



Department for
Energy Security
& Net Zero

Clean Heat Market Mechanism

Revisions ahead of Scheme Year 2
(2026/27)

Closing date: 2 July 2025



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Introduction

Around half the UK's total annual natural gas consumption is currently used to heat buildings, making the decarbonisation of heat among the most significant challenges the UK faces in reducing greenhouse gas emissions. To meet Net Zero and strengthen the nation's energy security as part of delivering the Mission to make the UK a Clean Energy Superpower, we must transition away from using traditional fossil fuel heating appliances, such as gas and oil boilers, and steadily increase the deployment of low-carbon, high-efficiency heating appliances.

Heat pumps, powered by clean electricity from British renewables, will play a critical role in this, given heat pumps' high levels of energy efficiency (consuming around three times less energy than a gas boiler for the same heat output) which can already help reduce household bills when used with a smart tariff. While the UK heat pump market is still developing, it is going through a period of substantial growth: recent figures from the Microgeneration Certification Scheme (MCS) show that certified heat pump installations grew by 43% in 2024 compared to the previous year. The Government is committed to continuing to support the strong and sustained year-on-year growth needed in the heat pump market and will be publishing a Warm Homes Plan this year setting out more detail on plans to reduce costs for households while accelerating the transition to clean heating.

Action the Government is taking is already supporting the growth of the heat pump sector, including the Boiler Upgrade Scheme (BUS) which provides households with a £7,500 grant towards the cost of installing a heat pump. For 2025/26, the BUS has a budget of £295 million and will have the capacity to support up to 39,000 low-carbon heating installations; budgets for future years for the BUS and other schemes which support heat pumps (like the Warm Homes: Social Housing and Warm Homes: Local Delivery schemes), will be agreed during the present multi-year Spending Review.

In addition, the Government is supporting the development of the UK's domestic manufacturing capacity through the Heat Pump Investment Accelerator Competition which was established to provide grant funding to leverage private investment and create jobs in the low carbon heating industry. In parallel, the Government is working closely with industry to ensure that sufficient installers are available to install heat pumps, with the Government's £5 million Heat Training Grant supporting trainees in England to take training relevant to heat pumps and heat networks.

The Clean Heat Market Mechanism, which came into force on 1 April 2025, works alongside other government schemes like these to provide the UK's heating industry with the confidence and incentive to invest in aligning their businesses to the transition to clean technologies and finding ways to make heat pumps a more attractive and simpler choice for households.

As established by the Clean Heat Market Mechanism Regulations 2025, the scheme requires obligated parties to acquire a certain number of credits for the installation of low-carbon heating appliances relative to their fossil fuel boiler sales. For the current Year 1 of the scheme (Financial Year 2025/26) this credit target is 6% of relevant boiler sales. The Government committed to consult further before setting a target for Year 2 (FY2026/27) or making any changes to other scheme parameters.

In the interests of policy stability at this early stage, the Government has decided to focus this consultation on the target level for Year 2 of the scheme, as well as a proposal to adjust the

Scheme Regulations to provide certainty that the Microgeneration Certification Scheme (MCS) will be the sole certification scheme for the Clean Heat Market Mechanism. Proposals for any broader or longer-term changes to the scheme will be considered once operational experience and scheme data can inform decision making for future years. It will also be appropriate to consider any future proposals for how the scheme might evolve over the medium term, as well as a trajectory of future years' targets, alongside the Warm Homes Plan, which will confirm the wider policy framework for accelerating the decarbonisation of heating, of which the Clean Heat Market Mechanism is part.

In that light, while this consultation has a focused scope, the Government will continue to work with industry on discussing the future evolution of the Clean Heat Market Mechanism, in order that it can continue to support a thriving heat pump sector and a consumer-focused transition to low-carbon heating. Therefore, in addition to inviting responses from stakeholders on the specific proposals for Year 2 here, the Government would also welcome views from respondents on other aspects of the scheme where they feel there may be a case to consider adjustment or evolution in the future.

General information

Why we are consulting

The Government committed to consulting on a proposed target level for Year 2 of the Clean Heat Market Mechanism. Additionally, it is also consulting on naming the MCS as the sole certification scheme for the Clean Heat Market Mechanism and seeking stakeholder's views on other aspects of the scheme that it may wish to consider in the future.

Consultation details

Issued: 7 May 2025

Respond by: 2 July 2025

Enquiries to:

Clean Heat Market Mechanism Team, the Department for Energy Security and Net Zero

Email: heatmarketmechanism@energysecurity.gov.uk

Consultation reference: Clean Heat Market Mechanism: Revisions ahead of scheme Year 2 (2026/27).

Audiences:

The consultation is seeking views from all stakeholders including representatives from the heating and energy industry, the general public, consumer groups and non-governmental organisations to ensure we receive a range of views which will help inform our response.

Territorial extent:

The United Kingdom of Great Britain and Northern Ireland

How to respond

We encourage respondents to use the online e-Consultation platform, Citizen Space, to respond to this consultation if possible. However, we will also accept responses received by email.

Respond online at: energygovuk.citizenspace.com/heat/chmm-revisions-ahead-scheme-year-2

or

Email to: heatmarketmechanism@energysecurity.gov.uk

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on [GOV.UK](https://www.gov.uk). The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

Quality assurance

This consultation has been carried out in accordance with the government's [consultation principles](#).

If you have any complaints about the way this consultation has been conducted, please email: bru@energysecurity.gov.uk.

The proposals

The following sections set out the Government's proposals on a target level for scheme Year 2 and on naming the MCS as the sole certification scheme for the Clean Heat Market Mechanism. All other scheme parameters will remain stable from Year 1 to Year 2. Additionally, stakeholders are invited, optionally, to provide their views on other elements of the scheme to inform the scope of any future consultations.

Target levels

As set out in the Clean Heat Market Mechanism Regulations 2025, obligated parties are currently required to acquire credits representing qualifying heat pump installations between 1 April and 31 March of each relevant scheme year and surrender these on a specified day. For instance, Year 1 of the scheme runs from 1 April 2025 and 31 March 2026 and the credits must be surrendered on 1 October 2026. For scheme Year 1, the target that obligated parties need to meet is credits equivalent to 6% of their relevant gas boiler sales over 20,000 and 6% of their relevant oil boiler sales over 1,000.

The Government is proposing to set the target for Year 2 in the range of 8-10% of relevant boiler sales, anticipated to be equivalent to around 90,000-130,000 heat pump credits depending on the size of the fossil fuel boiler market during the same period. The Government is confident that there will be sufficient growth in the heat pump market during 2026/27 to support manufacturers to meet a target within this range, building on strong market growth for heat pumps in 2024 and the continued support for consumers through schemes such as the Boiler Upgrade Scheme. The Government's Warm Homes Plan will provide further detail on its ambitions for growth in the low-carbon heating sector over the coming years and the comprehensive framework of supporting and enabling policy being established to support those ambitions.

Question 1: Do you agree with a target within the range of 8-10% for Year 2? Yes/No. Please provide reasoning to support your response. If yes, where in the range should it be set?

Question 2: Do you have an alternative suggestion for a Year 2 target? Yes/No. If yes, please provide reasoning to support your response.

Certification Scheme

The Clean Heat Market Mechanism Regulations 2025 do not name a sole designated certification scheme and instead set out criteria under which certification scheme(s) would be appointed by the Secretary of State. Guidance for certification schemes seeking Secretary of State approval to operate under the Clean Heat Market Mechanism was published in March 2025, and MCS was formally appointed as a certification scheme under the Clean Heat Market Mechanism in April 2025.

The Government is now proposing to mandate MCS as the sole certification scheme for the Clean Heat Market Mechanism, and to remove the option for multiple certification schemes to certify installations under the Clean Heat Market Mechanism. The Government is committed to

providing robust consumer protections through all its schemes and is considering changes to the wider retrofit consumer protections landscape to ensure consistent high standards.¹ The Government is concerned that permitting competition between private entities in the installer certification and standards market could lead to weakening of standards and add unnecessary, further complexity to an already complex consumer protections landscape.² There is also a risk that allowing multiple certification schemes to certify Clean Heat Market Mechanism installations will increase delivery complexity, and potentially impede successful implementation of the scheme. Therefore, while the Government considers the future landscape, it is important to have a simplified approach to certification schemes under the Clean Heat Market Mechanism.

Separately, the Government is also proposing to mandate MCS as the sole certification scheme for multiple schemes which support the installation of low-carbon heating appliances, i.e., heat pumps. Full details of these proposals can be found in the combined 'Boiler Upgrade Scheme Consultation: Stimulating further demand for heat pumps and enhancing consumer protections' and 'Certification requirements for clean heat schemes Consultation: Proposals to require the Microgeneration Certification Scheme (MCS) as the sole certification scheme for UK government clean heat schemes' consultation.³

Question 3: Do you agree that there should only be one certification body? Yes/No. Please provide reasoning to support your response.

Question 4: Do you agree that, if there is to be only one certification body, it should be MCS? Yes/No. Please provide reasoning to support your response.

Other Considerations

The Government is committed to continue to work with industry and other stakeholders in partnership on the transition to clean heat and Net Zero. We are therefore interested in gathering views from industry on other aspects of the Clean Heat Market Mechanism's design that they believe the Government should (or should not) consider revising in the future, subject to further consultation. The Government also wants to continue to support and improve the consumer experience of the transition to clean heat and would therefore encourage views from consumer groups on how the Clean Heat Market Mechanism can best continue to align with that. The information gathered in response to this question will inform the Government's consideration and development of proposals for future changes to the scheme, ahead of scheme Year 3 or beyond.

Question 5: Are there any other elements of the scheme you would like the Government to consider consulting on revisions to in the future?

¹ <https://www.gov.uk/government/news/action-taken-to-protect-households-with-poor-quality-insulation>

² <https://www.citizensadvice.org.uk/policy/publications/hitting-a-wall-protecting-consumers-who-install-net-zero-technologies/>

³ <https://www.gov.uk/government/consultations/boiler-upgrade-scheme-and-certification-requirements-for-clean-heat-schemes>

Consultation questions

1. **Do you agree with a target within the range of 8-10% for Year 2? Yes/No. Please provide reasoning to support your response. If yes, where in the range should it be set?**
2. **Do you have an alternative suggestion for a Year 2 target? Yes/No. If yes, please provide reasoning to support your response.**
3. **Do you agree that there should only be one certification body? Yes/No. Please provide reasoning to support your response.**
4. **Do you agree that, if there is to be only one certification body, it should be MCS? Yes/No. Please provide reasoning to support your response.**
5. **Are there any other elements of the scheme you would like Government to consider consulting on revisions to in the future?**

Next steps

We will carefully consider responses received to this consultation and publish the Government Response in due course.

This consultation is available from: www.gov.uk/government/consultations/clean-heat-market-mechanism-revisions-ahead-of-scheme-year-2-20262027

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