



Department for  
Energy Security  
& Net Zero

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Bill Esterson MP  
Chair of the Energy Security and Net Zero Committee  
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Dear Bill,

## **DELIVERING THE WARM HOMES PLAN**

I am writing to update you on the UK Government's efforts to deliver warmer homes with lower energy bills for families across the country.

The Government was elected on a promise of a bold new approach to improve British homes. The idea at the heart of the Warm Homes Plan was a simple one – every single household deserves the security of a home they can afford to heat.

At the same time, every household paid the price of the energy bill crisis. Putin's illegal invasion of Ukraine exposed years of overreliance on international gas markets – years that should have been spent investing in homegrown, cleaner energy free from the control of dictators.

It put into sharp focus the failure to move fast enough to improve the energy efficiency of millions of British homes. This would have helped retain more of the heat that families pay for, tackling fuel poverty and cutting their energy bills for good.

This week, the Government is announcing a range of new policies and funding to help drive forward this important agenda, including:

- Funding for the Warm Homes Plan to upgrade up to 300,000 homes next year
- Removing blockers in the English planning system for heat pump installations
- Boosting funding for the Boiler Upgrade Scheme
- Setting out proposals to raise product standards for space heating
- Introducing a reformed Clean Heat Market Mechanism in April 2025
- Announcing award recipients for the Heat Pump Investment Accelerator Competition

## **FUNDING FOR THE WARM HOMES PLAN**

I am pleased to confirm funding that means that next year alone, up to 300,000 homes will benefit from upgrades to make them more energy efficient and cheaper to run, more than double the number of upgrades delivered last year. In total, when combined with funding from obligations on energy suppliers and social housing provider match-funding, the Government is overseeing £3.2 billion of investment in warmer homes across 2025/26.

This funding supports action already taken by this Government to lower energy bills for households across the country. In September, we announced plans to lift over one million households out of fuel poverty by consulting on increasing minimum energy efficiency standards for all rented homes by 2030. We announced a new Warm Homes: Local Grant to help low-income homeowners and private tenants, and the continuation of the Warm Homes: Social Housing Fund, which is already open to new applications.

Last week, the Government published a consultation to improve the energy efficiency schemes delivered by suppliers, ECO4 and GBIS, proposing a set of changes that aim to remove barriers for the supply chain and improve outcomes for consumers, saving them more money on their bills. We will set out full details of our ambitious Warm Homes Plan in due course.

## **REMOVING BLOCKERS IN THE PLANNING SYSTEM**

An independent review of noise emissions from air source heat pumps, published in November 2023, found that modern heat pumps are generally perceived as quiet and result in few noise complaints. It also found that current planning rules can be an unnecessary barrier to the installation of air source heat pumps. Consequently, MHCLG ran a consultation between February and April 2024, seeking views on changes to several existing permitted development rights in England, including those related to air source heat pumps.

Following the consultation, the Government has decided to remove the rule that an air source heat pump cannot be installed within 1 metre of a property boundary; to increase the permissible size limit of an air source heat pump to 1.5m<sup>3</sup> (to support even quieter heat pump models); to increase the number of air source heat pump units that can be installed on detached dwellinghouses from one to two, thereby allowing those who need cascade systems to use permitted development rights, and allowing air-to-air heat pumps to utilise them. These changes will be implemented into law as soon as parliamentary time allows.

## **BOOSTING FUNDING FOR THE BOILER UPGRADE SCHEME**

The Boiler Upgrade Scheme is a critical element of the Government's Warm Homes Plan. Heat pumps are already a highly effective technology – three times more efficient than traditional gas boilers. Because they run on electricity, people will be less exposed to gas markets, able to lower their bills by making use of smart tariffs, and in a position to benefit from all the new homegrown energy under our plans to make Britain a clean energy superpower.

In light of recent deployment trajectories and following the conclusion of the first phase of the Spending Review on 30 October, we are providing an additional £30 million of funding for this financial year (2024/25), increasing the total budget to £180 million. In addition, the Secretary of State has given Ofgem permission to over-allocate vouchers up to a total of £250 million, to ensure there will not be a hiatus in support. Finally, the Government has committed to almost doubling the budget to £295 million for next year (2025/26). This represents a significant settlement to support the expansion of the low-carbon heat market.

## **RAISING PRODUCT STANDARDS FOR SPACE HEATING**

Raising product standards can improve the efficiency of home heating systems and reduce energy consumption – saving consumers money on their bills, cutting carbon emissions

and enhancing energy security by reducing dependence on volatile fossil fuel energy markets.

We are publishing a range of proposals which aim to:

1. enable the electrification of heat
2. reduce fossil fuel consumption
3. improve labelling to help users and installers; and
4. strengthen the effectiveness of ecodesign and energy labelling regulations

The new energy efficiency proposals are expected to deliver an annual net saving (after applying a 3.5% discount rate) of £26 for gas boilers, and around £20 per year for heat pumps, once the full set of changes are implemented. These policy proposals could also save the equivalent of 2.0 million tonnes of carbon (MtCO<sub>2e</sub>) for Carbon Budget 5 (2028-2032), and up to 3.8MtCO<sub>2e</sub> for Carbon Budget 6 (2033-2037).

We will launch a consultation on the detailed proposals next month.

## **INTRODUCING A REFORMED CLEAN HEAT MARKET MECHANISM ON 1 APRIL 2025**

The Government wants to support the UK's heating industry to seize the opportunity to play a central role in the transition to low-carbon heating, while competing for a share of what will be a very substantial future UK heat pump market. We want to do this in a way that is both ambitious and achievable. That is why we are introducing a reformed Clean Heat Market Mechanism (CHMM) to set a clear market standard and provide the UK's heating industry with the confidence and incentive to invest in aligning their businesses with the transition to clean technologies. New changes that this Government has made from the previous Government's proposals will ensure that manufacturers have the time they need to scale up supply chains, making heat pumps an even more attractive choice for households and boosting sales without penalising those buying a new gas boiler.

The scheme sets a requirement for fossil fuel boiler manufacturers to achieve the sale and installation of a proportion of heat pumps relative to their gas and oil boiler sales. For the first scheme year, starting in April 2025, this is set at 6% of eligible boiler sales.

As set out in the consultation response published today, the Government has made the decision to reduce the payment-in-lieu for any missing heat pump credits to £500 for the first baselining year from £3,000 proposed under the previous administration, and has aligned the periods over which boiler sales and heat pump installations will generate obligations and credits respectively, providing manufacturers more time to prepare. We are laying a statutory instrument for the Clean Heat Market Mechanism in Parliament today to give effect to this and provide industry the clarity they need.

## **ANNOUNCING THE FIRST WINNER OF THE HEAT PUMP INVESTMENT ACCELERATOR COMPETITION**

The Heat Pump Investment Accelerator Competition (HPIAC) is providing non-refundable grants to manufacturers to increase the UK's domestic capacity for heat pumps and their components. The HPIAC will help accelerate the transition from fossil fuels to cleaner, greener heat pump-based heating systems. Manufacturing more heat pumps and components in the UK will increase product availability, reduce costs and contribute to greater supply chain resilience.

The HPIAC will bring forward private investment in the heat pump supply chain in the UK of up to £134 million, increasing the UK manufacturing capacity by up to additional 298,000 heat pumps and 236,000 heat pump components by 2028. The competition is expected to support up to 2,100 low-carbon jobs in the heat pump manufacturing sector, both through the transition from gas boiler-related roles and the creation of new jobs.

Today we have announced the first award recipient of grant funding, Ideal Heating. Ideal Heating will be investing at their Hull factory to expand their capacity to produce their range of heat pumps and also in Blackpool to expand their capacity to produce pre-plumbed hot water cylinders. More award recipients will be announced in due course.

## **FUTURE PLANS**

The Government is moving at pace because it recognises that home improvements deliver not just social and environmental benefits, but economic ones too. Simple measures can reduce energy bills by hundreds of pounds a year, meaning that in many cases they will effectively pay for themselves, before delivering lower bills for decades to come and unlocking spending power that can be used across the whole economy. As part of the Warm Homes Plan, we are exploring the role of incentives and private finance for households to support homeowners with the upfront costs of energy efficiency and low carbon heating.

An additional challenge has been finding the right advice and financial support, with consumers facing a confusing mix of different organisations and unclear information about what schemes are available and how to access them. The government will solve this problem by making it easier to access trusted advice and apply for support schemes, with a clear and simple offer for families.

Over the coming months, I look forward to publishing our new Warm Homes Plan in full. It will chart our bold new approach to delivering warmer homes with lower energy bills, tackling the fuel poverty currently experienced by far too many people, and creating new opportunities for jobs, skills, and investment right across the country.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Miatta Fahnbulleh', with a long horizontal flourish extending to the right.

**DR MIATTA FAHNBULLEH MP**  
Minister for Energy Consumers