



Chief Executive  
Competition and Markets  
Authority The Cabot  
25 Cabot Square  
London  
E14 4QZ

14 March 2024

Dear Chief Executive,

### **Competition and consumer interests in the home heating market**

The transition from fossil fuel to low-carbon heating is vital for the action we are proudly taking as a country to reduce greenhouse gas emissions to net zero. It is also vital for strengthening our long-term energy security, reducing our dependence on global gas markets as we move towards powering the heating of our homes from British nuclear and renewable energy.

During this transition, it is more important than ever that consumers can be confident that vigorous competition between companies in the heating market will ensure that they are getting a fair deal, with competitive pressures keeping the prices of heating appliances as low as possible. Both the Government and CMA recognise the importance of competition in delivering this transition, as outlined in the 2023 Strategic Steer to the CMA<sup>1</sup>.

You will be aware that the Government has announced its intention to delay the introduction of the Clean Heat Market Mechanism until 1 April 2025.

Recent pricing decisions for gas boiler appliances by some manufacturers with considerable market power have called into question whether the market is working as well as it should and leading to good outcomes for consumers.

Given the critical importance of this issue to our net zero ambitions, and recognising the above concerns, I am writing to ask that the CMA strongly consider carrying out a review of this market to assess how competition is working in the home heating appliance market and to understand whether any weakness in competition is contributing to prices being higher than they would be in a well-functioning market, or risks doing so as the sector transitions to low-carbon heating. Any such work would complement the CMA's previous work relating to net zero – in particular its report into consumer protection in the green heating and insulation sector.<sup>2</sup>

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<sup>1</sup> <https://www.gov.uk/government/publications/strategic-steer-to-the-competition-and-markets-authority-2023>

<sup>2</sup> <https://www.gov.uk/cma-cases/consumer-protection-in-green-heating-and-insulation-sector>

Such a review could include a focus on the dynamics, incentives and operation of the intermediary supply chain between manufacturers and consumers, and on whether there are barriers to market entry or growth for non-leading suppliers that may limit competitive downward pressure on prices. I would also find it helpful if any such work considered the range of cost pressures facing the boiler and wider heating appliance manufacturing market, how these have translated into price changes, and the underlying impact on manufacturers' operating profits and margins.

I recognise that the CMA is independent and must make its own prioritisation decisions, in line with its Prioritisation Principles and available resource. Should the CMA agree to undertake such a review, I would be grateful for recommendations on any further steps that industry, the Government and regulators could take to strengthen competition or to further ensure that consumers always have access to the fairest, most competitive prices when it comes to purchasing heating appliances.

While the CMA's work is always carried out independently, my department's officials would be ready to support with information and analysis that may help to inform your advice. I would also expect companies in the heating appliance industry to support and cooperate with the CMA in preparing any advice, given the paramount importance of ensuring that this market is working and will continue to work as well as possible for consumers in the future.

I would be very grateful if you could liaise with my officials on the timelines for this work, should the CMA decide to undertake such a review, and keep me and my officials informed of your progress.

Yours sincerely,

**RT HON MP**  
Secretary of State for Energy Security & Net Zero