

# UK government announces major expansion of heat networks in latest step to power homes with green energy

- £19 million government cash boost announced to supply low carbon heating for thousands of homes and buildings across the country
- government appoints Ofgem as Great Britain heat networks regulator to ensure consumers receive a fair price and reliable supply of heat
- heat networks are an essential technology for cutting carbon emissions in a cost-effective way while reducing bills and tackling fuel poverty, forming a key part of the government's landmark [Heat and Buildings Strategy](#)

UK homes, university residences and public buildings will benefit from cleaner, more affordable heat and energy, thanks to £19 million government funding announced today to further expand Great Britain's network of low carbon heating (Wednesday 29 December).

The £19 million investment will go towards setting up 5 new heat networks, 2 in Bristol, and 3 across Liverpool, London and Worthing, providing households and workplaces with more affordable, reliable heating that offers a low-carbon, more cost-effective alternative to installing individual, energy-intensive, heating solutions such as gas boilers.

Heat networks supply heat from a central source to consumers, such as large rivers and heat from sewers via a network of underground pipes carrying hot water, like a giant central heating system serving many buildings, and supplies it through pipes to homes and businesses.

The £19.1 million funding announced today comes from the government's £320 million Heat Networks Investment Project (HNIP), which supports the development of heat networks across England and Wales. Government-funded heat networks currently being developed include Leeds City County's 16km district heat network, Cardiff Town Heat Network in South Wales, spreading across the Cardiff Bay area, and Newcastle University's District Heat Network within their city centre campus.

As a proven, cost-effective way of providing reliable low carbon heat at a fair price to consumers, and as recommended by the Climate Change Committee, the UK government is working towards growing the heat networks sector, which provides roughly 2% of UK heat demand but could meet around a fifth of heat demand by 2050.

Minister for Climate Change Lord Callanan said:

Almost a third of all UK carbon emissions come from heating our homes and addressing this is a vital part of tackling pollution,

driving down bills and reducing our reliance on costly fossil fuels. Today's announcement builds on our commitments made in the Heat and Buildings Strategy to regulate the UK's heat networks, protect consumers, and create opportunities for green jobs and investment across the country.

This will allow thousands of households and businesses to feel the benefits of projects that are breaking new ground and making our villages, towns and cities cleaner places to live and work.

To support this, Ofgem has today been appointed by the UK government as the heat networks regulator for Great Britain to ensure consumers receive a fair price and reliable supply of heat.

The industry regulator will be responsible for enforcing rules and guidance on pricing and quality of service while facilitating the growth and decarbonisation of the market. Forming part of the government's new Heat Networks Market Framework, Ofgem will also increase investor confidence in the market and play a key part in reducing the carbon footprint from heating homes and workspaces.

Taken together, these announcements demonstrate how government is giving consumers, investors and developers confidence in heat networks by both implementing a market framework, and putting capital investment into local projects to reduce bills, tackle fuel poverty, and support local regeneration.

Jonathan Brearley, chief executive of Ofgem, said:

We welcome the government's announcement that it will appoint Ofgem as the new heat networks regulator. Heat networks can play a key role in reducing carbon emissions from heating and helping to achieve the country's climate goals.

We will work with the government to design a regulatory framework which attracts the investment needed while ensuring heat network consumers, especially those in vulnerable circumstances, receive a fair price and reliable supply of heat for their homes as we make the transition to net zero.

The government's response to the [Heat networks market framework consultation](#), published today, sets out proposals for introducing legislation to regulate the sector, which we are committed to doing within this Parliament. This will include appointing Ofgem as heat networks regulator and Citizens Advice as the consumer advocacy body.

This legislation will play a critical role in protecting approximately half a million consumers across around 14,000 heat networks in Great Britain, of which approximately 2,000 are district heat networks and 12,000 are communal heat networks.

The £19.1 million funding announced today comes from the government's £320 million Heat Networks Investment Project (HNIP), which supports the development of heat networks across England and Wales.

Today's announcement will help to deliver the commitments made in the [Prime Minister's 10 Point Plan](#) to make the UK's homes, schools and hospitals greener, warmer and more energy efficient, while creating 50,000 jobs by 2030.

They also support the government's new target for all new heating systems installed in UK homes by 2035 to be either using low-carbon technologies, building on more than £3.9 billion of funding announced as part of the Heat and Buildings Strategy to decarbonise heat and buildings. The £3.9 million investment will fund the next 3 years of investment through the Social Housing Decarbonisation Fund, the Home Upgrade Grant scheme, the £450 million Boiler Upgrade Scheme and the Heat Networks Transformation Programme and reducing carbon emissions from public buildings through the Public Sector Decarbonisation Scheme.

## Heat Networks Market Framework

- The government response to the [Heat networks market framework consultation](#), published today, sets out government's proposals for introducing legislation to regulate the sector, which we are committed to doing within this Parliament
- Ofgem was chosen after a thorough process of comparing its suitability with other regulatory bodies and structures, which was conducted working closely with industry. This exercise reaffirmed the government's view that Ofgem is the most desirable choice for regulator
- as well as its role of enforcing consumer protection rules, Ofgem will enforce decarbonisation rules in the market and licence heat network developers who wish to use statutory rights and powers to help build out this new industry quickly and cost-effectively
- the government will also appoint Citizens Advice as the consumer advocacy body and intends to appoint the Energy Ombudsman as the independent ombudsman scheme for consumers
- the government has also announced a public consultation on a [proposed approach for recovering the costs of heat networks regulation](#), closing 22 February 2022
- this consultation proposes that Ofgem's costs of regulating the heat networks, gas and electricity markets are spread evenly across heat network, gas, and electricity consumers. This approach would address risks to the competitiveness of the heat networks market and issues of affordability for heat network consumers

## Heat Networks Investment Project (HNIP)

- The £19.1 million funding announced today comes from the government's £320 million Heat Networks Investment Project (HNIP), which supports the development of heat networks across England and Wales
- HNIP was launched as a pilot in 2016 with the main scheme being launched in 2018. To date over £250 million has been awarded to heat network

projects in England and Wales via HNIP

- BEIS is currently developing the Green Heat Network Fund, which is intended to be the targeted successor to HNIP and is due to open in 2022
- heat network projects are further supported through the Heat Networks Delivery Unit (HNDU)
- the HNIP funded heat network projects being announced today:

**Royal Borough of Kensington and Chelsea** has been awarded over £1.1 million to develop a new zero carbon heat network which will use air source heat pumps to provide heat to 826 existing homes and several public buildings and business units in the Notting Dale area of the borough

**Worthing Borough Council** has been awarded over £5.3 million toward the replacement of gas boilers in 27 buildings with a heat network that will use a centralised heat pump to take heat from the sewer underneath the town.

**Bristol City Council** has been awarded a total of over £6.4 million to support the development of 2 new low carbon heat networks in the Temple and Bedminster districts. Combined, these networks are expected to deliver heat to over 6,000 residences through the use of ground and water source heat pumps and waste heat from Bristol University's Temple Quarter Enterprise Campus.

**Peel Energy**, through its supply company, Mersey Heat, is delivering a district heat network to the Liverpool Waters development and the surrounding areas. The HNIP funding award of £6.2 million will enable the transition to a heat pump solution as the main generation source and connection of a central cluster of existing buildings. When complete, Mersey Heat will provide low carbon heat and hot water to up to 9,000 homes.

- Further details of these projects can be found in the [press notice](#) published today by the HNIP Delivery Partner, Triple Point Heat Networks.