



Department for Energy Security & Net Zero

Rt Hon Claire Coutinho MP
Secretary of State

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Angus Brendan MacNeil MP
Chair of the Energy Security and Net Zero Committee
House of Commons
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14th March 2024

Dear Angus,

I am writing to inform the Energy Security and Net Zero Committee about the publication of:

1. our response to the Boiler Upgrade Scheme consultation
2. an addendum to the Government response to the Clean Heat Market Mechanism consultation, which was published on 30 November 2023
3. our response to the Improving Boiler Standards and Efficiency consultation

GOVERNMENT RESPONSE TO THE CONSULTATION ON PROPOSED AMENDMENTS TO THE BOILER UPGRADE SCHEME

The BUS provides grants to encourage property owners to replace existing fossil fuel heating with more efficient, low carbon heating systems.

On 23rd October, we increased the grant levels for heat pumps to £7,500, making the BUS one of the most generous schemes of its kind in Europe. Since then, applications have risen sharply. October, November and January have been the highest 3 months for BUS applications ever, and December applications were up 49% on December 2022. The latest figures for January 2024 were a 39% year-on-year increase on January 2023 – showing that our approach is working. Up to the end of January 2024, 33,424 applications have been made to the scheme and it has paid out 20,497 vouchers to properties across England and Wales, amounting to just over £113 million.

Today we have published our response to the consultation on proposed changes to the BUS to enable us to go even further and ensure it encourages greater uptake of low carbon heat systems. We will:

- remove the requirement for a property to have no outstanding Energy Performance Certificate recommendations for loft and cavity wall insulation – although government guidance remains that properties should be appropriately insulated.
- increase the capacity limit for shared ground loops from 45kW to 300kW to support the deployment of ground source heat pumps in a wider range of circumstances.

- expand the definition of biomass boilers eligible for the scheme to include those which have a cooking function, provided it is integrated and cannot be controlled separately to the heating function of the property.
- introduce flexibility into the regulations to be able to vary the grant levels more quickly for specific types of property, in future, if needed in response to changing market conditions.

This Government will continue working to reduce natural gas consumption and enable low-carbon heating.

ADDENDUM TO GOVERNMENT RESPONSE ON CLEAN HEAT MARKET MECHANISM CONSULTATION

Today we have published an addendum to the Government response to the Clean Heat Market Mechanism consultation, which was published on 30 November 2023.

The Clean Heat Market Mechanism is intended to operate alongside other actions the Government is taking to support the growth of the heat pump market. We are already providing support for consumers, through the Boiler Upgrade Scheme in England and Wales; for installers, through the Clean Heat Training Grant scheme; and for investment in manufacturing, through the Heat Pump Investment Accelerator Competition.

In line with our proportionate and pragmatic approach to net zero, we are committed to supporting families to make changes to their homes in a way that does not force them before they are ready or saddles them with unnecessary costs. That's why we increased the Boiler Upgrade Scheme grant by 50%, making it one of the most generous schemes of its kind in Europe. Our plan is working, as the sustained increase in applications to the scheme shows.

However, the Government will no longer be progressing legislation to introduce the Clean Heat Market Mechanism from 1 April 2024. Instead, we plan to delay the introduction of the scheme until 1 April 2025. In doing so, the target levels for 2025/26 (set at 6% of relevant boiler sales), and other aspects of the scheme's design and implementation, would remain as set out in the Government's November 2023 consultation response.

We are also calling for the Competition and Markets Authority to conduct a review of the home heating appliance market to understand whether any weakness in competition is contributing to prices being higher than they would be in a well-functioning market. We have recently seen unjustified price hikes for gas boilers by some manufacturers with considerable market power. These pricing decisions have called into question whether the home heating industry, which has four companies dominating 90% of the market, is working as well as it should and delivering the best outcome for consumers.

IMPROVING BOILER STANDARDS AND EFFICIENCY GOVERNMENT RESPONSE

Improving boilers background

On 13 December 2022 we launched a consultation on Improving Boiler Standards and Efficiency, which closed in March 2023. It set out proposals to reduce our domestic gas consumption – to lower consumer bills and carbon emissions, and to improve our energy security by reducing our reliance on volatile energy markets. Today we have published the Government response to that consultation.

Policy proposals as set out in the Government response

Firstly, our Government response sets out proposals aimed at ensuring domestic gas boilers run as efficiently as possible. This includes requirements to improve system optimisation through suitable controls, lowering the factory default-setting for flow temperatures and ensuring combination boilers can efficiently modulate down their output to reflect the heating demand of our homes.

Secondly, the Government response sets out that if a decision is taken in 2026 that hydrogen will play a substantive role in heat decarbonisation, it is our intention to then mandate that domestic-scale gas boilers will be hydrogen-ready from 2030. In addition, it includes detail of a series of underpinning standards that hydrogen-ready boilers will need to comply with in order to be placed on the market in Great Britain.

Finally, stakeholder feedback has reinforced our view that low-carbon operation and quality installation of hybrid heat pumps (a heating system that combines an electric heat pump with another heat generation technology) is essential to deliver consumer and system-level benefits. This has also informed our position, as set out in the response, on the need to set Minimum Energy Performance Standards for hybrids. Beyond this, we plan to consult further on smart control standards (through our upcoming consultation on Smart and Secure Electricity Systems) and work with stakeholders to enable high-quality installation of hybrid heating systems.

The Government response sets out our intention to implement product-related policy proposals via an update to ecodesign and energy labelling regulations, which would apply in Great Britain. The relevant legislation requires that draft legislation to effect these changes and an impact assessment is the subject of further consultation – and we will publish such a consultation in due course.



CLAIRE COUTINHO MP
Secretary of State for Energy Security and Net Zero