

REA Member Briefing on the Government's Heat & Buildings Strategy

Introduction and Context

On 19th October the Department for Business, Energy and Industrial Strategy (BEIS) released the delayed and much anticipated [Heat and Buildings Strategy](#) which outlines policy measures to decarbonise UK buildings. Along with the strategy, BEIS has released a number of consultations, which the REA will be responding to in due course, and new funds that will support the delivery of the Strategy.

We have summarised below key highlights from the Strategy and other key policy documents released alongside.

Key announcements

Boiler upgrade scheme

The Government has launched a £450m [Boiler Upgrade Scheme](#) to provide grants towards low-carbon heating systems.

We have included further detail of the Scheme below, under section “further documents”.

BEIS also re-iterated other schemes available such as the [Social Housing Decarbonisation Fund](#), the [Home Upgrade Grant](#), the [Public Sector Decarbonisation Scheme](#).

Costs reductions plan

The Strategy includes a pledge from Government to work with industry to drive down the costs of heat pumps - Costs of installing a heat pump should reduce by at least 25 – 50 % by 2025, and heat pumps should be no more expensive to buy and run than gas boilers by 2030.

Phasing out fossil heating

The Government has confirmed their ambition for all new heating systems installed in UK homes from 2035 to be low carbon. The Government's focus is especially on heat pumps, but they also mention the potential for hydrogen-ready boilers '*where we are confident we can supply clean, green fuel*'.

It also stresses that no-one will be forced to remove their boilers, but the transition will be gradual and smooth (e.g. in line with replacement cycle timelines).

For buildings off the gas grid, however, the Government is planning to phase out the installation of fossil fuel heating systems earlier.

For non domestic buildings off the gas grid BEIS are consulting on a phased approach with the largest buildings first (from 2024). BEIS are also consulting on ending the use of fossil fuel heating in all nondomestic buildings off the gas grid, potentially in the 2040s.

For domestic buildings BEIS are consulting on an end to new fossil fuel heating installations in homes off the gas grid from 2026.

Government recognises that solid biomass provides a choice for homes that cannot reasonably and practicably install a heat pump. Similarly, for non-domestic properties they

expect technologies other than heat pumps to play a role for some harder to treat buildings, such as limited use of bioenergy, accompanied by solar, energy storage and smart systems.

New buildings

The Government reiterated its commitment to bring in the [Future Homes Standard](#) and [Future Buildings Standard](#) for new builds and introduce the Building Regulations so that all new buildings from 2025 are Net Zero ready.

They are also planning to consult on ending new connections to the gas grid.

Re-balancing energy levies and obligations

Commitment to look at options to shift or re-balance energy levies and obligations away from electricity to gas over this decade. This may include in the future expanding carbon pricing and removing costs from electricity bills. BEIS will launch a Fairness and Affordability Call for Evidence to help rebalance electricity and gas prices, with a view of taking a decision in 2022.

Supporting the development of the UK heat pumps market

BEIS are seeking views on proposals to introduce a [market-based mechanism](#) to support the development of the UK heat pumps market. This mechanism will create a market incentive to grow the numbers of heat pumps installed in existing premises each year. Further details can be found under the “Further Documents” section.

Heat networks

BEIS will invest £338 million in a Heat Network Transformation Programme. BEIS intends to introduce Heat Networks Regulation as soon as possible. The Heat Networks Market Framework will introduce maximum emissions for district heating by the early 2030s. Finally, BEIS is consulting on proposals to provide local authorities with powers to put in place [heat network zones](#). Pablo add link to relevant consultation on zoning.

Hydrogen in heating

Confirmation that decisions on the role of hydrogen in heating will be made by 2026 whilst developing the evidence to support these strategic decisions. This includes consultations on the case for enabling, or requiring, new natural gas boilers to be hydrogen-ready by 2026. BEIS will invest in hydrogen heating through neighbourhood and village trials, and a hydrogen town pilot.

Hydrogen blending

BEIS will continue to work on enabling 20% blending in the network and aim to provide an indicative assessment of the value for money case for blending by autumn 2022.

Biomethane and gasification

Re-commitment to increase the proportion of biomethane in the gas grid in Great Britain through the [Green Gas Support Scheme \(GGS\)](#) and the [Green Gas Levy \(GGL\)](#). In the long

term, BEIS will explore the development of commercial-scale gasification and a potential biomethane support scheme to replace the GGSS after 2025.

Innovation

£60m innovation fund called '[Heat Pump Programme](#)' to make clean heat systems smaller, easier to install and cheaper to run (part of the Net Zero Innovation Portfolio).

Improving the efficiency of new boilers

Government is committed to improve the efficiency of new and existing boilers (through the promotion of smart controls and system management) and explore options to strengthen and extend the Boiler Plus standards.

Biomass

The strategy confirms biomass is included in the [Boiler Upgrade Scheme \(formerly Clean Heat Grant\)](#). This means consumers can receive up to £5,000 towards a biomass boiler. BEIS have dropped the original proposal to require applicants wishing to install a biomass boiler to demonstrate the building has a heat loss above a certain threshold in order to be eligible for support, a requirement meant to demonstrate that a heat pump would not be suitable in the property. Following consultation, and significant push back from the REA, BEIS concluded such a requirement was too simplistic and not a good way to judge what was an appropriate technology for the building.

However, biomass boilers will only be eligible in rural areas, meaning areas outside of settlements with a population of 10,000 people or more, and not on an existing gas connection. The classification of any given location will be determined at postcode level using the Office for National Statistics Postcode Directory look-up tool.

Biomass applications will also be required to stick to existing emissions certificate requirements, as are in place for the domestic RHI. However, it was noted that due to the move to an installer-led scheme there will be no ongoing obligations on biomass boiler owners,

Overall, however the Heat and Building Strategy, and accompanying publications recognise a role for biomass in decarbonising but refer to it as limited and focused on off-gas grid areas, in situations where heat pumps would not be appropriate. They also reiterate their intention to provide further detailed Government's intentions around the best use for biomass in the upcoming Biomass Strategy.

Geothermal, bioenergy and storage heaters

Government sees heat pumps, heat networks and hydrogen as potentially playing a pivotal role in decarbonising heat, but they said they recognise that other technologies such as bioenergy, geothermal heat, and storage heaters may be a more viable alternative in some cases.

Government also states that they '*will continue to monitor developments in geothermal heat in the UK and assess whether the technology provides a cost-effective option to help decarbonise heat*'.

Energy efficiency

BEIS will introduce minimum standards to ensure the UK housing stock is on track to meet EPC band C by 2035 where practical. BEIS will also set privately-rented commercial buildings a minimum efficiency standard of EPC band B by 2030.

They will also introduce a new performance-based energy rating for large commercial buildings. BEIS will invest a further 800 million into the [Social House Decarbonisation Fund](#) (SHDF) to upgrade social housing stock that is currently below EPC band C.

Further documents released and new funds

The government has also published:

- [Government response to the Clean Heat Grant proposals](#) within the [Future support for low carbon heat](#) consultation (setting out plans for the Boiler Upgrade Scheme).
 - o The government will proceed with the development of the Boiler Upgrade Scheme and intends for it to launch in Spring 2022.
 - o The scheme will have a budget of £450m over 3 years. This is a significant increase from the £100m over 2 years announced at Budget 2020 and set out in the original consultation.
 - o The scheme will provide capital grants to support the installation of air source heat pumps (ASHP), ground source heat pumps (GSHP), and biomass boilers ONLY.
 - o £5,000 towards the installation and capital costs of ASHPs and biomass boilers, and grants of £6,000 for GSHPs. The scheme will support systems up to a capacity limit of 45 kWth.
 - o Biomass boilers will only be supported in rural areas, subject to the same emission certificate requirements as on the Domestic RHI, and where they replace existing fossil fuel systems.
- Consultation on the introduction of a [market-based mechanism](#) to support investment and innovation in transforming the consumer proposition specifically on heat pumps:
 - o This consultation seeks views on proposals to introduce a market-based mechanism to support the development of the UK market for low-carbon electric heat pumps. Other technologies are currently explicitly excluded from the proposals.
 - o This mechanism would work by establishing an obligation on those companies selling fossil fuel heating appliances (gas and oil boilers) to achieve a growing number of heat pump installations. This will create a market incentive to grow the numbers of heat pumps installed in existing premises each year, providing industry with a clear, long-term policy framework for investment and innovation.
- [Consultation](#) on phasing out the installation of new fossil fuel heating in domestic properties off the gas grid, with a heat pump first approach to replacing those heating systems.

The consultation seeks views on the government's proposals to decarbonise heat in homes off the gas grid through targeted regulations, including:

1. An end to the installation of fossil fuel heating in homes off the gas grid from 2026;
2. A 'heat pump first' approach to replacement heating systems from 2026; and
3. Requiring high performing replacement heating systems where heat pumps cannot reasonably practicably be installed.

- Consultation on phasing out the installation of fossil fuel heating systems in businesses and public buildings off the gas grid.

The consultation sets out Governments proposed approach to deliver on phasing out the installation of new oil, liquefied petroleum gas (LPG), and coal heating systems in non-domestic buildings off the gas grid. They propose utilising the natural replacement cycle as the trigger to transition around 100,000 buildings that are in scope; at the point their existing system requires replacement, they will be required to install a low carbon one instead. Again, Government proposed taking a Heat Pump first approach, but recognised that there may be a strategic role for other low carbon heating systems, including bioenergy, hybrid heat pumps, solar technologies, and heat networks.

- List of all public sector organisations which signed up to the voluntary Emissions Reduction Pledge.

REA, 20/10/2021