

The Clean Heat Market Mechanism

About The MCS Foundation

Our vision is to make every UK home carbon-free. The MCS Foundation helps drive positive change to decarbonise homes heat and energy through our work programmes, grants and advocacy. We support engagement programmes, fund research and facilitate innovative solutions to drive widespread adoption of renewables to help achieve a Net Zero future. In addition, the Foundation oversees the [Microgeneration Certification Scheme \(MCS\)](#) which defines, maintains and improves quality standards for renewable energy at buildings scale.

The issue:

- The Conservative Government's decision to delay the Clean Heat Market Mechanism (CHMM) was a serious blow to clean energy ambitions and leaves the UK more vulnerable to volatile fossil fuel prices.
- This move critically undermined the UK's progress on the rollout of energy-efficient, zero-emissions heat pumps – the only viable option for decarbonising homes at scale, which are responsible for 17% of UK emissions.

The ask:

- **Commit to implementing the CHMM** at the earliest opportunity.
- The relevant statutory instrument is drafted and could be laid immediately on arrival to office.

The detail:

The CHMM obligates manufacturers to install a small proportion of their total boiler sales as net zero compatible heat pumps, helping to grow the clean heating sector. If the introduction went ahead as had been planned, market growth and the associated increase in deployment of highly efficient heat pumps would provide greater British energy security, boost affordable consumer deals, and futureproof the UK's heating industry.

The 2024/25 first-year annual target of overall boiler sales (4%) would have required the entire boiler manufacturing industry to increase sales by only about 5,000 heat pumps that year, roughly the same number of gas boilers the industry sold every single day in 2023. This is highly achievable and indicates manufacturers would not have faced a deficit of credits, or associated charges. There would be sufficient demand for manufacturers to meet their targets in the first two years of the scheme, after which the CHMM's efficacy and impact would be reviewed.

The clean energy industry needs a clear and predictable policy environment if it is to successfully plan for the future. Without the CHMM the UK's target of installing 600,000 heat pumps per year by 2028 is in serious jeopardy, and efforts to reduce energy bills and carbon emissions will suffer. The CHMM would help the heat pump and renewables sector, as well as house builders and high street

lenders, have the confidence to support the clean heat transition. This in conjunction with the Future Homes Standard has the chance to help the UK transition to clean heat once and for all.

Effect on consumers

- The CHMM is highly unlikely to increase the cost of gas boilers, due to the scheme's gradual implementation.
- With a 20-year lifespan, heat pumps are cost-competitive with high-spec gas boilers, which need replacement after 12 years. Some companies now offer heat pumps for less than £500 after the government grant.
- Installation costs, which currently make up half or more of the total upfront cost, are expected to decrease as the market develops, aligning with the Government's aim for a 25-50% reduction by 2025 and cost parity with gas boilers by 2030. This goal is difficult to achieve without the CHMM.

Increasing demand

- To meet carbon budgets and climate targets, replacing the 23 million UK gas boilers is essential. The goal is to increase heat pump installations from 72,000 in 2023 to 600,000 annually by 2028.
- This transition is crucial for net-zero goals and futureproofing the UK boiler industry. As heat pumps gain global traction, the UK must adapt to protect jobs and enhance export potential in heating systems. Traditional fossil fuel boilers are becoming rapidly obsolete, and it is essential to protect British jobs through the transition to low-carbon heating.
- Misinformation is persistently targeted at consumers who may consider heat pumps. The Competition and Markets Authority (CMA) are currently investigating a leading UK boiler brand, over claims they are misleading shoppers with confusing or inaccurate green claims in the advertising and labelling of its boiler products.

FURTHER INFORMATION

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