

Residential Central Heating and Heat Pumps - UK - 2023

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This report looks at the following areas:

- The early impacts of the Heat and Buildings Strategy and the host of government incentives designed to drive market transformation.
- The scale of the challenge to transform greenhouse gas emissions from residential central heating.
- Why, to date, heat pump sales have failed to meet government targets.
- The uncertainty that continues over cost-effective hydrogen as an alternative to fossil fuels.
- The progress of other green energy alternatives.
- The impact of the changes in the short-term.

The Heat and Buildings Strategy will transform residential central heating in the UK, though we are still at the very early stages of the transition away from fossil fuels. The policy heavily relies on the adoption of heat pumps, but the first year results of the Boiler Upgrade Scheme identified only half of the target being met. There continue to be a diverse range of issues facing their adoption and the UK is lagging well behind other European countries in installations.

Inevitably, looking to encourage consumers to opt for a higher capital cost alternative (even after government subsidies) at a time of consumer spending pressure is challenging. Yet a central feature of the inflation includes energy prices, which increases the impetus for energy efficient solutions in both the short and medium term.

While hydrogen fuel sources also form a central theme of the Strategy, currently low-carbon hydrogen is expensive compared with fossil fuel alternatives. The government's UK Hydrogen Strategy states that it will significantly cut the costs by introducing a "similar premise to the offshore wind contracts for difference", but this remains a market feature for the future.

Market changes are inevitable, and the industry structure will also be impacted. While the boiler manufacturers are all diversifying into alternatives such as heat



"The net zero objective, supported by the Heat and Buildings Strategy, will undoubtedly transform residential central heating in the UK. However, these are the very early stages of the transformation away from fossil fuel reliant systems, and the early adoption of heat pumps has been substantially below government targets for a host of reasons."

– Terry Leggett, Principal Analyst

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pumps, this is a sector where suppliers of other major appliances and HVAC manufacturers can compete.

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