UK Finance

Greening Homes, Creating Growth

Unlocking demand for green home finance

Contents

Summary

The financial services sector has built up nearly two decades of experience supporting homeowners to finance green home improvements. But uptake remains low and will not scale until demand ramps up.

While lenders can support customers to finance greener home technologies like insulation and heat pumps,[1] recent experience shows that a comprehensive policy strategy is needed to increase demand. Lenders alone do not have the tools to drive up demand.

1.5 million

The number of heat pumps the UK needs to install per year by 2035

The UK needs to install around 1.5mn heat pumps alone per year by 2035 to meet its carbon reduction goals, across owner-occupied homes, the rental sector and social housing.[2]

This and wider efforts to retrofit homes have enormous growth potential: with a 10% growth in total economic value from the net zero economy since 2023, there is significant opportunity in the UK getting this right.[3] In UK Finance's 2022 report, "Net Zero Homes: Time for a Reset", we set out recommendations from the lending sector to help speed up the process. This paper updates those recommendations.

Some of our recommendations remain unchanged since our original report. However, the higher cost of living since 2022 has shifted our focus toward cost-saving actions, which we see as ever more central to getting public backing. Government needs to implement a range of policies, in the right sequencing, with long-term certainty. It remains just as important that the policy plan leaves no household behind. That's why the government's Warm Homes Plan strategy, due for release later this year, is so essential.

1 Many lenders are doing this in the services they offer: see for example, work by Nationwide, Ecology Building Society and Santander.
2 Climate Change Committee, The Seventh Carbon Budget, February 2025, p.13.
3 CBI, "Growth and innovation in the UK's net zero economy", February 2025

We call for Government to undertake the following actions, set out on pp.5-6, to drive up demand:

- **Inspire action**: Set out a clear policy and regulatory roadmap to provide long-term certainty, accompanied by a plan to upskill workers and a Government-led delivery body. Government should deploy a wide-ranging public information campaign and advisory service with specific and clear actions, to encourage homeowners, landlords and housing associations to improve their properties.
- **Improve pay-back**: Use tax and price incentives to improve the pay-back for homeowners who undertake green improvements, e.g. by rebalancing electricity and gas prices; provide strategic grants particularly to protect the most vulnerable homeowners; and support innovation among lenders.
- **Redefine standards**: Set long-term expectations for homeowners and suppliers; and reform energy performance measurement.

Government should use the upcoming Spending Review to prioritise funding to support green improvement measures among low-income households and in social housing. Government should also help reduce the cost of green finance by supporting lenders to increase low-cost green home loans.

Our survey: Insights on barriers to action

New polling data, collected by YouGov for UK Finance, offers insight on how to increase demand. Focusing on heat pumps – one of the technologies we know needs to scale significantly – we sought to understand what information consumers need to make the switch.

The last part of this paper offers four insights from our polling for how an information campaign should be designed to stimulate demand, including lessons on trusted sources of advice, key information, and channels for communication.

Creating growth

A larger market will have enormous co-benefits, acting as a vibrant engine of growth and job-creation as an army of service providers steps forward. It will also shore up our energy security at a time when political tensions impact global markets for gas.

It is only through a more dynamic market with high demand from homeowners that green home finance will flow at pace and scale. The financial services sector stands ready to get that money moving.

01 Recommendations

We recommend the Government focus on the following actions as part of its forthcoming Warm Homes Plan.

These recommendations aim to be broad – covering the actions needed for a range of housing types, across all tenures including owner-occupied, rental and social housing – and recognising that the solutions for improving a home's energy and carbon performance vary. Some technology types will not be right for some homes.

	Intervention required	
Inspire Action	1. Government-led delivery body	Establish a government-led body or group to drive collaboration across key stakeholders.
	2. Clear policy roadmap	Provide certainty for firms involved in retrofitting with long-term public policies, future proposals and timings.
	3. Information campaign	Introduce a public awareness campaign including independent guidance to tackle misinformation. This should cover improvement options and customer journeys for different property contexts, general information, and financial implications.
	4. Upskill workers	Provide grants, subsidies and a coordinated plan to train sufficient tradespeople
Improve Pay-Back	5. Tax and price incentives	Rebalance electricity and gas prices through adjustments to levies and/or targeted support. Work with industry to develop other tax incentives, including tax reliefs associated with salary sacrifice schemes, and potential Stamp Duty rebates.
	6. Support lending innovation	Deploy government funding to enable lower-cost green home lending. Rebalance liability so risks are located where they can be managed while maintaining consumer protection (e.g. through Consumer Credit Act reform). Consider introducing legislation to enable product innovations for green home improvements, e.g. property-linked finance.
	7.Strategic grants and guarantees	Maintain and expand grant programmes to support green home improvements, particularly in social housing and among low-income households in all tenure types.

	Intervention required	
Redefine Standards	8.Long-term expectations for homeowners and suppliers	Implement long-term expectations for certain homes and industry, in a carefully coordinated manner, so households and firms know what will be expected of them and can start to prepare. Urgently provide clarity on timings and expectations via the Future Homes and Buildings Standard.
	9. Energy performance measurement reform	Energy efficiency metrics for buildings need updating to provide an accurate view of properties' performance, while ensuring consistency across jurisdictions

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We thank members of the following institutions for contributions and feedback:

Barclays, Coventry Building Society, HSBC, Lloyds Banking Group, Nationwide Building Society, NatWest, Newbury Building Society, Leeds Building Society, Paragon, Santander, Skipton Building Society, TSB, and several other UK Finance member firms.

We also thank the Energy Efficiency Infrastructure Group, Green Finance Institute, and Heat Pump Association.

02 Getting the plan right

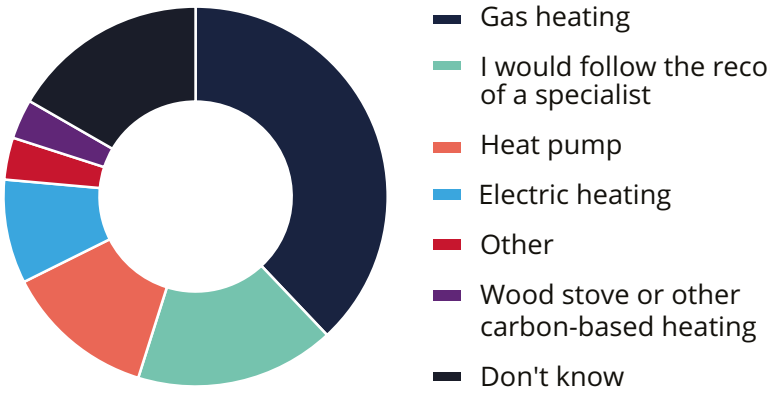
The success of the Warm Homes Plan relies on a set of interlinking actions. Demand will increase only when people feel the pay-back is right. Rising demand can only be met with an adequate supplier ecosystem. Suppliers will only emerge when there are sufficient demand signals. At present consumer knowledge, advice, affordable finance and public support are still inadequate.

These interdependencies have led to stagnation in the UK's green home improvement journey.[4] As a solution is deployed to address one issue, several other barriers tend to hamper progress.

Public appetite for some green home improvements remains low. When we asked what technology members of the public without a heat pump would use if their main heating source needed replacing in the coming year, only 13% said they'd use a heat pump compared with 38% for gas – far off levels needed to meet our Carbon Budgets.

Chart 2.1

What I would replace my main heating source with this year



4 Construction Leadership Council, "CLC Roadmap of Skills for Net Zero: Retrofit Competencies", May 2024.

The Warm Homes Plan is an opportunity for the Government to set out how it will address issues faced by consumers, the financial services industry and by tradespeople. We suggest a sequencing approach that will overcome the stagnation that past attempts have faced.

Inspire action

Recommendation 1: Government-led delivery body

Our top recommendation in 2022 was for a government-led delivery body, working across central government departments, devolved administrations and local authorities, to catalyse and coordinate the complex range of actions needed to retrofit the UK's 30mn homes. A dedicated sectoral delivery body - or a similar group as recommended in the Green Finance Institute's 2024 greenprint and other industry reports - would provide strategic oversight to guide implementation and support successful roll-out of green home improvements. The body should set and adhere to interim targets to ensure timely allocation of funding and delivery of objectives in line with UK Carbon Budgets. While we recommended that this body should be up and running by 2024, we have seen limited-to-no progress by either the current or previous governments since 2022. Several other bodies, notably Nesta, have called for a similar national retrofit agency. Given the urgency of action in this space, the delivery body role could be adopted by an existing institution, for example Great British Energy (GBE), reducing the time taken to set up a new service.[5]

Recommendation 2: Clear policy and regulatory roadmap

Previous governments failed to provide a clear, sequenced and just policy roadmap, that provides certainty and sets out the steps to deliver a low-carbon housing stock and lower bills. But the current government has shown its willingness to offer this kind of clarity in other sectors, with the Clean Power 2030 plan a good model to follow. A strong plan will enable the range of industry and consumer stakeholders, including lenders, to build capability and resourcing. Homeowners face policy barriers to action such as permitted development rules. Supportive clarification in these areas will help enable homeowner action. The Warm Homes Plan is the best opportunity to offer this clarity.

Recommendation 3: Information campaign

Households must understand and want to undertake the changes they are being asked to make. At present, understanding of options available is low, while misinformation is rife. It is good that the Government has deployed several communications campaigns to motivate households to adopt energy efficiency measures and low-carbon technologies. But these will not scale up demand without a compelling vision. We support an inspiring communications campaign working hand-in-hand with an advisory service to help consumers find the option and suppliers that are right for them.

People need to know and understand their required actions without having to do research at the point of need, since evidence shows that many consumers only consider installing heat pumps when gas boilers fail (and some policymakers have suggested

5 In the case of GBE, this would complement its mandate to provide advice on clean power to consumers, and upskill workers to support clean energy industries.

that this will be a key switching moment).[6] People must also know what technology is right for them, taking account of variable factors like their property's existing level of insulation and other factors like heat network connection. Such information could be set out in customer journeys for different property contexts, and include financial implications, like up-front costs, impact on bills, and available grants.

Compounding the challenge since our original paper, any communications and advisory service now needs to tackle more intense misinformation – they must provide convincing information. Some respondents to our survey in free-form comments said that they believe heat pumps are "unreliable" or that they are "another con". But the evidence of actual performance indicates that these are largely misgivings.[7] Services like the visit a heat pump scheme can play an important role in carrying positive messaging, but they need to be scaled up to have mass-market impact.

We discuss the design of an information campaign further in section 3. Our survey data indicate that heating engineers, national and local government and energy companies are the most trusted sources of advice – suggesting that they should play an important role in any information campaign.

Recommendation 4: Upskill workers

There is an enormous growth opportunity for installers, the supply chain and wider service providers across the country, but the challenge is timing that growth to align with demand – with several negative experiences putting many suppliers off pivoting into this sector. Government must support skills building through apprenticeships and training, including leveraging the new Skills England – and learning lessons from other sectors such as solar installation. There is also the opportunity to use existing green support programmes for small and medium-sized businesses (SMEs), like the British Business Bank's Growth Guarantee Scheme, to back a growing supply chain for home retrofit.

The growth of the supplier ecosystem must also link closely to the retrofit advisory hub, to ensure that consumers know where to find the best support for their needs.

Improve pay-back

Encouraging demand for improvements to homes is about changing behaviours. Some 54% of respondents to our survey[8] on heat pump uptake told us that one of the main barriers discouraging them from taking up the technology was high up-front cost. Meanwhile, the main motivating factor for installing that technology is likely to be cost saving: 44% told us that a clear idea of savings in running costs or bills would be most likely to motivate them – higher than any other option. For insulation and other measures, pay-back is similarly a central consideration.

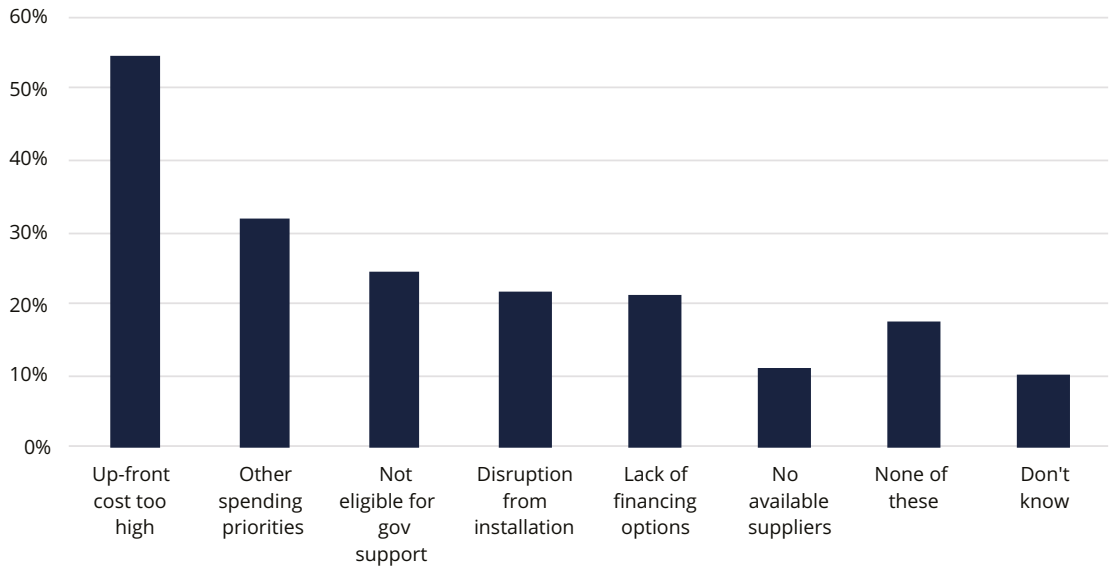
6 See, e.g. comments from Climate Change Committee chief executive: "This only applies to people when they replace their heating system – we want them to get a heat pump [then] not tear out a boiler that's working". Holyrood, "Emma Pinchbeck: The short-term politics of net zero is not our job", 21 April 2025

7 See e.g. Nesta, "Heat pumps: a user survey", May 2023

8 Survey of those who don't already have a heat pump.

Chart 2.2

What are the top three barriers that would most discourage you from getting a heat pump?[9]



At present the pay-back for installing a heat pump over other technologies is uncertain and dependent on several factors. Heat pumps are estimated to be 3-4 times more efficient than gas boilers and to reduce households' total energy use by 40%, but running costs are often higher because gas is far cheaper than electricity on a cost-per-unit basis. Using Octopus Energy data, the Centre for Net Zero found last year that heat pump running costs were on average £190/yr higher than for a gas boiler.[10] However, provided the home is properly insulated, factors such as whether the home is connected to the gas grid and has "time of use" tariffs can lower this premium significantly and generate savings of over £300/yr.[11] A 2024 study by Nesta in Scotland showed that around 25% of homes might make energy bill savings when moving to a heat pump, with this rising to "virtually all homes" as electricity-to-gas price ratios narrow to 2:1.[12]

Leaving aside heat pump installation, upgrading insulation can help reduce running costs and energy bills overall, whatever heating system is installed. Delivering a more consistent financial pay-back for green home improvements – and telling the story of that saving – must be central to demand stimulation.

9 Respondents could select up to three options.

10 Centre for Net Zero, "Decarbonising Heat: The Impact of Heat Pumps and a Time-of-Use Heat Pump Tariff on Energy Demand", October 2024, footnote 39

11 Ibid., p.47

12 Nesta, "Exploring the costs to consumers of Scottish clean heating requirements", August 2024

Recommendation 5: Tax and price incentives

Cost rebalancing: A clear obstacle to electrification, and to making electrified heating cost-effective, is the high price of electricity compared to gas. This is due to levies disproportionately impacting the unit cost of electricity, then indexed on the price of gas – even when the latter is more costly to produce.[13]

Electricity's price premium over gas cancels out the efficiency gains of heat pumps.[14] The Climate Change Committee and others have recommended that policy costs currently adding to electricity bills, including taxes, be moved elsewhere. We also support the decoupling of gas and electricity prices, as explored in the Review of Electricity Markets Arrangements (REMA) consultations,[15] to pass onto customers the lower costs of renewable energy instead of reflecting historically high gas prices.

Tax incentives: Firms have suggested several possible options, including tax incentives associated with a salary sacrifice scheme akin to those deployed for electric vehicle adoption. In 2022, we called on HM Treasury to use Stamp Duty Land Tax (SDLT) rebates to encourage home retrofit, with a rebate paid if it takes place within two years of property purchase. Our position has not changed. The current fiscal environment requires this to be revenue-neutral, which we believe is possible – creating a market-based mechanism to drive heat pump and energy efficiency measure adoption, as set out by the Energy Efficiency Infrastructure Group.[16]

Recommendation 6: Support lending innovation

We welcomed the Government's manifesto commitment to work with lenders to support low-cost loan deployment. Lenders and UK Finance are working with Government and partners like the Green Finance Institute to support this work. A range of solutions are emerging, but many require further work. Key opportunities are set out below.

Guarantees and support to drive down cost of loans

To offer greater incentive to homeowners to take up green financing products, many financal products on the market are offered at such low interest rates that they are effectively loss-making or commercially unviable for lenders at scale. Even then, none have had significant uptake. To make these into scalable financial products, lenders will need government or regulatory support. Options include guarantees to lower perceived credit risk (as with the Irish Home Energy Upgrade Loan Scheme), building early market confidence and tapering over time; direct concessional finance; working with lenders to develop secured loans learning lessons from the Help to Buy scheme; or regulatory interventions learning from the Bank of England's Term Funding Scheme for SMEs. We support Department for Energy Security and Net Zero (DESNZ) work in this

13 See for instance Nesta, The electricity-to-gas price ratio explained – how a 'green ratio' would make bills cheaper and greener (March 2023)

14 Climate Change Committee, The Seventh Carbon Budget (February 2025), see "8.3.3 Home energy use and transport: incentives to switch" p.311

15 See DESNZ, Review of Electricity Market Arrangements, Summary of responses to second consultations (December 2024), "Challenge 1: Passing through the value of renewables-based system to consumers"

16 Energy Efficiency Infrastructure Group, "Rebate to renovate: Energy saving Stamp Duty incentive"

area and firms will continue to collaborate with officials and ministers.

It is important that these interventions reduce interest rates to sufficiently low levels that they are attractive to consumers, or else the government support will not deliver value for money. Government should use consumer testing to assess whether the products will result in demand at scale.

Consumer protections and liability risks

There is the potential for greater innovation in green home finance, including possible financial offers that are linked to the purchase of specific low-carbon products like heat pumps. However, firms have identified aspects of consumer protection rules, notably in the Consumer Credit Act (CCA), that create additional risks for lenders in financing green technologies and products. In particular, Sections 56 and 75 of the CCA provide for extensive liabilities that can result in uncapped and disproportionate losses for firms. To give lenders the confidence to offer product-specific loans, they need a consumer protection regime that is proportionate, affordable for them and consumers, and that offers legal certainty. We are keen to work with Government, the Green Finance Institute, regulators and other relevant stakeholders to ensure liabilities are not disincentivising potential sources of financial innovation. CCA reform could enable product innovation for customers seeking retrofit finance, increasing the flow of finance and potentially reducing up-front costs or allowing the customer to spread the cost over time.

Government will need to execute such reform sensitively to ensure appropriate degrees of consumer protections are retained and rightly allocated within the supply chain. This will include setting and enforcing clear product standards to reduce performance risks, developing measures to mitigate risks to lenders and increase flows of finance (e.g. government-backed insurance or guarantees). CCA reform could aim to make lender liability an option of last resort, capped at the amount borrowed and removing lender accountability for the actions and omissions of merchants in negotiations relating to home retrofit. Liabilities and responsibilities should be placed where they can best be controlled.

Property-linked finance (PLF) schemes

Government could explore new legislation to enable financing structures linked to the property rather than homeowner, as proposed by the Green Finance Institute.

Green savings products

Data shows that many homeowners are not keen to borrow to finance home upgrades, and would rather use savings.[17] There is potential for a green Individual Savings Account (ISA) or similar savings product, or the ability to use funds remaining in Lifetime ISAs without penalty if they are put toward low-carbon home upgrades.

Recommendation 7: Strategic grants and guarantees

Grants, loans and supporting social housing and low-income households: In 2022, we called on Government to provide targeted grants for less able-to-pay households, and to prioritise improvements in the large social housing sector, which would have the co-benefit of helping to build the supply chain. Government programmes like Social Housing Decarbonisation Fund, the Home Upgrade Grant and the fourth iteration of the Energy Company Obligation (ECO) scheme, alongside the Great British Insulation Scheme and Boiler Upgrade Scheme, must continue. Cost caps should be sufficiently high to allow the fabric of the most energy

17 Barclays, "Electrifying the future: boosting the energy efficiency of UK homes", Nov 2024, p.10

inefficient homes to be improved enough to allow them to move onto low-carbon heat without increases to bills.

Across all schemes, uptake remains lower than it needs to be to meet our targets – underpinning the interdependencies between the actions needed. Our YouGov polling found that awareness of government grants remains at less than half of the UK population (48% compared with 52% for those not aware). It is critical for grants to be well publicised, building on any successes of programmes like the current government "Warm and Fuzzy" campaign; and for the process of applying for and receiving grants to be streamlined for households.

While the focus of this paper is primarily on residential improvements, we also call on Government to address the lack of grants and incentives for businesses to undertake improvements to commercial premises. Our 2024 report, Unlocking the SME Net Zero Transition, sets out further recommendations.

Redefine standards

Achieving widespread uptake of home retrofit technologies will require the right combination of incentives and regulatory expectations.

Recommendation 8: Clear long-term expectations for homeowners and suppliers

The Climate Change Committee in its proposals for the UK's Seventh Carbon Budget noted that "new policies may be required which mandate the installation of electrified heating systems in certain categories of homes at specific times". This should also apply to installation of energy efficiency measures like insulation.

Mandating homeowners to change their heating source or make fabric adjustments to properties is politically challenging, with many consumers remaining sceptical about some technology types. But a mix of incentives and mandates will be needed to transform the UK's housing stock.

In the first place, government needs to set clear long-term mandates, so that homeowners know what will be expected of them. These mandates could, for example, be expectations on owners of certain housing types to achieve specific improvements to their homes by a set date. This will not only allow homeowners to prepare, but will also give suppliers and lenders certainty so that they can start to build supply chains, skills, advice and financial products. Similar mandates can be set for suppliers to transition the proportion of low-carbon technologies they sell, akin to the UK's zero emission vehicles mandate for suppliers. Setting such mandates will allow for an orderly transition; without them, lack of planning will mean that the most vulnerable homeowners will be those least prepared to make the transition.

These milestones must be realistic - recent proposals, for example, for landlords to raise efficiency standards to EPC-C in five years, by 2030, are challenging because they will rely on the supply chain and EPC measurement reforms having had enough time to mature. It is important that milestones are maintained, once introduced, to give both consumers and supply chains clear signals as soon as possible. If applied without thorough consideration given to cost caps, exemptions (including according to affordability) and pathways for different building types, poorly executed mandates risk encouraging some landlords to leave the rental market. Similarly, poorly executed mandates for owner-occupied homes could create re-selling or re-financing challenges.

The mandates must also be staggered and sensitive to variables including the nature and age of the building fabric, tenure type

and affordability. They must avoid creating confusion where other solutions are more viable, e.g. connection to a heat network. Government should work with local authorities to identify where neighbourhood-based approaches, e.g. on the model of the Connected Places Catapult's "Net Zero Neighbourhoods" programme, are more appropriate and can take advantage of economies of scale. Government must clarify the role of hydrogen in home heating, to end long-running uncertainty around demand for this technology. Low levels of trust in technology must be tackled with an improved and widely publicised set of product standards for retrofit technology.

For new homes, Government should urgently provide clarity on timings and expectations via the Future Homes and Buildings Standard. New homes should be required to meet tangible low-carbon metrics, e.g. having the appropriate mix of insulation and low-carbon heating technology already installed, to achieve an EPC rating of A or B.

Recommendation 9: Energy performance measurement reform

Energy Performance Certificates (EPCs) are a well-established and useful tool for understanding the energy efficiency of a property. However, current EPCs are not fit for purpose and do not accurately reflect what is required to support the UK's net zero target or support consumers with taking decisions to improve the environmental performance of properties. For mortgage lenders, EPCs are among the most widely used ways to measure the energy performance and carbon emissions of their mortgage portfolios, utilised to inform pricing, affordability, risk assessments and climate reporting.

Therefore, it is critical that EPCs are supported by a suitable framework and underlying methodology. Improving the framework and methodology for EPCs is a precondition to helping mortgage lenders assess the impact of the finance they are providing. We welcome government progress, and set out further detail in our response to a recent consultation.

EPCs should also be complemented by the roll-out of other data collection mechanisms. Accurate smart metering, for example, can offer up-to-date energy and environmental performance data and offer a potential long-term solution for measuring and incentivising the low-carbon transition in the UK building stock. Performance measurement of fabric upgrades can not only enable more accurate data collection, but could also support industry in bringing forward outcomes-based products and marketing.[18] The government's focus on EPCs should not distract from the rapid roll-out of smart meters and mechanisms to share data.

18 See e.g. Mineral Wool Insulation Manufacturers Association (MIMA), "Making Performance-led Home Retrofit a Reality", February 2025

Sequencing

The visual on the following page sets out an indicative sequencing for our proposed policy measures, drawing on the lending sector's experience of how demand has evolved, and which measures are pre-conditions for other outcomes, using a systems-based approach. The sequencing is neutral on exact dates for implementation of these policy measures — these could, for example, vary for different housing tenures or homeowner cohorts.

In the first instance, the policy framework and timelines for upgrading the UK housing stock should be clearly set, including planned minimum energy efficiency requirements or other retrofit and industry expectations across all tenures. This will set the parameters for the systems-based approach. It will provide certainty for tradespeople to upskill with known future demand and provide clear messaging for any communications campaign. It will also enable Government to plan future funding mechanisms, and work with lenders to provide private finance. Foundations can then be laid, including investing in the supply chain and reforming energy performance measurement.

This in turn provides the grounding for the market to launch, and for green home financing to flow.

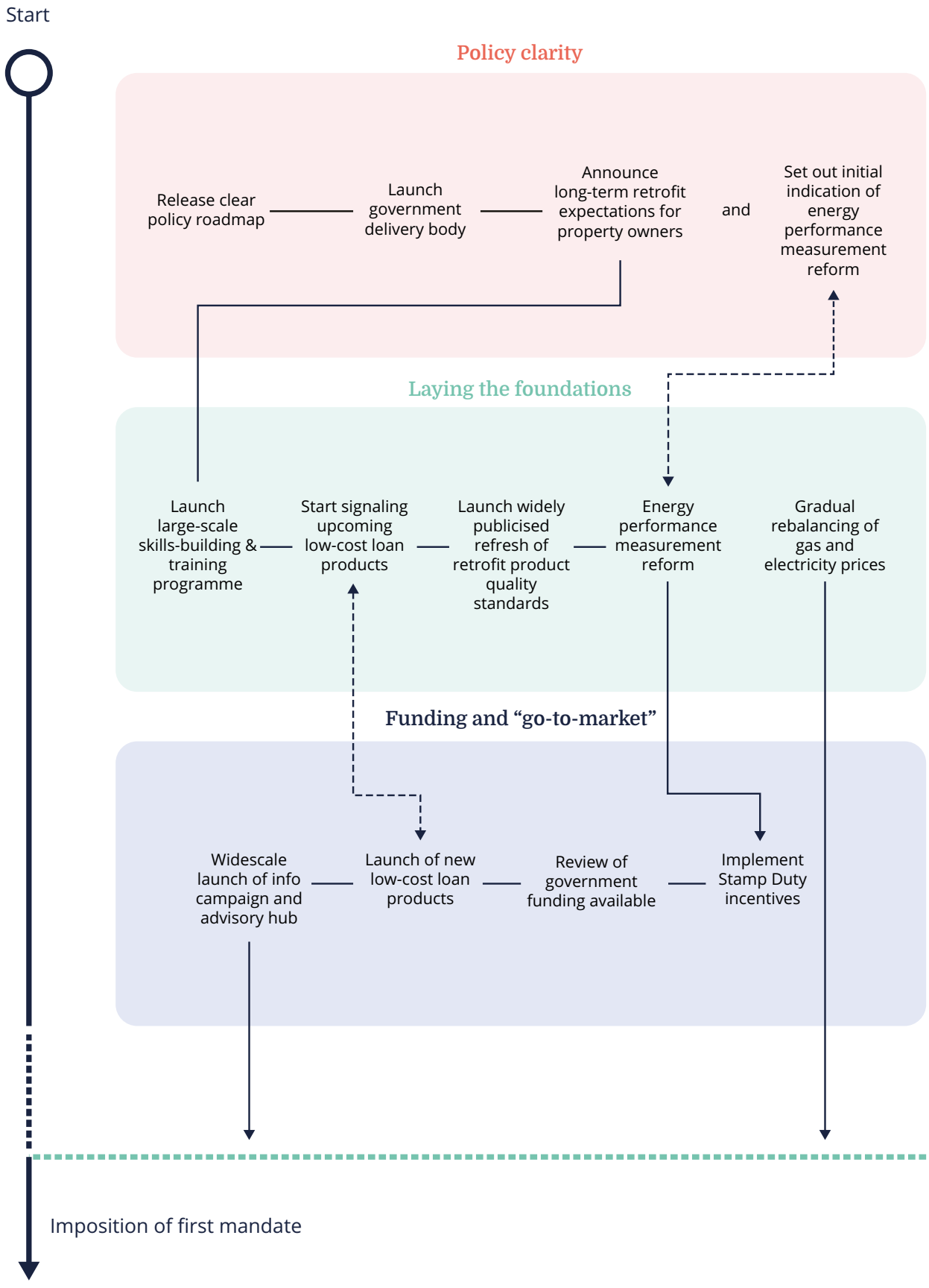
A systems-based approach

In decarbonising the UK's housing stock, we need to address challenging policy problems across many issues, disciplines, and Government departments. To tackle such complex policy challenges, the Government has adopted a systems thinking approach, for example in the development of the Family Hubs policy and Community-centred public health.

As the University of Cambridge notes: "A systems approach is a holistic and interdisciplinary way of understanding and solving complex problems. It views the world as a collection of interconnected and interdependent elements or people and emphasises the relationships and interactions between them.

A systems approach aims to determine the system design and implementation that delivers the best service."

A systems approach recognises that the solutions or interventions implemented have an impact on other parts of the system, so it is essential that these are synchronised and provide a seamless, practical journey for homeowners.


Start
Policy clarity
Release clear policy roadmap
Launch government delivery body
Announce long-term retrofit expectations for property owners
and
Set out initial indication of energy performance measurement reform
Laying the foundations
Launch large-scale skills-building & training programme
Start signaling upcoming low-cost loan products
Launch widely publicised refresh of retrofit product quality standards
Energy performance measurement reform
Gradual rebalancing of gas and electricity prices
Funding and "go-to-market"
Widescale launch of info campaign and advisory hub
Launch of new low-cost loan products
Review of government funding available
Implement Stamp Duty incentives
Imposition of first mandate

03 Public communications to tackle the demand shortfall

Alongside improving pay-back and making lower-carbon homes more desirable, consumers need better information and encouragement to increase demand to retrofit homes. A widespread, multi-year information and marketing campaign will be critical.

Such a campaign must go hand in hand with an advisory service that helps households to understand and feel motivated to undertake the changes they are being asked to make. It must also provide actionable information for all stages of the consumer journey, and be grounded in robust testing to ensure effectiveness.[19]

This section sets out four findings from our YouGov survey data, setting out what information and approach can help scale up demand.

Our survey focused on understanding attitudes to heat pumps because of the technology's large expected contribution to future UK heating systems – the Climate Change Committee's proposals for the Seventh Carbon Budget sees them making up 75% of low-carbon heating systems installed by 2040 and around half of all home heating.[20] The vast majority of required emission reductions to meet the Seventh Carbon Budget for homes will come from low-energy heating not fabric improvements, so it is essential that action is taken.

19 Nesta, "Delivering Clean Heat: A Policy Plan", Jul 2024, p.80

20 Climate Change Committee, Seventh Carbon Budget, Feb 2025, p.164

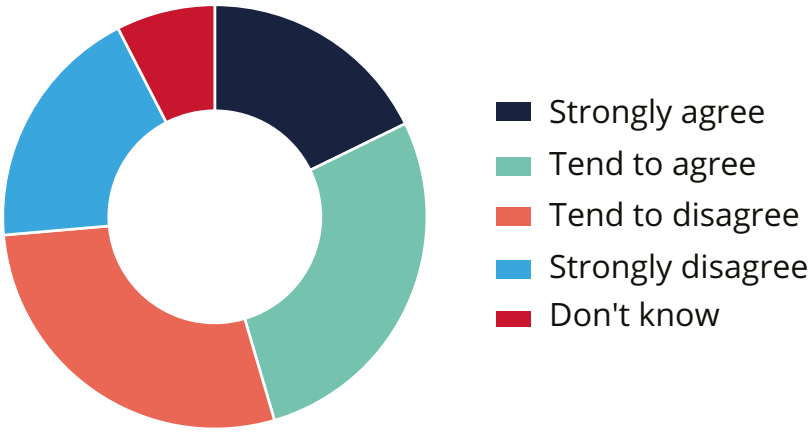
Finding 1: Public understanding remains low

Responses to our survey demonstrated that understanding and awareness of heat pumps remains low across the public. Asked if they had ever heard of heat pumps, 78% of a representative sample for all UK adults said they had. But this declined to 54% for 18-24-year-olds and 64% for 25-34-year-olds. There was also a regional divide: while 83% of adults responded "yes" in the East of England, this fell to 77% in the Northwest of England, and 68% in London.

Likewise, only around 45% of respondents who were aware of heat pumps (but didn't have one) said they felt they had enough information on whether a heat pump would be suitable for their home.

Chart 3.1

I consider myself to have enough information on whether a heat pump would be suitable for my home[21]



The fact that understanding is so low is both a risk and an opportunity. The large information gap means that there is an urgent education need across the population. However, this gap also presents the opportunity to ensure that the public has accurate, positive information about the benefits of heat pumps before misinformation becomes rifer than it already is.

As part of a holistic communications campaign, the Government could consider awareness-raising options like making retrofits more visible through signage, highlighting case studies given that research demonstrates that homeowners are overwhelmingly positive about their experiences of retrofitting, or introducing refer-a-friend schemes, as suggested by the Behavioural Insights Team at the Sustainable Energy Authority of Ireland (SEAI).[22]

21 Base: All UK adults who are aware of heat pumps but don't have one

22 Sustainable Energy Authority of Ireland, "Promoting retrofitting among homeowners in Ireland through a behavioural lens", March 2023, p.28.

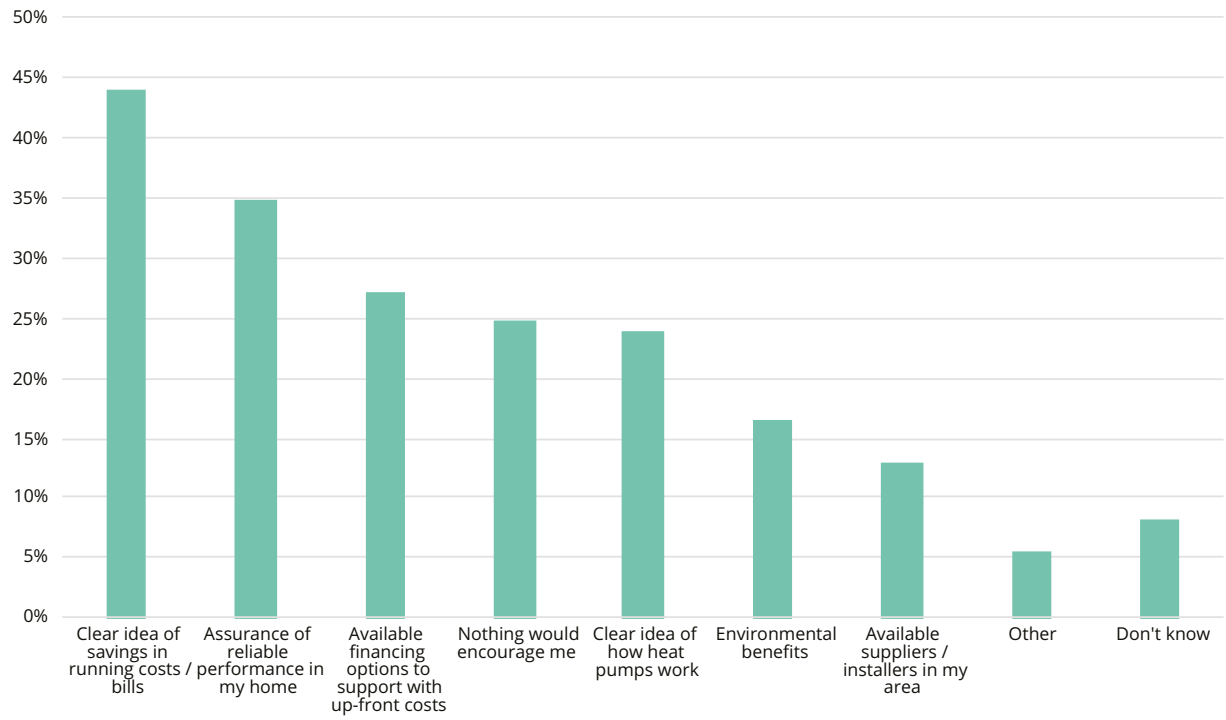
Finding 2: Cost savings must feature prominently

Reassurance on cost savings is critical in encouraging people to consider installing a heat pump. When asked to rate from a list the top three barriers to installing a heat pump, out of cost, government support, disruption and prioritisation, 54% of respondents who don't already have a heat pump selected high up-front costs. This was the top choice across all demographics (geography, age, house tenure) without exception.

Building on this, when asked to select three things that could encourage them to get a heat pump, 44% selected having a "clear idea of savings in running costs / bills" – ahead even of assurance of reliable performance (35%) and available financing options (27%). The importance of assurance on savings was higher yet when looking only at those who owned their home with a mortgage, at 50%.

Chart 3.2

Areas where further information could encourage you to get a heat pump[23]



Communications campaigns should reflect the importance that the public attaches to cost as a motivating factor — especially at a time when household costs remain high. The ability to do this will rely on the deployment of measures such as those set out in recommendations 5-7.[24]

23 Respondents could select up to three options

24 See, for example, Octopus Energy's "Heat pumps explained: costs, benefits and how they work"

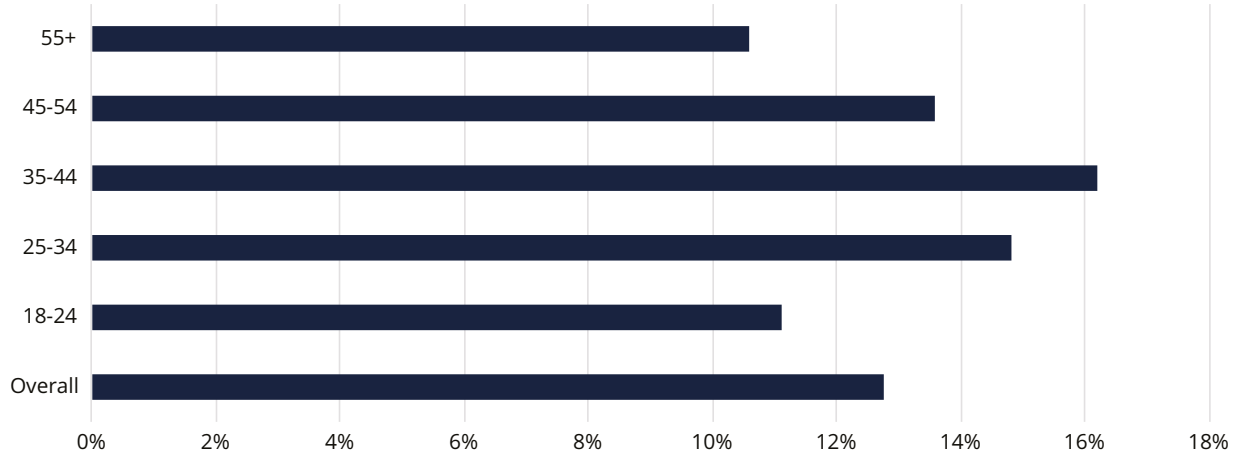
Finding 3: Some groups are likely to be earlier movers

Demographic breakdowns revealed useful insights into more and less willing actors, underpinning the need to target different consumer groups in different ways. While overall appetite to install a heat pump was low compared with gas heating, willingness to consider the option was higher among certain groups – notably those between 25-44 years of age, specific regions of the UK (the East of England had the highest appetite at 15%, compared with just 7% in the North East), and those living in a bungalow. Willingness among homeowners was four percentage points higher for those with a mortgage, at 14%, than for those who own their homes outright.

Public communications should speak to different consumers with differentiated messaging, targeting early movers and looking to tackle barriers for specific cohorts.

Chart 3.3

Proportion of people who would install heat pump if system needed replacing in next 12 months, by age



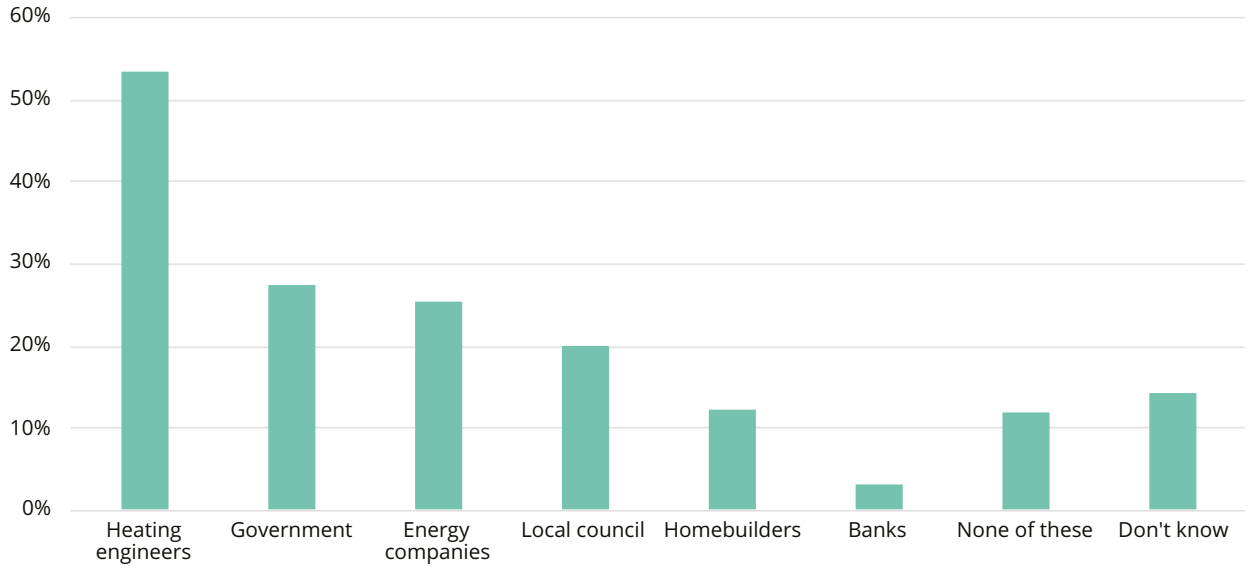
Finding 4: The public trust heating engineers, while banks rank low

Our data show that the public trust heating engineers overwhelmingly over other organisations, including Government, local council and energy companies, for information and advice on heat pumps. 53% of respondents from a base of all UK adults said they would trust heating engineers for advice and guidance on heat pumps, compared with 28% for government and only 3% for banks. Trust for heating engineers was higher than other options across all demographics.

The importance of specialist knowledge is reinforced by responses to a question on willingness to take up heat pumps. When asked which technology they would use if their main heating system needed replacing in the next 12 months, 17% of those who don't have a heat pump said they would "follow the recommendation of a specialist" – the second-highest response after gas heating.

Chart 3.4

Which, if any, of the following sources would you trust for advice and guidance on heat pumps?[25]



Any public communications should take this into consideration, using heating engineers to strengthen messaging. There is potential to use localised specialist messaging as part of the approach. The SEAI talks in this regard of using "local networks and trusted messengers to address barriers at social group level".[26]

25 Respondents could select up to three options

26 Sustainable Energy Authority of Ireland, as above, p.35

Conclusion

It is welcome that government is already deploying, and continuing to evaluate the success of, public information campaigns for retrofit. So far these have had limited success, but the lending sector is keen to work with government to get this right.

Such communications campaigns need to focus on ramping up demand, and should be grounded in evidence and best practice to ensure they shift homeowners from indifference to intention, and inaction to action. There is an opportunity to innovate: public communications must use a range of channels, and tell the positive story about the cost savings and comfort of low-carbon technologies. Implementing our wider recommendations will enable us to do this most effectively.

Survey methodology

Our survey was conducted using an online interview administered to members of the YouGov Plc UK panel of 2.5 million+ individuals who have agreed to take part in surveys. Emails are sent to panellists selected at random from the base sample. The email invites them to take part in a survey and provides a generic survey link. Once a panel member clicks on the link, they are sent to the survey that they are most required for, according to the sample definition and quotas. Invitations to surveys don't expire and respondents can be sent to any available survey. The responding sample is weighted to the profile of the sample definition to provide a representative reporting sample. The profile is normally derived from census data or, if not available from the census, from industry accepted data.

Total sample size was 4,232 UK adults of which 3,987 do not have a heat pump. Fieldwork was undertaken between 12-13 December 2024. The survey was carried out online.