UK Government

Clean Heat Market Mechanism: Revisions ahead of Scheme Year 2 (2026/27) – Government Response

Summary of responses received and government response

Department for Energy Security and Net Zero (2025)

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Contents

Introduction 4
  Summary of consultation 4
  Summary of stakeholder responses to the consultation proposals 4
  Summary of government response 5
Target Level for Year 2 of the Clean Heat Market Mechanism 6
Certification Scheme 9
Other Considerations 11
Next Steps 13
Annex A – List of respondents 14

Introduction

Summary of consultation

On the 7 May 2025, the government published the ‘Clean Heat Market Mechanism: Revisions ahead of Scheme Year 2 (2026/27)’ consultation on GOV.UK.[1] This consultation was focused on two policy proposals – the target level for Year 2 of the Clean Heat Market Mechanism (CHMM) and naming the Microgeneration Certification Scheme (MCS) as the sole certification scheme for the CHMM. The consultation closed on 2 July 2025. The content of the consultation is not repeated in full within this publication, therefore it should be read together with the consultation. This publication summarises the responses received and outlines the government’s position in response.

Prior to this consultation, there were three consultations published under the previous government on proposals for the CHMM. The first of these consultations was published in 2021 and consulted on the role of a market-based mechanism for low carbon heat. The second consultation, published in March 2023, consulted on the proposed scheme design for the CHMM. Finally, the third consultation, published in 2024, sought views on delaying the implementation of the scheme by one year, to April 2025.

Summary of stakeholder responses to the consultation proposals

A total of 57 responses were received in response to this consultation from a range of stakeholders including fossil fuel heating appliance manufacturers, specialist heat pump manufacturers, energy suppliers and other organisations within the heating supply chain. Table 1 provides a breakdown of responses by respondent type. The government has carefully considered all views.

Table 1: Consultation responses by respondent type

Respondent Type	Number of Responses
Energy Suppliers (and related trade associations)	8
Fossil Fuel Heating Appliance Manufacturers (and related trade associations)	7
Specialist Heat Pump Manufacturers (and related trade associations)	6
Other Heating Supply Chain Actors (and related trade associations)	6
Other Organisations (including individuals and NGOs).	30

[1] Clean Heat Market Mechanism: revisions ahead of Scheme Year 2 (2026/2027) - GOV.UK

In response to the proposed target range, the majority of respondents were in favour of the target for Year 2 being set within the range of 8-10% of relevant boiler sales. Responses on MCS certification were more balanced, although more respondents were in favour of the existing arrangements which allow for both the MCS and other certification schemes.

Several respondents also provided comments on the overall scheme design of the CHMM including: the payment-in-lieu (PiL); long-term policy certainty; eligible technologies; and scheme flexibilities. Finally, respondents also shared their views on how the heat pump market can be supported by the government's wider heat decarbonisation framework and associated policies.

Summary of government response

The government has carefully considered all responses to this consultation and has made the following policy decisions.

Firstly, the target level for Year 2 of the CHMM will be set at 8% of relevant boiler sales. Target levels for future years will be decided, subject to further consultation, in due course. Secondly, the government has decided to name MCS as the sole certification scheme for the CHMM at this time. A full review of the consumer protection landscape is ongoing and the government's final position on wider consumer protection structures will be confirmed at a later date.

Amending scheme regulations giving effect to these two decisions will be laid in Parliament when parliamentary time allows.

Additionally, the government welcomes the other comments raised by stakeholders in relation to the overall scheme design. These responses will be thoroughly considered to help shape the ongoing thinking on the scheme design and will help inform future consultations on potential changes to the scheme.

The government's overall strategy for the decarbonisation of heat will be confirmed in the Warm Homes Plan, which will be published in due course.

Target Level for Year 2 of the Clean Heat Market Mechanism

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?

In total, there were 44 respondents who responded either 'Yes' or 'No' to this question. Additionally, 42 respondents, most of whom had provided an answer to the first part of the question, provided reasoning to support their response.

The majority of respondents (26) stated that they did agree with the target for Year 2 being set within the range of 8-10%. This group included a mixture of respondents, including energy suppliers, specialist heat pump manufacturers, and others including individuals and NGOs. They felt that, given the heat pump market has seen significant growth in recent years, it would be appropriate to increase the target.

There was a range of support for different target levels within this range, with half of these respondents (13) proposing the target should be set at 10%, with this target level being viewed by respondents as being a better option to support the UK to achieve its climate change mitigation commitments. A target of 8% was viewed by other respondents as an appropriate target given the recent growth in the heat pump market, and considered achievable if the correct policy levers are in place, with the topic of the government's wider decarbonisation strategy discussed in more detail in stakeholders' responses to Question 5.

Overall, fossil fuel heating appliance manufacturers were generally not supportive of the Year 2 target being set within the 8-10% range, raising concerns over the achievability of a target within this range. Instead, the general preference of this group was for the target to remain at the Year 1 level of 6% (or as low as possible). However, a couple of respondents in this group were supportive of a target of 8% if wider policy levers to support the heat pump market were introduced including rebalancing between gas and electricity prices and the publication of the Warm Homes Plan. Additionally, respondents wanted consideration to be given to the impact Year 1 of the CHMM will have on the heat pump market and the overall demand within the heat pump market.

The topic of consumer demand in the heat pump market was raised by a range of respondents, with a small number suggesting that the 2025 heat pump market to date is showing signs of slowing down, while others stated that appropriate demand-side policies needed be put in place to support the CHMM. There were also concerns raised regarding the number of government-supported heat pumps, and whether this level would be sufficient to support industry to achieve a target within the 8-10% range.

Additionally, stakeholders raised concerns about the lack of data from Year 1 of the CHMM at the time of responding to help inform the target level for Year 2 of the scheme, with some respondents feeling that the consultation on the Year 2 target was launched too soon after the launch of the CHMM. A number of respondents also raised concerns that certain policy assumptions in the CHMM Impact Assessment might now be outdated and need to be updated.

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

There were 39 respondents who answered 'Yes' or 'No' to the first part of this question, with 14 respondents answering 'Yes'. In response to the second part of this question, there were a total of 21 respondents who provided further information on where the level of the target for Year 2 should, in their view, be set.

Alternative target suggestions provided in response to this question ranged from 40% to the view that there should be no target at all. Additionally, a couple of respondents suggested there should be a ban on the sale of fossil fuel boilers. A significant minority of respondents, predominantly fossil fuel heating appliance manufacturers, proposed retaining the 6% target from Year 1 (2025/27).

The rationale provided as part of respondents' responses to this question largely overlapped with the supporting reasoning and evidence provided in Question 1 including, the lack of data at this stage from the Year 1 of the CHMM, the suggestion that enabling policies needed to be in place to support the CHMM, and the suggestion that a target at the higher end of the range (or above) was needed in order for the UK to meet its climate change mitigation commitments.

Government response – Questions 1 and 2

Having considered the views raised by respondents to questions 1 and 2, the government has decided to set the target level for scheme Year 2 at 8% of relevant boiler sales.

Following the recent levels of growth in the heat pump market, with MCS data showing that certified heat pump installations grew by 43% in 2024 compared to the previous year, the government is of the view that this target is achievable and realistic for obligated parties to meet, either directly through heat pump installations and/or through the acquisition of credits from other parties.

While the government acknowledges that this consultation was launched soon after the launch of the CHMM, the intention was to give market actors as much time to prepare for Year 2 as possible. The government will continue to monitor scheme data throughout the lifetime of the scheme and will use this to help inform future decisions.

The government does indeed have a substantial policy framework in place to support the heat pump market, consumer demand, and the overall decarbonisation of heat. This includes the Boiler Upgrade Scheme (BUS), the Heat Pump Investment Accelerator Competition (HPIAC) and the Heat Training Grant (HTG). The forthcoming Warm Homes Plan will confirm the government's plans to invest £13.2 billion in helping households to take up clean heating and insulation measures.

Finally, an updated Impact Assessment will be published alongside the scheme regulations when parliamentary time allows.

Certification Scheme

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

In total, there were 54 respondents who responded to this question (21 answered ‘Yes’, 27 answered ‘No’ and 6 responded neutrally), of whom 50 respondents provided reasoning to support their response.

Respondents who were supportive of the proposals highlighted what they saw to be three main advantages. Firstly, that a single certification body would reduce the administrative burden for installers, and provide more robust consumer protections by reducing complexity, leading to greater public trust and confidence. Another advantage highlighted was that a single certification body helps to provide greater oversight and accountability, with a single point of contact for any problems, with Gas Safe cited as a comparison. Respondents also noted that a single certification body could help to maintain standards and prevent a ‘race to the bottom’, where competing schemes reduce the rigour of compliance to attract clients.

The majority of respondents who were not supportive of the proposals raised concerns around monopoly power, suggesting that it could lead to higher prices, reduce incentives on the certification body to improve its performance, and create a single point of failure. Respondents raised concerns they had with the performance of the existing certification body (MCS), including around the cost and complexity of certification, managing consumer protection issues, maintaining high installation standards and engagement with industry stakeholders. Respondents also said they were unsure whether MCS would be able to scale up with market expansion. However, there was some recognition that MCS reforms could help to alleviate some of these issues. Some respondents highlighted that other organisations had the potential to become a certification body under CHMM and offer a comparable service.

A few respondents suggested that a single certification body should be managed by central government and that there should be greater opportunity for scrutiny, for example by regularly publishing data on performance reporting.

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.

In total, there were 54 respondents who responded to this question (18 answered ‘Yes’, 32 answered ‘No’ and 4 answered neutrally), of whom 52 respondents provided reasoning to support their response.

Respondents that were supportive of the proposals broadly saw MCS as the only viable option to be the sole certification body as they are established in the market. Some respondents suggested that further measures should be implemented alongside this change, for example providing sole certification for a limited timeframe or bringing MCS into public ownership.

Respondents that were not supportive of the proposals stated concerns around a private company having sole certification status. Some respondents stated a preference for greater transparency around the decision, for instance, through a standalone consultation or through a tendering process.

Government response – Question 3 and 4

Having carefully considered the range of views received, the government has decided to proceed with the proposal to mandate MCS as the sole certification scheme for the CHMM. As set out in the consultation, this is intended as an interim step ahead of the implementation of longer-term system reforms to the consumer protection landscape. Detail of the proposed system reforms will be set out as part of the Warm Homes Plan.

The government believes that allowing for multiple certification schemes ahead of the implementation of these reforms would add further complexity to the consumer protection landscape and create confusion for consumers. It could also potentially undermine standards, as competing certification schemes may be incentivised to offer lower prices and/or easier or quicker certification, which may result in lower standards, less rigorous assessment and audit, and weakened consumer protection. This would be detrimental to the market. Mandating MCS now will avoid adding further complexity for consumers and reduce impacts on scheme delivery while system reforms are developed and implemented.

The government recognises that there are concerns that mandating a sole certification scheme will remove competition, and that this could undermine incentives to improve certification scheme efficiency and the service provided to installers and consumers. The government considers that in the timeframe ahead of the implementation of system reforms, any benefits of allowing for competition are unlikely to outweigh the disadvantages.

However, to mitigate the potential risks, we are taking steps to increase oversight of MCS. This includes placing a Department for Energy Security and Net Zero (DESNZ) observer on the MCS Service Company decision-making boards and putting in place a Memorandum of Understanding (MoU) between DESNZ and MCS. The MCS Consumer Protection Oversight Panel will also publish an annual report on their consumer protection performance. The government will keep this arrangement under review and consider if further measures are needed to ensure adequate oversight.

The government also acknowledges the wider concerns that have been raised about the performance of MCS and the cost and administrative burden associated with MCS certification, particularly for smaller installer businesses. The government will continue to monitor the implementation of the redeveloped MCS scheme, which aims to reduce bureaucracy and place greater focus on delivered quality. Separately, the government recently sought views on reducing installer administrative and regulatory burdens with regards to registration of assets, as part of a call for evidence on improving the visibility of distributed energy assets.

Other Considerations

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

The government included this question in order to gather views on topics beyond the two specific proposals for the scheme's Year 2 to help inform further thinking and assessment of options on how the scheme might best evolve over the longer term.

This question received 40 responses covering a wide range of topics related both to the design of the CHMM and the wider policy area.

The payment-in-lieu (PiL) was raised by 13 respondents, with the majority of these calling for the funds from any payments to be reinvested in the heat pump sector. Suggestions included allowing obligated parties to invest instead into heat pump-related activities, and/or ringfencing any funds received for other related government initiatives, such as the BUS or jointly funded promotional activities between government and the heating industry. Five respondents called for an increase to the PiL value, while two recommended delaying any increase until more data is available.

Policy certainty and long-term planning of the CHMM was mentioned by 11 respondents, including one scheme participant, with the majority of these calling for a long-term timeline setting out targets to provide clarity for the domestic heating market. A minority of these respondents suggested the government could still introduce periodic reviews and adjustment windows to retain some flexibility when setting longer term targets.

Technologies awarded credits in the CHMM were mentioned by 16 respondents, with the majority of these suggesting alignment of eligible technologies with those in the BUS, particularly with respect to support for air-to-air heat pumps. Fossil fuel heat appliance manufacturers sought clarity on the government's position on air-to-air heat pumps, heat networks and heat batteries, and proposed continued inclusion of hybrid systems (three of whom proposed a credit uplift to 0.8-1 credit for these). Two energy suppliers and two fossil fuel heating appliance manufacturers suggested awarding credits for bioLPG boiler installations and raised concerns about properties unsuitable for heat pumps, suggesting a mixed-technology approach, including hybrids and bioLPG boilers. One specialist heat pump manufacturer proposed a higher credit value for ground source heat pumps than for air source heat pumps, suggesting greater efficiency and longevity.

Installers, training and the supply chain were mentioned by six respondents, with the majority of these suggesting that there was a lack of suitably trained engineers to meet the government's heat pump deployment targets. Respondents across all groups proposed awarding credits for installer training and expanding qualification pathways for low carbon heating qualifications, particularly for those with transferable skills. Two respondents suggested that installations need to be optimised, recommending better support for homeowners affected by poor-quality installations and better training for underperforming installers.

Scheme flexibilities were mentioned by nine respondents. Four respondents from specialist heat pump manufacturers and energy suppliers recommended an increase to the credit carryover cap, suggesting that this might improve market liquidity and incentivise trading in future scheme years. Additionally, one respondent proposed establishing a third-party trading platform to improve transparency in trading. One energy supplier suggested reducing the target carry-forward and introducing disincentives to encourage obligated parties to meet targets within the scheme year. One fossil fuel heating appliance manufacturer proposed capping the number of boilers used in target calculations to limit costs for obligated parties.

There were several other suggestions that were made by a small number of respondents – these included greater industry engagement, improving data transparency, awarding credits to heat pump installations in new builds, and proposing a licensing scheme to protect consumers.

Finally, 14 respondents requested further action or greater policy certainty across low carbon heating, with the most common recommendation being rebalancing electricity and gas prices to support heat pump adoption and reduce fuel poverty. Fossil fuel heating appliance manufacturers called for electricity network upgrades, implementation of the Future Homes Standard (FHS) and the Home Energy Model, confirmation of a future iteration of the Energy Company Obligation (ECO), and consistent government-industry collaboration. Specialist heat pump manufacturers expressed concern over what they saw as delayed policy signals on the FHS and urged stronger government support for UK manufacturers amid regulatory costs and pricing competition from fossil fuel heating appliance manufacturers. Energy suppliers called for clearer planning rules, the extension of current government schemes – for example the HPIAC, HTG and BUS – and accessible green finance. Other organisations also made the case for broader reforms, including introducing ‘real-world’ performance monitoring of heating appliances to ensure customer savings.

Government response

The government thanks all respondents who contributed policy suggestions in response to this question in the consultation. The government notes these comments and will consider them as planning proceeds for Year 3 and beyond of the CHMM. We will also continue to develop the policy framework for clean heating as a whole, considering the interactions between individual schemes and policies including the CHMM.

Next Steps

The government will introduce scheme regulations in Parliament giving effect to the two policy decisions outlined in this document when parliamentary time allows. This will be accompanied by an Impact Assessment.

Annex A – List of respondents

- Alpha Therm Ltd
- Baxi
- Bingley Inspection Services
- Blue Star
- Builders Merchants Federation
- Build Energy Ltd
- Calor
- Centre for Sustainable Energy
- Centrica Plc
- Certi-fi Schemes Ltd
- Certsure LLP
- Consumer Codes Approval Board
- Daikin Airconditioning UK Ltd
- E.ON UK
- E3G
- EDF
- Energy UK
- Energy Utilities Alliance
- Green Heat Ltd
- Heacol Consultants
- Heat Geek
- Heat Pump Association
- HIES Consumer Code
- Ideal Heating
- Jarion Ltd
- Kensa
- Liquid Gas UK
- MCS Certified
- Mitsubishi Electric, Living Environment Systems UK
- NZK Consulting Ltd

- Octopus
- OFTEC
- OptiPower
- Ovo
- Project Ambient
- Scottish Power
- Sustainable Energy Association
- The Chartered Trading Standards Institute
- The MCS Foundation
- UKGBC Ltd
- Vaillant
- Warmflow Engineering Co Ltd
- Worcester Bosch

In addition, responses were received from 11 individuals.

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