

Dame Meg Hillier MP
Chair of the Public Accounts Committee
House of Commons
London
SW1A 0AA

1st May 2024

Dear Dame Meg,

RE: Decarbonising Home Heating – Public Accounts Committee Inquiry

I am writing regarding the PAC's inquiry—Decarbonising Home Heating—to highlight some points of concern regarding statements made during the Committee's evidence session on 24.04.24. By way of background, Kensa is the only British-owned and run manufacturer of ground source heat pumps (GSHPs) based in Truro. In addition to being a manufacturer, Kensa spans the entire heat pump supply chain as we install, finance, and train heat pump installers. We have plans to expand and aim to install 55,000 heat pumps a year by 2028, requiring the building of a second British GSHP factory and see the direct employment of 1,500 people, supporting a further 6,000 jobs in supply chains.

Question 65 saw a discussion regarding about the suitability of heat pumps in flats, with both committee members and government representatives concluding that flats were unsuitable for heat pumps. This is despite the fact that thousands of flats have had heat pumps installed over the last decade via a solution called [networked heat pumps](#) (NHPs). This is a tried and tested approach to heat decarbonisation that sees GSHPs installed in individual homes in homes all connected to a network installed in the street by a utility company. This avoids many of the challenges of both individual heat pump installations (space, upfront costs) and traditional heat networks (need for certain heat densities due to heat losses). NHPs achieve major economies of scale, remove upfront costs for consumers, and gives 'complex to decarbonise homes' such as tower blocks access to the most efficient form of clean heat. Since 2017, Kensa alone has installed NHPs across 30 blocks of flats across the UK, comprising over 1,000 individual flats. An example of this is [Thurrock](#), where we replaced electric heaters with GSHPs on an SGL across 273 flats in three tower blocks – reducing bills and emissions by around 2/3rds.

Question 95 saw a discussion on the relative role of heating technologies with DESNZ representatives concluding that over ninety per cent of heat pumps will be air source and that "there may be some ground source as well". This is despite the [Climate Change Committee's sixth budget](#) suggesting 5.3 million (<20%) homes could be heated by GSHPs by 2050, and [National Grid's 2023 Future Energy Scenarios](#) estimates the figure to be almost nine million (30%). Because GSHPs use approximately 40% less energy/per year than ASHPs to heat the same home, this has substantial benefits for the householder and at a system-wide level. This higher efficiency contributes to lower running costs for households, and major reductions in peak electricity demand and required grid upgrades as we electrify heating. The economies of scale achieved through deploying GSHPs through networks also significantly reduce the capital costs for consumers. It is, therefore deeply concerning to see senior government officials concluding that there will effectively only be a minor role for the technology to play, and we hope the committee will not draw the same conclusions.

Question 111: It was suggested to the Committee that owing to a lack of economic efficiency and consumer choice, a street-by-street approach to heat decarbonisation is not the way forward. This train of thought does not recognise the efficiencies of a street-by-street approach, which creates economies of scale and develops local supply chains absolutely critical to reaching heat pump deployment targets. Furthermore, consumer choice

remains at the heart of area-based approaches - no one should be compelled to replace a boiler before they are ready to. It is policies such as local area energy plans (LAEPs) and reform of subsidy schemes (e.g. BUS and Green Heat Network Fund) that can encourage consumers in an area to switch at the same time. Of course, if they do not want to, that remains their choice. Additionally, if a household chooses to connect to an SGL, they retain billing independence, meaning they are free to choose their electricity provider.

Furthermore, the need for an area-based approach is increasingly recognised across the UK. In Scotland, all local authorities are establishing Local Heat and Energy Efficiency Strategies, the Welsh Government has committed to a major programme of LAEP roll-out so that every part of Wales will have a plan, and in England, HM Government is implementing heat network zoning which will fundamentally transform the development of heat networks across England. DESNZ official's comments to the Committee on this reflect perhaps a misunderstanding of what constitutes an area-based approach but also an established view that market forces and consumer choice will be the primary drivers of heat decarbonisation; this view is, unfortunately, an unrealistic one. Indeed, if the heating mix were left to develop organically and through consumer choice, it would result in huge additional infrastructure costs, vastly increased energy consumption, and unnecessary strain on the grid.

We would be extremely pleased to meet you in Westminster or show you and other committee members around one of our project sites as part of the Committee's Inquiry.

Yours sincerely,



Richard Warren
Director of Public Affairs, The Kensa Group