**BEAMA response to Future Support for Low Carbon Heat consultation**

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| 22. Do you agree with targeting support at domestic and non-domestic installations with a capacity up to and including 45kW? |
| **Draft BEAMA response:**  No, for domestic installations the maximum capacity should be 20kW, as this would help focus the grant scheme and broaden the market to include more householders in smaller homes, as the proposed grant level would then make up a greater proportion of the installed cost. For smaller homes the £4,000 grant could make a substantive difference in a decision to proceed or not. A deemed measure should be used for the home’s heat load. |
| **Your comments:** |

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| 23. Do you agree that support for buildings technologies should change from a tariff to a grant? |
| **Draft BEAMA response:**  Yes, as upfront cost is cited as the major barrier to uptake of heat pumps by householders. However, the proposed grant level with no running cost support is not sufficient to give a good payback time for heat pumps. A major issue for the UK decarbonisation programme is the price of electricity, which does not reflect its lower externalities in terms of carbon content than other fuels. Until this is rectified either by altering levies or through provision of low carbon electricity tariffs it is fair to continue to reward householders that want to choose lower carbon fuels with lower running costs. This point was also made by the CCC in their recent report ‘Reducing UK Emissions – Progress Report to Parliament’ published on 25th June.  Signposting consumers to finance offers from other stakeholders would greatly complement the grant. This would mean that householders from a wider range of incomes could afford to have a heat pump installed (albeit not increase the total number of installations supported). In many areas including Scotland householders are able to access very low cost loans to improve the energy performance of their homes and given low borrowing costs and the need for economic stimulus UK Government should strongly consider this. Greater availability of finance would also give householders more power to choose a wider retrofit to futureproof their homes for net zero, integrating a heat pump with on-site generation, better controls and underfloor heating as a more efficient emitter. It could potentially also allow other market participants to explore and offer different ownership models. This point was also made by the CCC in their recent report ‘Reducing UK Emissions – Progress Report to Parliament’ published on 25th June. |
| **Your comments:** |

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| 24. Do you agree with our proposal to offer a technology-neutral grant level? |
| **Draft BEAMA response:**  If research has shown that a technology-neutral grant is most likely to encourage consumer uptake, then yes. However, a higher level grant for GSHPs would enable those for whom a GSHP is feasible to achieve the often higher efficiencies. A grant of £6,000 for GSHPs would be appropriate. Installation of a GSHP also requires the installation of underground infrastructure that will last for many decades, and an increase in deployment of this infrastructure should be seen as a national benefit. However, the total budget of £100m does not leave much room for flexibility in ensuring adequate support for two related but distinct technologies. |
| **Your comments:** |

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| 25. Do you agree that £4,000 is an appropriate grant amount to meet the aims of the scheme? |
| **Draft BEAMA response:**  No. A grant of this level with no running cost support is unlikely to make a heat pump an attractive option based on financial payback to a customer that was not already considering a heat pump, given the potential for disruption if changing a heating system. This is largely because the price of electricity in the UK is too high; the levies placed on electricity production do not reflect that electricity has lower carbon content than mains gas. This point was also made by the CCC in their recent report ‘Reducing UK Emissions – Progress Report to Parliament’ published on 25th June. It has been seen in countries such as Sweden and Finland that when fossil fuel heating is no longer the cheapest option the market changes dramatically.  There is also no additional support proposed for underfloor heating systems, which will be the optimal emitter type for a heat pump system. An additional £2,000 in funding for underfloor heating with appropriate controls would ensure high efficient performance in the system as a whole.  There is a further major problem with the overall budget for the scheme of £100m over two years, equating to 25,000 heat pump installations. This point was also made by the CCC in their recent report ‘Reducing UK Emissions – Progress Report to Parliament’ published on 25th June. Around 30,000 heat pumps were installed last year alone in the UK, many of which will receive RHI support. There are major risks that the grant scheme will only support the current level of market deployment, or even lower, and that only those currently considering a heat pump purchase will receive the grant rather than the scheme generating a new population of potential buyers. This seems extremely perverse given that 20,000 homes each week need upgrading if we are to meet the target of net-zero emissions by 2050. The current budget represents a huge missed opportunity to increase demand, and in terms of total demand will probably be ‘business as usual’ at best.  While BEIS has stated that other measures will be brought in to support decarbonisation of heat, lack of clarity on these other policies makes it more difficult to say with any certainty what the overall impact of the clean heat grant may be. |
| **Your comments:** |

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| 26. Do you agree with the recommendation for a flat-rate grant? |
| **Draft BEAMA response:**  If research has shown that a flat-rate grant is most likely to encourage consumer uptake, then yes. However, a higher level grant for GSHPs would enable those for whom a GSHP is feasible to achieve the often higher efficiencies. Installation of a GSHP also requires the installation of underground infrastructure that will last for many decades, and an increase in deployment of this infrastructure should be seen as a national benefit. However, the total budget of £100m does not leave much room for flexibility in ensuring adequate support for two related but distinct technologies.  We acknowledge the point about the market playing a role in differentiating between products to give consumers the most attractive offering. However with relatively limited public understanding around heat pumps, it would also be helpful for Government to support the provision of clear information through its channels such as the Simple Energy Advice website. Trusted organisations such as Ofgem, Trading Standards and Citizens Advice can also support with consistent information if consumers are looking on their website. Government must also work with heating installers and skills providers to boost knowledge and skill levels around heat pumps – the BEIS Public Attitudes Survey shows that ‘tradesperson’ are more trusted than renewable heating installers. It also shows that around half of people are unaware that a gas boiler produces carbon emissions, so a wide programme for consumer awareness is needed – the EU has launched a consultation on a proposed consumer engagement programme so there are precedents for this type of programme at large scale. |
| **Your comments:** |

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| 27. If you believe a variation by capacity should be considered, please provide evidence to justify a process and level for varying the grant. |
| **Draft BEAMA response:**  Rather than a split based on capacity, a higher level grant on a technology basis ie for GSHPs would enable those for whom a GSHP is feasible to achieve the often higher efficiencies. |
| **Your comments:** |

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| 28. Please provide any relevant views to help inform development of the delivery mechanism. (Government believes a voucher system is best) |
| **Draft BEAMA response:**  While a two -part voucher scheme proposal has the benefit that it will be less open to fraudulent claims and that unused vouchers can be cancelled, it would still favour larger installation contractor organisations rather than the smaller installer companies (which represent a large majority in terms of organisation numbers). They may find the scheme inflexible, an administrative burden, and could find a significant impact on their cash flow, particularly if there are any delays in processing payment.  One alternative approach might be to adopt a similar system to the Home renovation scheme (HRI) operated by the SEAI (Sustainable Energy Authority in Ireland) which is an example of a scheme which been very successfully deployed where the grant is paid directly to the consumer in the form of a tax credit. The credit is set against the householders’ income tax over a period of 2 years, and therefore alleviates the burden on the installer. |
| **Your comments:** |

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| 29. Do you agree with the minimum efficiency requirements for heat pumps and evidence requirements? |
| **Draft BEAMA response:**  SCOP of 2.8 correlates to some other standards and is an uplift on the RHI minimum. However, we do not feel that it is an ambitious minimum. To more effectively encourage choice higher performance products, Government should consider additional rewards for products with a better SCOP. |
| **Your comments:** |

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| 30. Do you agree with the proposal to require electricity metering for all heat pump installations? |
| **Draft BEAMA response:**  *No comments raised by members yet, but minded to agree to keep consistent with RHI.* |
| **Your comments:** |

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| 35. What do you consider to be the main consumer protection risks of providing support through an upfront grant and how might they be mitigated? |
| **Draft BEAMA response:**  We believe that once the updated Trustmark scheme is fully up and running that this should help with consumer protection, particularly as it will ensure a minimum service consistent with other technology or service areas. |
| **Your comments:** |

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| 37. Do you agree that quarterly grant windows would prevent overspend and manage demand to ensure an even spread of deployment? |
| **Draft BEAMA response:**  This makes sense in principle, but safeguards must be put in place to ensure that a) vouchers are not held for a significant time without being used, b) consumers are made aware of the availability of vouchers in as close to real-time as possible, and c) information is provided to help installers and consumers have as smooth and simple an interaction as possible. |
| **Your comments:** |

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| 41. Do you agree with not supporting hybrid systems under the Clean Heat Grant? |
| **Draft BEAMA response:**  Ideally there would be enough budget to allow some support for hybrid systems at a lower grant level, as for some homes these will be most practical. Hybrids could help to introduce flexibility services to homes on the gas grid. This could also assist in improving heating system design, helping to establish the control technologies, use cases and installer skills that will make them viable for wider application to address immediate energy saving needs. However, with a very limited budget to focus on standalone systems may be understandable. It may be best to permit hybrids on the same basis as biomass systems in hard-to-treat homes providing the heat pump is designed to meet the majority of the heating load, and this would require metering to demonstrate the savings and value to the scheme.  In any case consumers should be directed to advice on other products and services that would complement their heat pump installation, both for their own benefit and that of the network, such as on-site generation and storage, energy management systems to allow for increased loads where there is also an EV charger, and options for flexibility services. |
| **Your comments:** |

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| 43. What are the main risks of non-compliance, fraud or gaming associated with the Clean Heat Grant? |
| **Draft BEAMA response:**  If a customer already has a boiler, and wishes to purchase a heat pump so they have a type of hybrid system, it is unclear how Ofgem would know whether they intend to keep their boiler. This could lead to the outcomes that BEIS are trying to avoid by not permitting hybrid systems to receive grant support.  We are in favour of strong standards to tackle potential gaming, such as substandard or undersized heat pumps, and encouragement to adequately design a system based on heat loss calculations – this will have the additional benefit of upskilling installers.  We believe that once the updated Trustmark scheme is fully up and running that this should help with consumer protection, particularly as it will ensure a minimum service consistent with other technology or service areas. |
| **Your comments:** |