ban on gas boiler sales. Instead, it favours incentivising low-carbon heating through financial support schemes (eg. the Boiler Upgrade Scheme) and relaxed planning rules for technologies like air-source heat pumps.

At present, there is no specific legislation in place to enforce the 2035 boiler ban or the revised incentive-based approach. As a result, we do not include HIBS-related policy impacts in our demand forecasts.



Industrial and commercial demand



29%
Peak Demand

Our industrial and commercial customers account for 29% of total peak day demand delivered by our networks.

We try to gather as much relevant information as possible to support our analysis of this sector. However, in some areas, this effort is hindered by legacy industry reports and outdated practices beyond our control. Stakeholder engagement plays a vital role in helping us deepen our understanding of customer requirements. It also informs our approach and enables us to lead industry initiatives aimed at addressing data gaps that are critical to managing a modern energy system. One example of this is our leadership in discussions about introducing SIC codes as a standard data item within the Central Data Service Provider (CDSP), Xoserve.

Where granular data remains limited, we apply top-down econometric methods to forecast demand across broader areas. Where more detailed insights are available, typically for our larger industrial customers and a small number of power-generation sites, we incorporate bottom-up forecasting techniques.

Industrial demand

Industrial demand remained relatively stable throughout the cost-of-living crisis. The industrial sector tends to follow steady, long-term trends, with only occasional shifts influenced by broader economic conditions.

Between 2023 and 2024, overall demand declined by 1.8%, largely due to reductions at a few major sites. However, smaller sites saw in total a 2.5% increase in demand. A major expansion at the largest industrial site in our South LDZ is expected to contribute a 13.4% increase in demand by the end of the forecast period. Without this expansion, demand remains relatively flat, with a projected decline of just 0.1% between 2024 and 2034.

Commercial demand

Commercial demand accounts for roughly 20% of total non-domestic consumption. In our 2024 forecast, we adjusted price sensitivity assumptions for this sector, which improved accuracy and captured the year-on-year increase. Looking ahead, we anticipate continued growth in demand, albeit at a slower pace - averaging 0.7% annually over the forecast period - reflecting the gradual upward trend observed in recent years.

Power generation impact

Power generation is forecasted separately due to its distinct drivers. Although it contributes a relatively small share of annual demand, it has a large impact on peak day demand forecasts. As such, given their strategic importance to network planning, we monitor power-generation sites closely and assess them individually.

Indirect impact of energy efficiency and policy

Energy efficiency trends within the I&C sector are observed indirectly through output comparisons and econometric indicators, as specific drivers are not isolated in the same way as domestic demand.

Policy influence on I&C demand is acknowledged but remains difficult to quantify, largely due to the sector's diversity. Unlike domestic demand, which is more directly shaped by targeted regulations and energy efficiency incentives, the I&C sector lacks consistent, sector-wide policy levers that translate into measurable demand shifts. While future decarbonisation initiatives may improve transparency and introduce more structured interventions, current analysis finds limited justification for treating policy as a distinct driver of demand within this segment.

Industrial and commercial demand

Econometric analysis

We forecast commercial demand and the non-daily metered portion of industrial demand using econometric modelling. By analysing historical demand patterns within each sector at the Local Distribution Zone (LDZ) level and comparing them with the relevant economic indicators (outlined below), we identify areas where there is a strong correlation between changes in demand and economic activity. These relationships form the foundation of our econometric forecasts.

▶ Industrial and commercial gas prices

We use the historical relationship between wholesale, commercial and industrial gas prices to develop our price forecasts for use in our analysis of these sectors.

Wholesale prices, which are currently slightly higher than in last year’s forecast, are projected by benchmarking against existing gas price forecasts (as outlined in the domestic section of this document). As a result, the 2025 retail gas price forecasts for the industrial and commercial sectors are slightly higher than previously predicted. This increase contributes to a reduction in projected demand for these sectors compared to our 2024 forecast.

▶ GDP and GVA

To evaluate GDP and GVA within our 2025 forecasts, we used the Office for Budget Responsibility (OBR) forecasts, as detailed in the latest *OBR Economic and Fiscal Outlook* published in October 2024.

GDP and GVA are closely linked, and we compare historical demand with these economic indices to identify strong correlations across all demand sectors.

Historically, both GDP and GVA showed consistent growth from 2009 to 2019, prior to the significant disruption caused by the Covid-19 pandemic in 2020. A recovery followed in 2021, with continued growth since then, although growth from 2022 onwards has been lower than historical averages.

The OBR forecasts show continued growth throughout our forecast period, starting at 2% in 2025 and slowing in subsequent years through to 2029. To extend our forecast beyond this point, we extrapolate the final year of the OBR forecast, 1.6% growth in 2029, through to 2035.

▶ Jobs in each region

For this sector, consistent with our approach to GDP and GVA, we use the Office for Budget Responsibility (OBR) forecasts, as detailed in the latest *OBR Economic and Fiscal Outlook* published in October 2024.

We analyse these forecasts against historical demand to assess whether there is a meaningful relationship between employment levels and gas demand across all LDZs.

This year, we identified a strong enough correlation only within the commercial sector in our Scotland LDZ, making it the only region where employment has been used as a forecasting input.

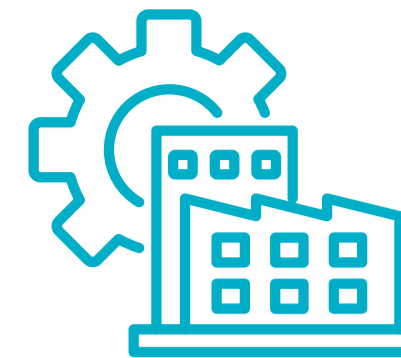
We continue to monitor this relationship annually to evaluate its relevance across other sectors and regions, incorporating it into our forecasts where appropriate.

▶ Service sector and manufacturing sector outputs

We link each sector’s outputs to demand within the relevant LDZ, based on strong historical relationships. Regression analysis is then used to develop our own output projections, which inform our demand forecasts.

This approach enables us to assess the influence of each sector on demand and incorporate potential changes with greater confidence. The methodology is applied consistently across both the service and manufacturing sectors.

Historically, service sector output has shown steady growth, although there was a significant decline followed by a recovery during the Covid-19-affected years. Since then, growth has resumed and is forecast to continue. Over the next ten years, we project average annual growth in service sector output of 0.6%.



Econometric Analysis

In the manufacturing sector, gas demand has declined somewhat, primarily due to increased efficiency in manufacturing processes, even as output has risen over the same period. Manufacturing output is forecast to continue growing, albeit at approximately half the rate of the service sector.

▶ Inflation

Inflation affects all areas of demand, even without recent cost-of-living increases. After two years of very high inflation, the rate fell to the government’s target of 2% in June 2024. However, it rose again to 3.4% in May 2025.

Because inflation influences many other economic indicators, we must carefully manage the risk of double-counting its effects in our forecasts.

As a result, we have excluded inflation as a stand-alone factor in this year’s economic analysis. Instead, we account for it indirectly through areas where it already plays a role, such as gas prices. We continue to review this approach annually to ensure it remains appropriate.

▶ Bank of England base rate

The Bank of England base rate is one of the government’s key tools for managing inflation and, by extension, economic growth. The government’s 2% inflation target has been exceeded for prolonged periods in recent years, prompting an increase in the base rate from historically low levels.

We monitor this rate and assess its potential impact on forecasts for the non-domestic sectors. Our annual evaluations consistently show that its influence on gas demand in these sectors is too limited to justify including it as a separate factor in our econometric forecasts.

Industrial and commercial demand



Site-specific Analysis

Site-specific analysis

For many of our larger industrial customer sites, we can understand their gas usage through daily metered data. This helps us better support their energy needs and manage our networks, both for in-day operations and long-term forecasting and planning. As our energy systems shift towards a lower-carbon future, understanding how these larger customers use energy becomes even more important. This requires more detailed (granular) data, some of which is currently unavailable. Where this detailed data is lacking, we use top-down econometric analysis to estimate changes in demand.

We continue to work closely with our customers and in collaboration with our colleagues across the industry to improve the quality and availability of the data at our disposal.

Large loads

This year’s large load forecast indicates modest changes, with slight reductions in demand across the Scotland and South East LDZs. In the South LDZ, a similar trend is observed; however, the addition of a new site offsets declines elsewhere, resulting in a slight overall increase in forecasted demand.

In our Scotland LDZ, the most notable change is the closure of a major refinery in April 2025, which contributes to a 6% reduction in forecasted demand compared to last year.

The South East LDZ also shows a forecast approximately 6% lower than the previous year. This is primarily driven by reduced annual demand from our largest power-generation site, which is transitioning from baseload generation to a more flexible operating model. Importantly, the site’s peak demand remains unchanged and continues to be observed regularly throughout the year. All other sites in this LDZ remain stable, with minimal year-on-year variation.

The South LDZ presents a more complex picture. While the overall forecast remains broadly in line with last year, it reflects significant internal shifts. One key factor is the anticipated demand from our largest customer’s expansion, originally included in the 2024 forecast, which has not yet been realised. Nevertheless, the expansion still contributes to a notable uplift in this year’s forecast. Additionally, the commissioning of a compressed natural gas filling station adds to overall demand.

Summary:

Overall, the 2025 large load forecast reflects a relatively stable outlook with regional variations. Scotland and South East LDZs show modest declines in annual demand, primarily due to industrial and power generation changes over the last year. Meanwhile, the South LDZ maintains a steady forecast, underpinned by new developments that balance out reductions elsewhere. These shifts highlight the evolving nature of energy demand across the network and the importance of closely monitoring site-level changes.

Power generation

As the UK energy system continues its transition towards renewables on the path to net zero, maintaining a resilient and responsive energy supply remains essential, for both gas and electricity consumers, as well as the wider economy.

While renewable generation is growing, gas-fired electricity remains a vital part of the energy mix. In 2024, gas accounted for 30.4% of UK electricity production, compared to 34.3% from wind and solar.¹

Electricity supply and demand must be balanced every second of the day. To achieve this, the National Energy System Operator (NESO) uses the Balancing Mechanism (BM), which enables rapid adjustments to generation or demand in response to unexpected changes, such as weather shifts, demand spikes or generator outages.

Gas-fired generators are capable of rapid response during periods of system constraint, making them a vital part of the UK energy system. As a result, they are well-positioned to benefit from higher electricity prices during times of peak demand or limited supply. This was confirmed during our 2024 annual stakeholder engagement, where generation customers reported that electricity system operators continue to rely on gas for grid balancing, especially at peak times. This reinforces the value of gas network in providing system flexibility and highlights its critical role in ensuring the stability and security of supply of the whole energy system.

Daily metered data also reveals changing operational patterns, particularly in our southern network, where the largest generator more than doubled its annual gas demand since 2020 in response to market signals. However, it is now shifting to a more flexible operating model—reducing annual consumption while maintaining peak capacity.

Summary:

As the UK progresses towards a net zero future, gas-fired electricity generation continues to play a vital role in maintaining system flexibility and supply security. Despite the growth of renewables, gas remains essential for balancing the grid, especially during periods of peak demand or unexpected disruptions. Operational data and stakeholder feedback confirm its ongoing importance, with evolving usage patterns reflecting a shift towards more flexible generation models. This highlights the enduring value of gas infrastructure in supporting a resilient and responsive energy system.

1. UK Energy in Brief 2025



Stakeholder engagement

At SGN, we're committed to meaningful engagement with a broad and diverse range of stakeholders, including customers, shippers, suppliers, regulatory bodies, Gas Distribution Networks (GDNs) and Distribution Network Operators (DNOs).

Engagement is delivered across the business by specialist teams, each focusing on their area of expertise.

These interactions span a wide range of topics, all aimed at enhancing our networks and improving the services we provide.



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Ensuring reliable supply

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Glossary

Annual LTS Demand and Emergency Planning team engagement

A key area of engagement that directly informs our forecasting and in-day operational decisions is the annual exercise carried out by our LTS Demand and Emergency Planning team. This engagement focuses on discussions with our largest customers, as well as those who use gas in an abnormal way. We speak to this group to gain a deeper understanding of how we can support their current and future energy usage.

In 2024, this engagement programme involved reaching out to 37 customers, representing the ten largest gas consumers in each Local Distribution Zone (LDZ), along with strategic sites such as distilleries and power generators. Collectively, this group accounts for 14TWh of annual gas demand, representing a significant portion of our industrial sector.

Improving engagement

We continuously strive to improve and expand this engagement, with a particular focus on identifying trends that can be applied more broadly across similar sites.

One initiative we are leading on to support this effort is the introduction of Standard Industrial Classification (SIC) codes into the Central Data Service Provider (CDSP) for the gas industry, Xoserve.

We believe that this enhancement will enable the energy sector to better understand changes in industrial and commercial activity at source, improving accuracy while removing duplication of effort and associated costs.

Industrial and commercial customers

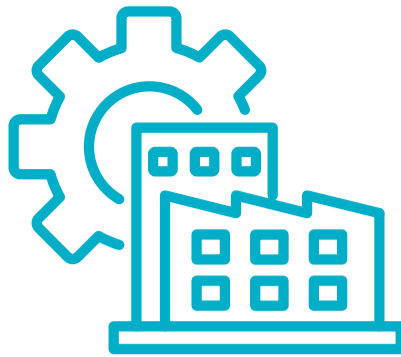
We recognise that many of our customers in this sector are adapting their energy use as part of a broader shift towards sustainability and operational efficiency.

Understanding these changes is critical to everyone involved in managing the UK’s energy requirements, since without visibility they would impact our collective ability to forecast demand and plan effectively on behalf of our customers.

That’s why open, proactive communication is more important than ever.

In 2024, we expanded our engagement efforts to reach more of our customers than ever before, gathering the latest insights from our largest customers and those using gas in non-standard ways across all our LDZs, understanding how they are planning their operations and managing their energy supplies, both in the near term and through to 2045/50.

This group represented a diverse portfolio of industrial and commercial activity. They included electricity generators, manufacturers of building materials, timber processors and producers of glass, paper and steel, as well as those involved in car manufacturing, food production, pharmaceuticals, healthcare, distilling, petrochemical refining and defence-related activities.



Stakeholder Engagement

One of the questions we asked these customers was which energy sources they anticipated relying on through to 2045/50. Their responses provided valuable insights:

100% of the embedded power generators confirmed their continued reliance on gas through to 2045/50.

In the UK’s competitive electricity market, gas-fired generators operate strategically in response to energy price signals. While some told us they saw limited viable pathways to decarbonise their operations, others are interested in the development of blended gases and carbon capture technologies.

We also learned that one customer with on-site generation for their own use is adjusting their business model to capitalise on opportunities in the electricity export market

73% of engaged customers told us they expect to keep using natural gas through to 2045/50.

For many, gas remains central to their operations due to its consistent performance, and compatibility with existing processes and infrastructure.

Another **18%** anticipate adopting a mix of energy sources, with gas still playing a role, indicating a measured approach to transition that balances innovation with practicality.

Only **9%** plan to switch to electricity.

48% told us they have no viable alternative to using gas as their primary energy source.

This continued reliance on gas is driven by several factors, including the reliability of gas supply, the high costs of transitioning to new technologies, and the limited availability of suitable alternatives.

Additional barriers include high electricity prices, the specific energy intensity of their operations, the recycling of captured carbon dioxide for use in production processes, and constraints related to electricity grid capacity and site location.

31% indicated that they plan to retain a gas connection as a back-up supply, even if they transition to an alternative primary energy source.

This signals a clear expectation that gas infrastructure will continue to play a role in providing energy security and operational resilience, particularly in sectors where uninterrupted supply is critical.

However, this shift towards contingency use has important implications for the relationship between peak day and annual demand. Peak day demand may remain high, while annual consumption falls, changing how we plan and forecast across the network.

A low-carbon energy future

The UK’s future energy landscape is expected to comprise a diverse mix of biomethane, hydrogen, heat networks and electrification technologies – all working together to drive the decarbonisation of heat and power. According to NESO’s Holistic Transition pathway, around 280TWh of energy needs to be transported through the gas system in 2050.

Scaling up biomethane

With more than 80% of our network already upgraded to modern plastic pipes, and that figure continuing to grow, we’ve established a safe, resilient and future-ready system for transporting low-carbon energy. Biomethane offers ‘drop-in’ renewable gas, with the only significant difference from natural gas being the lower calorific value. To ensure customers get the correct amount of metered energy, biomethane is enriched with around 3% propane so that it matches the energy content in natural gas.

There are around 130 biomethane plants connected to the UK gas grid today, creating up to 11TWh of green gas capacity annually. Of these, 45 actively inject biomethane into our networks, and an additional 13 projects are at various stages of development. By mid-century, biomethane could heat up to 20% of UK homes, playing a vital role in supporting net zero – and SGN is proud to be driving this transition.

As the first UK gas distributor to inject biomethane into the network, we continue to unlock opportunities for producers by simplifying connection processes and cutting lead times. We are carrying out innovative propane mitigation projects across eight sites in our Scotland and Southern regions, reducing operating costs for biomethane operators.

Currently, the equivalent of one in ten households in Scotland heats their homes with biomethane generated from agricultural feedstocks and organic waste, injected directly into our infrastructure. To drive continued progress, we are ramping up our efforts to supply biomethane to the equivalent of 450,000 households across all our LDZs by early 2026, with a bold target of reaching 1 million homes and businesses by 2031.

In parallel, we’re working with partners through our non-regulated business to explore the wastewater sector and increase the volume of renewable gas flowing through the UK network as part of our broader strategy.

Up to 1 in 10 Customers in Scotland are supplied by biomethane	Scotland LDZ	Southern LDZs
	25 biomethane sites able to supply equivalent of more than 208,000 domestic customers.	20 biomethane sites able to supply equivalent of more than 145,000 domestic customers.



Supporting hydrogen

We’re also driving the transition to cleaner energy by advancing hydrogen across the gas network. From blending with natural gas to pioneering 100% hydrogen solutions, we’re investing in innovation and infrastructure to cut emissions, stimulate demand in the growing hydrogen sector, and provide vital evidence to help future energy policy

H100 Fife

Located in Levenmouth, Scotland, H100 Fife is one of the world’s largest green hydrogen trials. It features a full production, storage and distribution system to supply zero-carbon hydrogen for heating and cooking. The project aims to provide evidence for future policy decisions on decarbonising domestic energy use. Learn more about H100 Fife [here](#).

8.4km
network will carry green hydrogen to hundreds of households

LTS Futures

Our £29.9 million project successfully demonstrated hydrogen transport through a repurposed pipeline from Grangemouth to Granton in Scotland. Including the world’s first live welding and hot tapping on an active hydrogen line. The findings will inform UK energy policy and provide a blueprint for converting the LTS network.

Learn more about LTS Futures [here](#).

30km
pipeline repurposed to test compatibility with hydrogen

Ensuring reliable supply

We are committed to ensuring our customers benefit from an affordable, safe and secure supply of gas. Delivering energy reliably and responsibly is central to our role, and we take pride in maintaining high standards of operational integrity and regulatory compliance.

Our Long Term Development Statement (LTDS) forms a crucial part of this commitment. Providing a transparent, data-driven view of forecasted annual and peak day gas demands over a ten-year horizon. By aligning with our regulatory obligations, the LTDS supports informed planning and investment decisions, helping stakeholders anticipate future needs and maintaining system resilience. This approach reinforces our dedication to long-term reliability, regulatory accountability, and the continuous improvement of our services for all customers.



Regulatory framework

Our Long Term Development Statement (LTDS) is produced in accordance with our Gas Transporter Licence and Section 'O' of the Uniform Network Code. Supported by the Offtake Arrangements document, the LTDS offers a ten-year outlook on both annual and peak day gas demands. This ensures compliance with our 1-in-20 licence obligations and supports the delivery of a safe, affordable and reliable gas supply to domestic customers.

National context

For those seeking a broader perspective on the UK's energy supply and security, National Gas publishes the Gas Ten Year Statement (GTYS), which offers a comprehensive view of the national energy landscape.

<https://www.nationalgas.com/media/publications/gas-ten-year-statement-gtys>

Forecast methodology

We prioritise a bottom-up approach, particularly within the domestic sector, complemented by top-down econometric analysis.

This begins with a detailed examination of individual demand drivers, such as behavioural shifts, boiler efficiency, housing growth, energy efficiency upgrades and the adoption of alternative heating technologies, such as heat pumps.

By first analysing these factors in isolation we gain a precise understanding of demand dynamics. Currently, bottom-up modelling accounts for approximately 75% of our total forecast demand, providing a robust foundation for planning.

Our full methodology is published on our website [here](#).

Forecast accuracy

Our forecasting methodology integrates insights from trusted industry sources and historical performance data, enhancing confidence in the outputs.

This approach has consistently supported reliable supply during adverse weather events. Forecasts are grounded in prevailing market conditions and legislative developments, avoiding speculative assumptions.

We also account for regional demand variations and policy differences to maintain relevance and accuracy.

Stakeholder engagement is a vital component of our process. We actively consult with customers whose network impact is significant, ensuring our forecasts reflect real-world needs and expectations.

Peak day demand and system resilience

Ensuring system resilience during extreme weather events is central to our forecasting strategy.

We anchor our peak day demand forecasts in real-world extremes, using a robust 60-year weather dataset, refined over the most recent 20 years. This allows us to calibrate against historical cold spells, most notably the severe conditions of 2018.

These calibrations have been validated against more recent cold periods, reinforcing the reliability of our forecasts and ensuring our networks are equipped to deliver uninterrupted gas supply under the most testing conditions.

Forecast Data Workbook

This year, in response to feedback from our customers, we have separated the tables and charts normally published within the main body of the LTDS publication into a dedicated workbook.

This change enables our customers and stakeholders to explore the outputs of our forecast in a more accessible way. It reflects our ongoing commitment to improving data accessibility and supporting informed decision-making across the energy industry.

The Data Workbook is published on our website here 




1 and 2. Annual and peak day demand overview	These figures show historical annual gas demand and the forecast going forward. The large reductions in 2022 and 2023 are mainly due to increases in fuel prices and the increased cost-of-living impacting the domestic sector.	7. Winter severity statistics	Sourced from the April 2025 National Grid Winter Severity Report 2024/25, these statistics cover the gas industry interpretation of winter, lasting for a six-month period from October to March inclusive. By way of explanation, a winter can be either warm, cold or average. The 1 in 'X' is a measure of how far away from average it is and whether it is cold or warm.
3. Forecast comparisons for peak day demand	These charts show the current forecast values compared to last year's forecast. This highlights the effect of changes that have happened in the past year.	8. Maximum and minimum flows - gas year 2024/25	Tables here indicate the highest and lowest daily demands for each LDZ seen between October 2024 and September 2025, and when they occurred. These figures are also expressed as a percentage of the forecast peak day demand.
4. Annual demand by load category - tables	These show our forecasted annual demand figures for each year of the forecast, split by load category, to give a more granular view of the changes expected in each sector.	9. Biomethane sites	This shows the total number of biomethane sites connected to our networks, with their contracted capacity and the equivalent number of domestic customers this gas might be able to supply, based on the Ofgem average AQ of 11,500kWh.
5. Peak day demand by load category - tables	These show our forecasted peak day demand figures for each year of the forecast, split by load category, to give a more granular view of the changes expected in each sector.	10. Major projects <7bar	These tables provide a comprehensive overview of major projects at pressures below 7bar that align with the planning horizon discussed in this year's LTDS. Major projects are works estimated to cost in excess of £500,000. As a result of how we manage these projects, there may be adjustments to the projects shown compared to the previous year's LTDS.
6. Actual annual demand flows for 2025	These tables provide a comparison of actual and weather-corrected demands during the 2024 calendar year with the forecasts presented in our 2024 LTDS. Annual demands are presented in the format of LDZ load bands/categories, consistent with the basis of system design and operation.	11. Major projects >7bar	These tables provide a comprehensive overview of major projects at pressures above 7bar that align with the planning horizon discussed in this year's LTDS.

Demand forecast overview

While the full dataset is available in the dedicated workbook, the summary below provides an overview of SGN’s annual and peak gas demand forecasts for the next ten years.

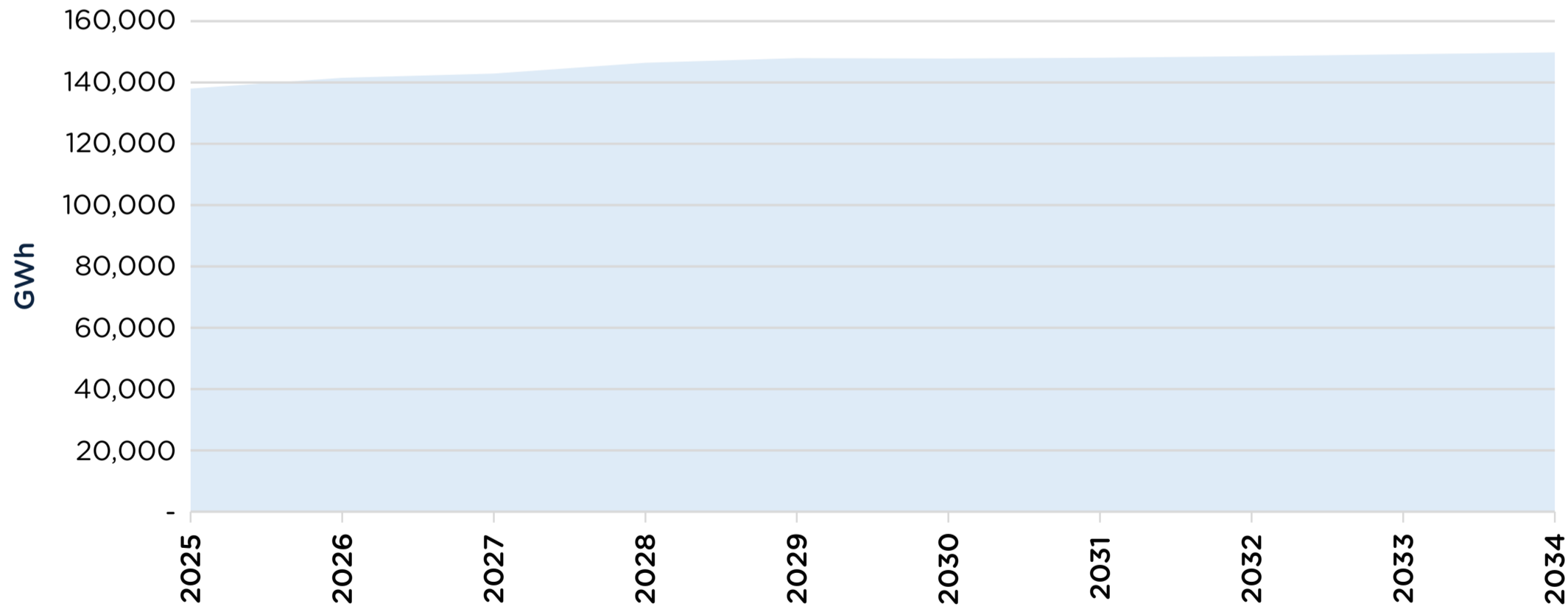
Annual demand overview (GWh)

Calendar Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
SGN total	137,997	141,589	142,932	146,452	147,943	147,800	148,102	148,608	149,235	149,888

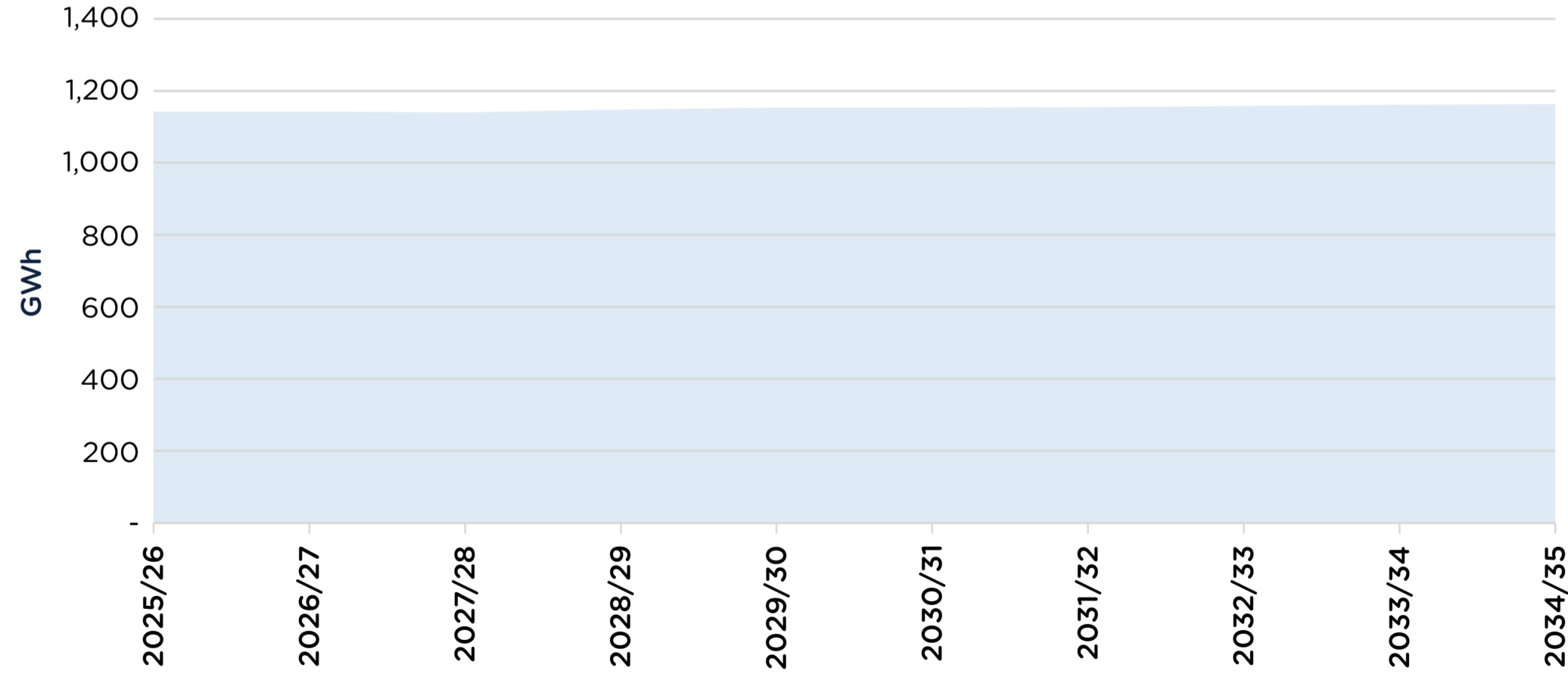
Peak day demand overview (GWh)

Gas Supply Year	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
SGN total	1,143	1,143	1,141	1,148	1,154	1,153	1,155	1,158	1,161	1,163

Annual demand forecast - SGN overall



Peak day demand forecast - SGN overall



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External contacts

Ofgem - Office of Gas and Electricity Markets
Regulating authority for gas industry and markets.

FEN - Future Energy Networks
FEN represents those in the energy industry seeking to understand and enact the changes needed to deliver the energy networks of the future.

Xoserve - Central Data Service Provider for Britain's gas market
One of several service providers supporting the UK gas industry.

Joint Office of Gas Transporters
The Joint Office is where the UNC can be found. There are also details of live modifications to the document and the various working bodies relating to the gas industry.

DESNZ - Department for Energy Security and Net Zero
DESNZ brings together responsibilities for business, industrial strategy, science, innovation, energy and climate change.

NESO - National Energy System Operator
The nationalised energy system operator for the UK.



network.capacity@sgn.co.uk
Our dedicated email address for any questions regarding network capacity, including our Long Term Development Statement.



customer@sgn.co.uk
Our 24-hour Customer Service team can be reached by email or by calling **0800 912 1700**. You can also find us on Facebook or follow us on X at @SGNgas.



linesearchbeforeudig.co.uk
Safety is our number one priority. Before you dig, always request details of our pipework locations via this online service.



lets.chat@sgn.co.uk
We are always interested in engaging with our stakeholders. This is how we look to improve the way we do things by listening to your feedback.



sgn.co.uk
You can apply for a new gas connection online through our website and learn more about our Help to Heat scheme. You can also find further information about our planned and emergency works in your area.



sgngasentrypoints@sgn.co.uk
Our dedicated email address for any questions about biomethane.

Glossary

Annual Quantity (AQ) – The AQ of a supply point is its annual consumption over a 365 or 366-day year, under conditions of average weather.

Bar – The unit of pressure that is approximately equal to atmospheric pressure (0.987 standard atmospheres). Where bar is suffixed with the letter g, such as in barg or mbarg, the pressure being referred to is gauge pressure, ie. relative to atmospheric pressure. One-millibar (mbar) equals 0.001 bar.

DESNZ – Department for Energy Security and Net Zero – DESNZ took over the former responsibilities of BEIS Department for Business, Energy & Industrial Strategy in February 2023.

Biomethane – Biogas that has been cleaned in order to meet GSMR requirements.

Calorific Value (CV) – The ratio of energy to volume measured in mega joules per cubic meter (MJ/m³), which for a gas is measured and expressed under standard conditions of temperature and pressure.

Climate Change Levy (CCL) – Government tax on the use of energy within industry, commerce and the public sector to encourage energy efficient schemes and use of renewable energy sources. CCL is part of the UK Government's Climate Change Programme (CCP).

Comfort levels – A term used in demand assessment referring to the temperatures at which households choose to heat their homes.

Connected System Exit Point (CSEP) – A connection to a more complex facility than a single supply point. For example, a connection to a pipeline system operated by another gas transporter.

Cubic metre (m³) – Of natural gas measures the volume of the gas, which is then converted to its energy content for billing purposes, typically in kilowatt-hours (kWh). This conversion uses a calorific value, an average measure of heat energy per cubic metre, and correction factors for temperature and pressure.

Daily metered supply point – A supply point fitted with equipment, for example a data-logger, which enables meter readings to be taken on a daily basis. These are further classified as SDMC, DMA, DMC or VLDMC according to annual consumption. Of these, the most relevant is VLDMC, which is defined in this glossary.

Distribution system – A network of mains operating at three pressure tiers: intermediate (7 to 2barg), medium (2barg to 75mbarg) and low (less than 75mbarg).

Diurnal storage – Gas stored for the purpose of meeting within-day variations in demand. Gas can be stored in special installations, such as gasholders, or in the form of linepack within transmission pipelines, ie. >7barg pipeline systems.

Embedded entry points – Entry point which is not an offtake from the National Transmission System (NTS). Can be a biomethane or other unconventional source of gas.

Embedded power stations – Gas-fired power stations designed to provide resilience within a local electricity power grid by generating electricity according to operational and market factors.

Exit zone – A geographical area within an LDZ, which consists of a group of supply points which, on a peak day, receive gas from the same NTS offtake.

Formula year – A 12-month period commencing on 1 April predominantly used for regulatory and financial purposes.

Future Energy Scenarios (FES) – National Grid's annual industry-wide consultation process encompassing the Ten Year Statement, targeted questionnaires, individual company and industry meetings, feedback on responses and investment scenarios. Previously called Transporting Britain's Energy.

Gas day – Used by the gas industry for buying and selling gas on the open market. Defined as running from 05:00 on one day to 05:00 on the following day.

Gas Distribution Network (GDN) – An administrative unit responsible for the operation and maintenance of the local transmission system (LTS) and <7barg distribution networks within a defined geographical boundary, supported by a national emergency services organisation.

Gas Transporter (GT) – Formerly Public Gas Transporter (PGT). GTs such as SGN, are licensed by the Gas and Electricity Markets Authority to transport gas to customers.

Gasholder – A vessel used to store gas for the purposes of providing diurnal storage.

Gas supply year – A 12-month period commencing on 1 October, also referred to as a gas year.

Gemini – A computer system that supports Uniform Network Code operations, including energy balancing.

GVA – Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or sector in the UK.

H100 Fife 100% hydrogen project – Our Hydrogen 100 project in Fife, Scotland, is designed to demonstrate the safe, secure and reliable distribution of hydrogen to reduce carbon output and progress towards the 2050 UK carbon target.

Interconnector – This is a pipeline transporting gas from or to another country.

Kilowatt hour (kWh) – A unit of energy used by the gas industry. Approximately equal to 0.0341 therms.

LDZ Unaccounted for Gas (LDUG) – The gas that is off taken from the Local Distribution Zone (LDZ) system, but not attributed to an individual Supply Meter Point or accounted for as Shrinkage.

Linepack – The usable volume of compressed gas within the national or local transmission system at any time.

Liquefied Natural Gas (LNG) – Gas stored in liquid form. Can be firm or constrained (CLNG). Shippers who book a constrained service agree to allow us to use some of their gas to balance the system.

Glossary continued

Local Distribution Zone (LDZ) – A geographic area supplied by one or more NTS offtakes. Consists of high pressure (>7 barg) and lower pressure distribution system pipelines.

Office of Gas and Electricity Markets (Ofgem) – The regulatory agency responsible for regulating the UK’s gas and electricity markets.

Price Control Review – RIIO – Ofgem’s periodic review of transporter allowed returns. The current period is called RIIO-GD2. It commenced in April 2021 and lasts five years to March 2026.

Supplier – A company with a supplier’s licence contracts with a shipper to buy gas, which is then sold to customers. A supplier may also be licensed as a shipper.

Local Transmission System (LTS) – A pipeline system operating at >7barg, that transports gas from NTS offtakes to distribution systems. Some large users may take their gas direct from the LTS.

Offtake – An installation defining the boundary between NTS and LTS or a very large consumer. The offtake installation includes equipment for metering, pressure regulation, etc.

RIIO stands for: Revenue = Incentives + Innovation + Outputs.

Supply Hourly Quantity (SHQ) – The maximum hourly consumption at a supply point.

National Balancing Point (NBP) – An imaginary point on the UK gas supply system through which all gas passes for accounting and balancing purposes.

Office for National Statistics (ONS) – It is responsible for collecting and publishing statistics related to the economy, population and society at national, regional and local levels.

Pressure Regulating Installation (PRI) – The replacement term for PRS, district governor and all other local terms (such as STRS or TRS) when IGEM standard TD13 was introduced.

Supply Offtake Quantity (SOQ) – The maximum daily consumption at a supply point.

National Transmission System (NTS) – A high-pressure system consisting of terminals, compressor stations, pipeline systems and offtakes. Designed to operate at pressures up to 85barg. NTS pipelines transport gas throughout Britain from terminals to NTS offtakes.

Operating Margins – Gas used to maintain system pressures under certain circumstances, including periods immediately after a supply loss or demand forecast change, before other measures become effective and in the event of plant failure, such as pipe breaks and compressor trips.

Pressure Regulating Station (PRS) – An installation that reduces the supply pressure as gas passes either between different pressure-rated tiers of the LTS or from the LTS to the below 7barg network, or between different pressure tiers of the <7barg network.

Supply point – A group of one or more meters at a site.

Therm – An imperial unit of energy. Largely replaced by the metric equivalent, the kilowatt hour (kWh). One therm equals 29.3071kWh.

National Transmission System Offtake – An installation defining the boundary between NTS and LTS or a very large consumer. The offtake installation includes equipment for metering, pressure regulation, etc.

OPN – Offtake Profile Notice. Method of notifying National Gas Transmission of the next day or future demand for gas at offtakes.

Seasonal Normal Temperature (SNT) – The average temperature that might be expected on any particular day, based on historical data.

Unidentified Gas (UIG) – The gas that is offtaken from the Local Distribution Zone (LDZ) system but not attributed to an individual supply meter point or accounted for as shrinkage.

National Energy System Operator (NESO) – The UK’s publicly owned body that manages electricity and gas systems. Launched in October 2024.

Planning and Advanced Reservation of Capacity Agreement (PARCA) – A bilateral contract between National Gas Transmission and its customer which allows entry and/or exit capacity to be reserved in advance of the completion of a connection.

Shipper or network code registered user (system user) – A company with a shipper licence that is able to buy gas from a producer, sell it to a supplier and employ a GT to transport gas to consumers.

Uniform Network Code (UNC) – The Uniform Network Code covers the arrangements between National Gas Transmission, shippers and the DNs following the selling off of four of the networks.

Odourisation – The process by which the distinctive odour is added to gas supplies to make it easier to detect leaks. Odourisation is provided at all Network Entry points.

Peak-day demand (1 in 20 peak demand) – The level of demand that, in a long series of winters, with connected load held at the levels appropriate to the winter in question, would be exceeded in one out of 20 winters, with each winter counted only once.

Shrinkage – Gas that is input to the system but is not delivered to consumers or injected into storage. It is either ‘own use gas’ or ‘unaccounted for gas’.

VLDMC – Very Large Daily Metered Customer – A site that uses greater than 50,000,000 therms of gas a year.



Disclaimer

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If you smell gas or are worried about gas safety, you can call the National Gas Emergency Number on:
0800 111 999

Carbon monoxide (CO) can kill. For more information visit:
sgn.co.uk/help-and-advice/keeping-gas-safe/carbon-monoxide

Before you dig contact:
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