

# Proposed amendments to the Boiler Upgrade Scheme Regulations

Consultation response



**citizens  
advice**

Citizens Advice  
October 2023

We can all face problems that seem complicated or intimidating. At Citizens Advice we believe no one should have to face these problems without good quality, independent advice. We give people the knowledge and the confidence they need to find their way forward - whoever they are, and whatever their problem.

We provide support in approximately 2,500 locations across England and Wales with over 18,000 volunteers and 8,650 staff.

Through our advocacy work we aim to improve the policies and practices that affect people's lives. No one else sees so many people with so many different kinds of problems, and that gives us a unique insight into the challenges people are facing today.

As the statutory consumer watchdog for the energy and post industries we have an important role to play in shining a spotlight on the problems consumers encounter, providing solutions to these problems and ensuring their voices are heard when important decisions are made about the future of these essential markets.

# Question 1

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**Do you agree with the proposal to allow for the potential differentiation of the grant levels for different types of property or property owner within the regulations? Yes/No. Please provide evidence to support your response.**

**No.**

We will answer this question using the information provided here, but also in the context of the Wednesday 20th September announcement that the amount given out under the Boiler Upgrade Scheme (BUS) will be increased to £7,500. We are unsure how the proposals in this question are affected by the uplift to £7,500, but will answer as if they are still being considered.

We welcome the increase in the maximum amount provided under the BUS, but do have some concerns about how this will be implemented and whether it will be accompanied by an increase in the total budget. We interpret the proposals in this question as suggesting that grant amounts be reduced below the maximum (which will be £7,500) for certain property types, fuel sources and property owners, but that amounts cannot be increased above this maximum. We do not think that in the current situation that this will help to meet targets for heat pump installations or domestic decarbonisation.

**Upfront cost remains a key barrier to take-up and it's not appropriate to reduce grants at the moment**

Uptake of BUS grants is currently very low, and far below government targets. From May 2022 - July 2023, 18,717 vouchers were issued<sup>1</sup>, which is way below the target of 30,000 installations per year by 2025 and nowhere near the trajectory needed for 600,000 per year by 2028.

One of the key findings of the recent House of Lords Environment and Climate Change Committee BUS enquiry was that 'upfront costs of heat pump installations are too high

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<sup>1</sup> DESNZ (2023) [Boiler Upgrade Scheme statistics](#)

for many households, even with the help of the grant, making it impossible for low-income households to benefit from the scheme'.<sup>2</sup> Citizens Advice research has shown that cost is a significant barrier to heat pump installations. As part of research into consumer priorities in net zero, we found that 47% thought that heat pumps were too expensive.<sup>3</sup> Almost a quarter of people who were not interested in heat pumps said that they would prefer to wait for prices to come down.<sup>4</sup>

The Energy Savings Trust estimates that installing a heat pump into a semi-detached house costs between £7,000 to £13,000 (the actual price could be higher depending on whether there is a need to make any other changes such as installing new radiators). Taking the middle of this estimate, only 16% of homeowners can afford a £10,000 heat pump without additional borrowing.<sup>5</sup> A significant proportion of people would not be able to afford a heat pump with the maximum BUS grant. Even with a £7,500 grant, one in five households (including all inhabitants) have less than £5,000 in savings, and 8% have less than £1,000.<sup>6</sup>

Borrowing is not an attractive option for people, as only 14% are willing to borrow to fund the installation of low carbon technology.<sup>7</sup> A £7,500 loan at 2.7% APR over 7 years would cost around £100 in monthly repayments. Almost 1 in 3 homeowners have £100 or less after paying for essentials each month, with almost 1 in 10 having nothing left at all.<sup>8</sup> Even with loans from mortgage providers, this may be more equity than people are able to release. While £10,000 is 5% of the equity of the average London homeowner, this rises to 28% for homeowners in the North East.

We do not believe that heat pump costs are falling at a rate that can justify reducing the amounts given out in government grants. The cost of heat pump installations has increased sharply over the past 8 years, as demonstrated by the Committee on Climate Change. Whilst the average cost of installing a heat pump in a home fell by 1.9% in 2022, this followed sharp rises in 2020 (10.3%) and 2021 (19.2%).<sup>9</sup>

Lower cost technology and deals on running costs are coming onto the market. Octopus and OVO say that installation costs to the consumer of their systems start at £500 when they can access the BUS, and OVO has announced a rate of 15p per kWh specifically for

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<sup>2</sup> [The Boiler Upgrade Scheme is failing to deliver, says Lords committee](#) (2023)

<sup>3</sup> Delta EE & Citizens Advice (Unpublished) Consumer priorities in the net zero energy transition

<sup>4</sup> Citizens Advice (2023) [Demand: Net Zero](#)

<sup>5</sup> Citizens Advice (2023) [Demand: Net Zero](#)

<sup>6</sup> Citizens Advice (2023) [Demand: Net Zero](#)

<sup>7</sup> Citizens Advice (2023) [Demand: Net Zero](#)

<sup>8</sup> Citizens Advice (2023) [Demand: Net Zero](#)

<sup>9</sup> Committee for Climate Change (2023) [Progress in reducing emissions: 2023 Report to Parliament](#)

running heat pumps which will make running costs lower than an average gas boiler. Despite this, we do not consider that heat pump prices across the board have fallen enough to consider reducing grant levels. We also have concerns regarding the potential lack of interoperability in new heat pumps coming onto the market. The European regulators group BEUC has similar concerns regarding consumers being locked in to expensive energy tariffs if they are leasing their heat pump through a 'heat as a service' scheme.<sup>10</sup> In the DESNZ response to the 'Delivering a smart and secure electricity system', it was stated that the Government plans to take forward proposals for interoperability outcomes for energy smart appliances. We urge that similar proposals are developed for heat pumps.

We have particular concerns about deals offered by energy suppliers. Consumers should not be locked into contracts with certain energy suppliers, because that risks them being forced to accept higher prices and lead to a 2 tier system where those who can afford more expensive systems can shop around to get better deals, but those on low incomes who take up these deals are locked into higher costs. We are also not sure what this lock-in would mean for house selling. We must avoid this developing into a situation similar to the rent-a-roof business with solar panels, where people have struggled to sell houses because of roof rental agreements.

It is clear that cost is the largest barrier to the installation of heat pumps, and will remain so in the short term. This is even likely to become more of a barrier as the cost of living crisis deepens. We are seeing evidence of this across our services. For example, by we helped over 73,000 people with energy debts in 2022, and by May this year we had helped more people with energy debts than we did in the whole of 2019.<sup>11</sup>

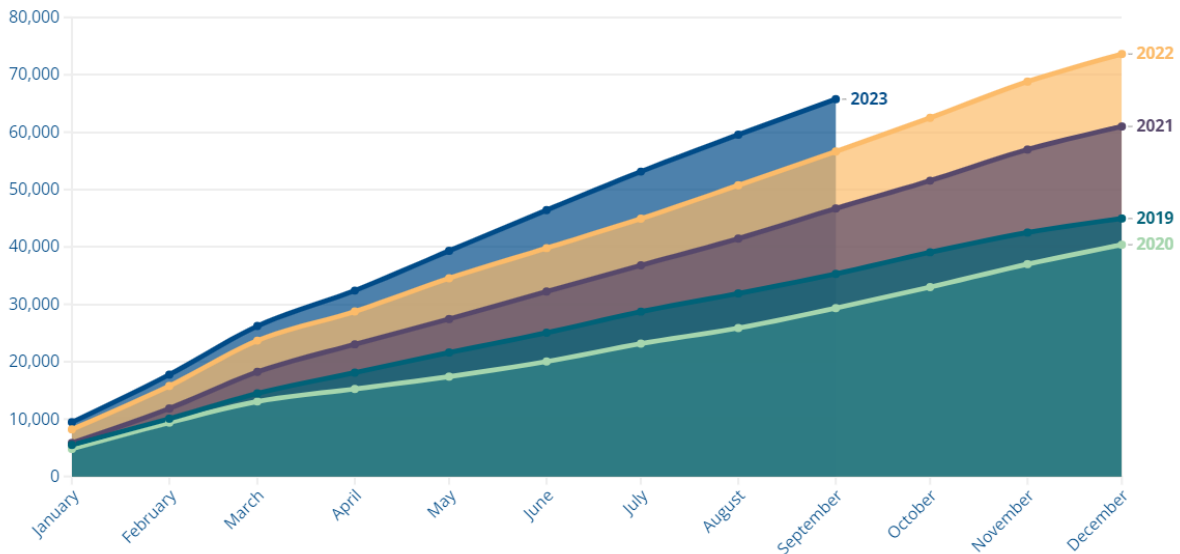
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<sup>10</sup> BEUC (2023) [From Boilers to Heat Pumps: What consumers need in the switch to renewable heating](#)

<sup>11</sup> Citizens Advice (2023) [Key energy charts from cost-of-living data dashboard](#): Slide 17

### Cumulative number of people we've helped with energy debts each year

So far this year, we've helped more people with energy debts than at this point in any other year.



[You can access this visualisation directly here](#) • Data for England Wales.



It is vital to increase both the rate of installation, and the total number of heat pumps the scheme can fund. Proposals to reduce the amount of money on offer to households will not increase take up and help the Government meet its own target of 30,000 per year between 2022-2025. We therefore do not agree with these proposals if they mean that grants can only be reduced from £7,500, and not go above that level. As technology and the economic situation develops, agility in the scheme would be useful, but only if grant decreases for some people are coupled with grant increases for others. As we have illustrated, even with the higher £7,500 grants, many cannot afford a heat pump. We would like to see government-backed loans with low to no interest on top of grants to help people install these systems.

### Increased agility is welcome but should be used to target support to those on lower incomes and that face higher costs

We do think that increasing the agility of the scheme could be useful. The technological and economic situation has changed quickly since the BUS opened, and will continue to do so. Varying grant levels based on the mentioned characteristics could be useful if it was used to better target support where it was most needed, for example if grants could cover the full costs of heat pumps for households which cannot access ECO but cannot afford the cost of heat pump even with a BUS grant. Research for our Demand: Net Zero report found that 19% of households with an income over £40,000 per year have under £100 disposable income per month after bills. Decreases for some

technology and property types would have to be accompanied by increases above the current maximum for others. In the short term, we do not think that conditions have changed enough to justify decreases in grant amounts.

Income and savings are not the only consideration for affordability. We supported research entitled 'Net Zero Diaries', which tracked consumer experiences when installing heat pumps.<sup>12</sup> This showed that property type and location also significantly affect the cost of installation. In small urban homes, installation is often difficult and disruptive, which can increase costs. In poorly insulated homes, or those with older or unsuitable radiators and pipes, the costs of replacing these can be high. Case studies as part of our Net Zero Diaries show that these costs can be unexpected. Unbudgeted costs can cause serious problems for households without extra savings to fall back on.

With the recent uplift to £7,500, and if grant amounts do vary in the future, we would like to see mechanisms to retrospectively allow people who have recently applied for the BUS to access uplifts. It is unfair on consumers to miss out on higher grants simply due to timing, and it adds uncertainty into the market. Varying grant amounts increases uncertainty which could lead people to delay decisions on installations, causing problems for installers and delaying progress on decarbonisation.

### **Total budget and targeting support where it is needed**

Whilst we welcome the uplift in BUS grant amounts, we must ensure that it does not lead to more of the budget being used by those who can afford to install heat pumps by themselves, at the expense of those who cannot. Targeting support where it is most needed can be done partly through information campaigns to help solve the lack of awareness of the scheme and technology, informing people who apply to other schemes such as ECO about the BUS, and by working with local authorities who have information on households who are experiencing fuel poverty.

Regarding the total number of heat pumps that can be funded, we would like to see clarification over whether the extension of the scheme to 2028 and the increase of grant amounts to £7,500 will be accompanied by amended targets and a concurrent increase in the total budget for the BUS. The House of Lords Environment and Climate Change Committee pointed out that the BUS budget is smaller than comparable schemes in France and Germany, and stated that 'the size of the budget is insufficient for the size of

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<sup>12</sup> Thinks Insight & Strategy (2022) [The Net Zero Diaries: A citizen perspective on tackling the climate emergency](#)

the task'.<sup>13</sup> If the budget is not increased, then the total number of heat pumps the scheme can fund will be even more limited.

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<sup>13</sup> [Letter from Baroness Parminter \(Chair, Environment and Climate Change Committee\) to Rt Hon Lord Callanan \(2023\)](#)



## Question 2

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**Should we maintain the current requirement for a valid EPC with no outstanding recommendations for loft or cavity wall insulation? Yes/No. Please provide evidence to support your response.**

### **Yes**

In order to make sure that people are not left behind in the decarbonisation and energy efficiency transition, we have to make sure that everyone can access these measures and technology. The solution to allowing everyone to access heat pumps is not to allow them to be installed in unsuitable properties, but instead to ensure that schemes like ECO and HUG allow low income households to install insulation. Our Insulation Nation report shows that they are not currently doing this effectively.<sup>14</sup> All energy efficiency and heating technology schemes should take the large range of property types into account, so that everyone can access them.

One of the advantages of heat pumps for consumers is that they are much more energy efficient than boilers,. However, this only holds true if they are used in houses that are properly insulated, as it is difficult to keep uninsulated homes at a constant temperature. Using them in draughty homes will unnecessarily increase electricity demand, leading to high electricity bills and supply issues.<sup>15</sup> Having these requirements as part of the BUS also adds value to the scheme in terms of its ability to contribute to meeting energy reduction and net zero goals. They encourage people to pursue energy efficiency as well as decarbonisation.

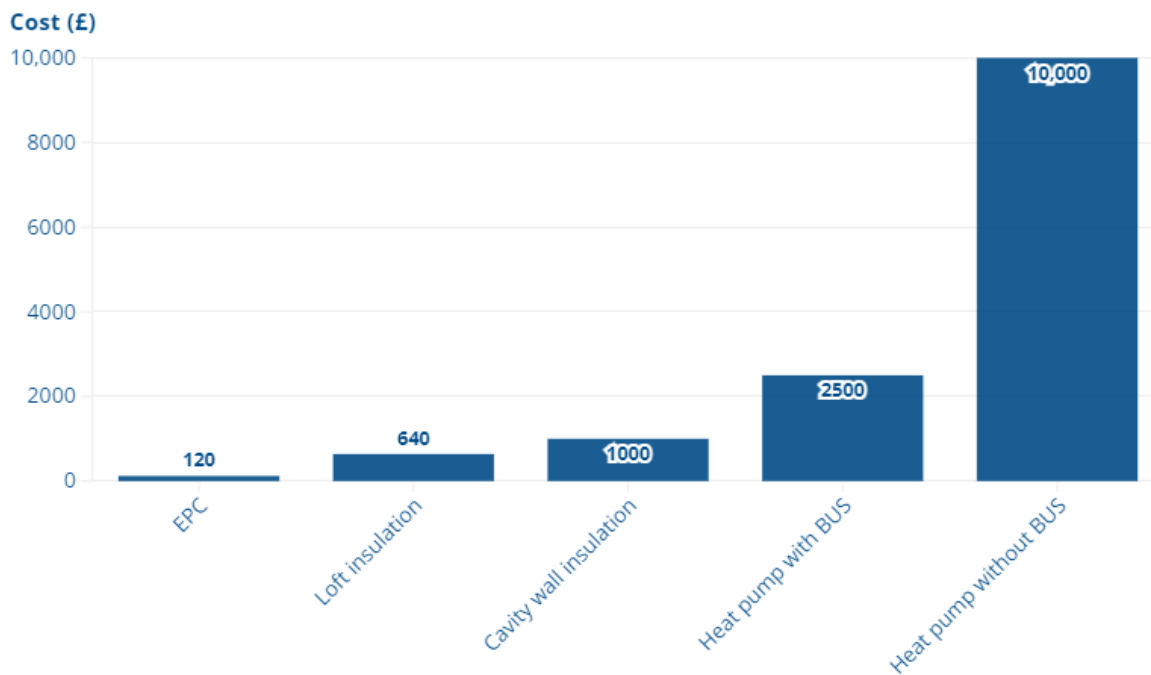
The costs of getting an EPC, and even installing loft and cavity wall insulation are low compared to installing a heat pump, even with a BUS grant.

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<sup>14</sup> Citizens Advice (2022) [Insulation Nation: The roadmap to a future of affordable energy bills](#)

<sup>15</sup> Priestley Centre for Climate Futures (2022) [Heat pumps without home insulation could raise bills and overload the grid](#)

Price estimates from the Energy Savings Trust



£1,000 for cavity wall insulations is a lot of money, and unaffordable, for some people. But the BUS is not intended to help people of low incomes, who are more likely to be applying to ECO schemes. If people install a heat pump in a draughty house, then the higher long term costs of increased energy consumption are likely to outweigh the short term savings of not having insulation installed.

The evidence suggests that the requirement for an EPC with no outstanding recommendations for loft or cavity wall insulation is not one of the more important barriers to take up of the BUS. Our answer here is not to say that the EPC system is perfect and we believe that there are improvements that could be made. These are outlined in our answer to question 4. Other more important factors that need tackling with policy include:

- Cost. A summary of the evidence that suggests this is an important barrier as described in our response to question 1. Whilst there are also costs associated with installing insulation, these are a fraction of the amount of a heat pump, and will also be smaller in the long term than the cumulative costs of the high electricity consumption of heat pumps installed in uninsulated properties

- A lack of trained installers. This was identified by the the House of Lords Environment and Climate Change Committee as a major barrier to take-up of the BUS.<sup>16</sup> Our Net Zero Diaries research<sup>17</sup> looking at people who had already installed a heat pump found that finding a suitable supplier was an issue, with firms supplying misinformation in some cases (e.g. indicating that a heat pump would save money, when prior to energy price increases this was not the case)
- Lack of awareness of the BUS. In a survey conducted for Citizens Advice in August 2022 of 2,000 adults, only 33% of respondents were aware of the Boiler Upgrade Scheme. This included 10% who reported being fully aware of the scheme and what it provides, and 23% partially aware.<sup>18</sup>
- Lack of awareness of the benefits of heat pump technology, and concerns over potential downsides. We found that almost 2 in 3 homeowners aren't interested in a heat pump, and over 1 in 2 homeowners were worried about issues of size, noise, or general suitability for their property.<sup>19</sup>
- Lack of advice. Homeowners aren't sure which measures are right for their properties, indicating a clear need for personalised advice. 40% of people say they are not informed enough about LCTs to decide whether they are the right choice for them.<sup>20</sup> Our Net Zero Diaries research<sup>21</sup> found:
  - Lack of advice on the correct set-up to choose. Participants had to undertake a significant amount of research to make their own decision
  - Unexpected changes to the home meant an increase in costs to undertake facilitating works. This was able to be covered by participants in our research, but could have caused significant financial difficulties otherwise
  - Long install time - one participant's installation took 2 weeks - significantly longer than it takes to install a gas boiler and more time than they were expecting (3-5 days)
- Planning restrictions. Whilst we do not think that removing the EPC requirement is a sensible idea, we do think that there are other unnecessary conditions that are slowing heat pump uptake. This includes the requirements arising from permitted development rights. We also agree with the Sir Patrick Vallance Pro-Innovation Regulation of Technologies Review recommendation that the current planning regulations should be amended to enable the installation of

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<sup>16</sup> [Letter from Baroness Parminter \(Chair, Environment and Climate Change Committee\) to Rt Hon Lord Callanan](#) (2023)

<sup>17</sup> Thinks Insight & Strategy (2022) [The Net Zero Diaries: A citizen perspective on tackling the climate emergency](#)

<sup>18</sup> Delta EE & Citizens Advice (Unpublished) Consumer priorities in the net zero energy transition

<sup>19</sup> Citizens Advice (2023) [Demand: Net Zero](#)

<sup>20</sup> Delta EE & Citizens Advice (Unpublished) Consumer priorities in the net zero energy transition

<sup>21</sup> Thinks Insight & Strategy (2022) [The Net Zero Diaries: A citizen perspective on tackling the climate emergency](#)

heat pumps within one metre of another property. We await the results of the independent review and the consultation on proposed changes.

## Question 4

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**If we retain the EPC requirements, are there any potential changes we could make to ease the consumer journey without risking heat pumps being installed in unsuitable properties? For example, allowing the submission of an expired EPC with no recommendations for loft or cavity wall insulation.**

Whilst we do not believe that the EPC process is not the main driver of the low uptake of the BUS, as we have described and evidenced in our responses to questions 1 and 2, we do think it can be improved. There are reforms that need to be made to EPCs regarding accuracy to make sure that they are as useful as possible.

We await the consultation on the changes to the Energy Performance of Buildings Regulations from DLUHC.

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