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Social Housing and the Changing UK Heat Network Landscape

Policy, Regulation and Funding: Challenges and Opportunities

Baxi Research Report - 07 October 2026



Background

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Heat networks are expected to fulfil 20% of all UK heat demand by 2050, currently providing ~3%.[1] Social housing providers and local authorities will be central to that growth, but are navigating it alongside net zero and constrained capital budgets.

Heat network challenges

There are over 14,000 heat networks in the UK, serving around 500,000 households.[2]

- Need to decarbonise UK buildings to meet 2050 net zero target
- Reported challenges on the cost of heat within district heating systems
- Adherence with Heat Network Technical Assurance Scheme (HNTAS) presents challenges to meet the aims of the scheme
- Large upfront costs can be associated developing district heating

Local authorities and social housing providers

- Heat networks already play a key part in providing heating and cooling for social housing and local authorities
- These sectors have other policy areas to keep informed on, particularly around retrofitting homes
- However, there is currently limited understanding of how social housing providers and local authorities engage with heat network policy, regulation and associated funding
- Exploring the experiences of these sectors will help identify opportunities to improve policy, regulation and funding arrangements in the future

Policy Context

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Heat networks are a growing market with changing policy and regulatory frameworks in the UK.

Targets

- A fifth of the UK's emissions come from heating buildings.[3] Net zero targets present significant opportunities for low-carbon heat networks to decarbonise homes and buildings
- Government's ambition is to increase heat from heat networks to 7% by 2035 and 20% in 2050 (from 3% in 2022)[4]
- Potential investment up to £80 billion by 2050[5]
- Estimated savings of up to 15 Mtonnes of CO_2 by 2050[6]

Funding and Finance

- Government is supporting heat network market growth with over half a billion pounds in investment
- Heat Network Efficiency Scheme (HNES) funding, to retrofit existing networks
- Green Heat Network Fund (GHNF) to support new networks
- The new Warm Homes Fund is considering further financial support for heat networks

Regulation

- The UK Government is creating a market framework to protect consumers, encourage low-carbon development, and promote investment
- Heat network zoning is core to this growth, transforming the development of heat networks in towns and cities
- The incoming HNTAS will provide the regulatory framework to improve efficiencies, cost and consumer protection for heat networks

Funding for heat networks

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Government support for the development and retrofit of heat networks.

UK Government

Triple Point HEAT NETWORKS INVESTMENT MANAGEMENT

GREEN HEAT NETWORK FUND

(GHNF)

Funding for new networks and expansions. Supports construction and/or commercialisation. Technology selection is largely determined by a maximum level of carbon intensity.

Budget: £753 million

HEAT NETWORK EFFICIENCY SCHEME

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(HNES)

Funding to improve existing heat networks with sub-optimal performance. Revenue and capital grants.

Budget: £107 million (2023-2028)

Department for Energy Security & Net Zero

HEAT NETWORK DELIVERY UNIT

(HNDU)

Provides grant funding and guidance to local authorities in England and Wales to help develop local heat network projects.

Budget: £39.7 million used since 2013

Methodology

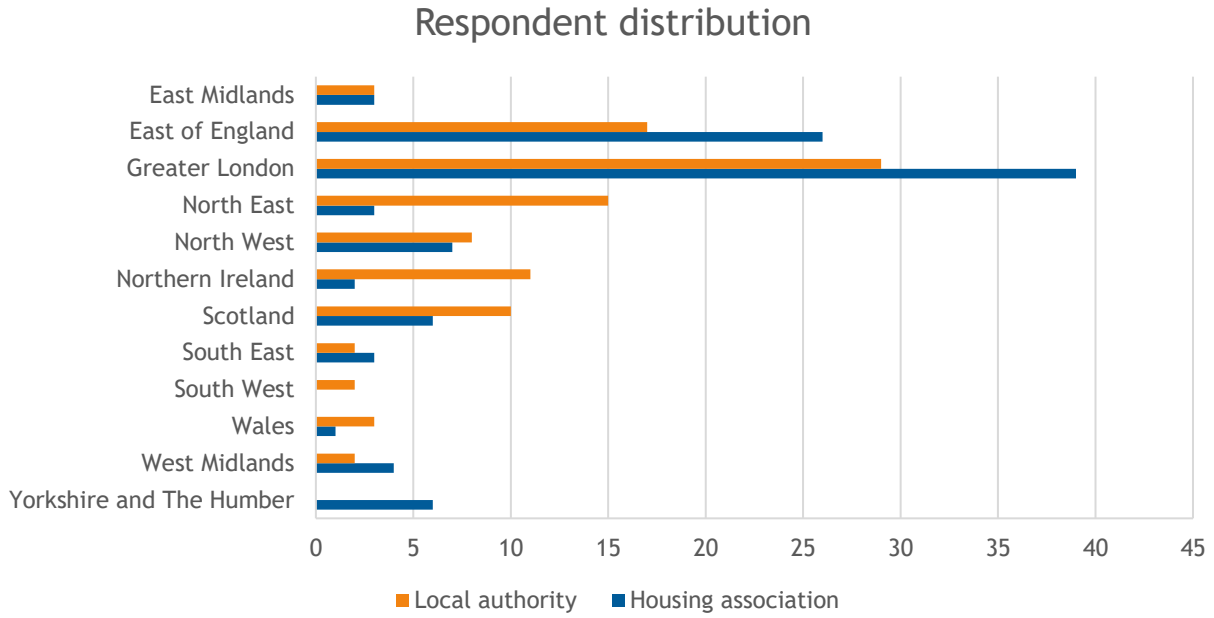
Methodology

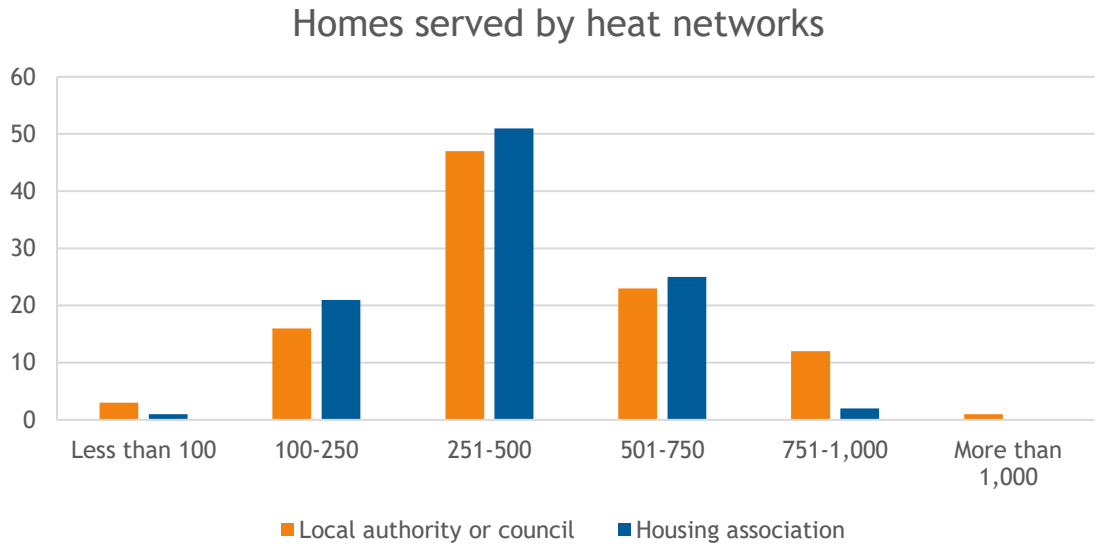
Surveys

- Geography: UK
- Respondents: 100 housing associations and 102 local authorities or councils responsible for managing or operating heat networks
- Date of survey: August 2026

Interviews

- Geography: Organisations based in England and Wales
- Interviewees: Five housing associations, one heat network consultant and one heat network contractor
- Date of interviews: July – August 2026
- All HAs interviewed had at least one of their organisation's homes served by a heat network



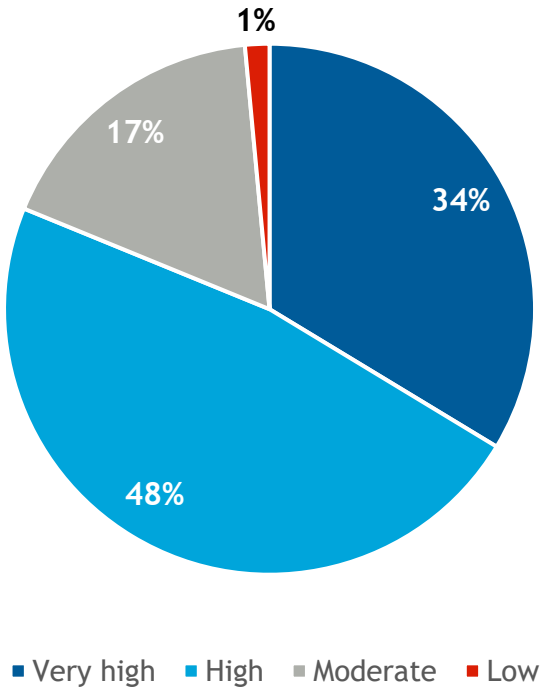


Key findings

Current experience and understanding

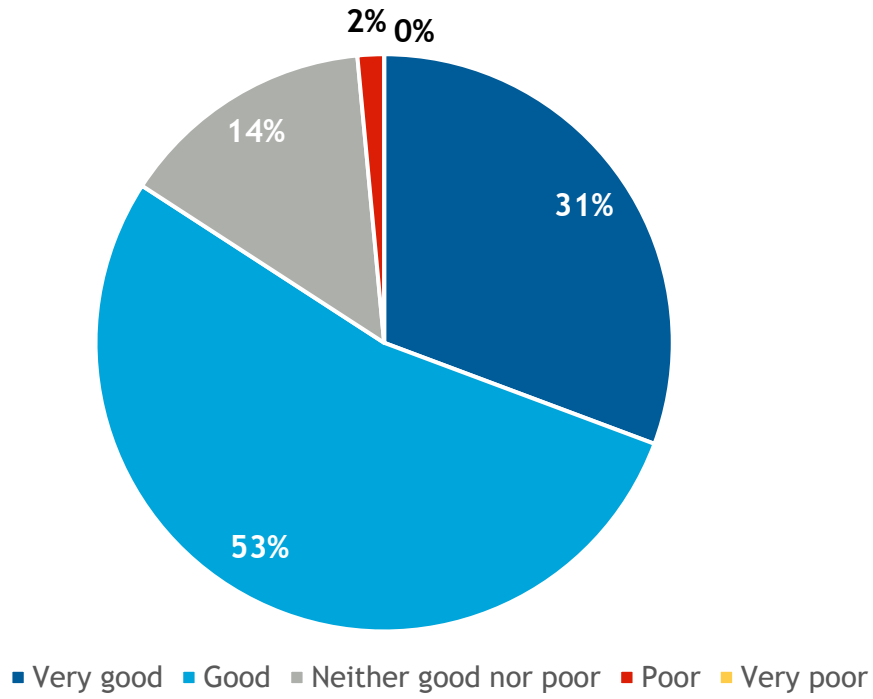
Respondents reported a high level of understanding of heat networks and a positive experience with them, with housing associations having a more positive experience. Interviews suggest sector understanding rests on a small skills base.

Heat network understanding



- 82% of respondents have a high or very high understanding of heat networks
- There is little to no difference in understanding between housing associations and local authorities

Experience of heat networks



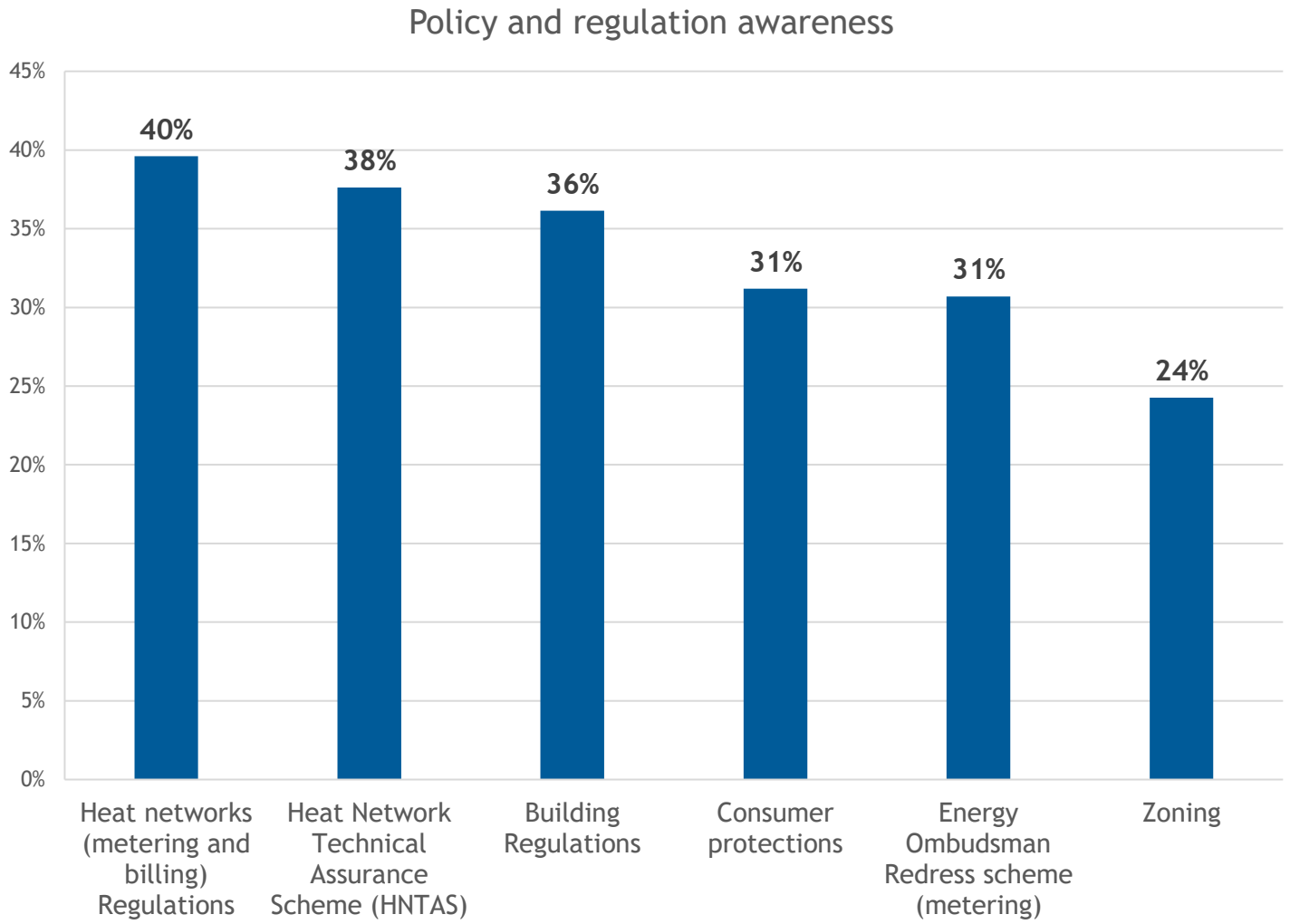
- 84% reported they have a good or very good experience with heat networks
- Housing associations have a slightly more positive experience (88%) than local authorities (80%)

"Heat networks done correctly are wonderful and they really are quite simple"

- Most interviewees rated their organisational understanding as moderate to good
- However, several clarified that understanding was often strong among lead individuals but considerably weaker across the wider organisation

Awareness of regulations

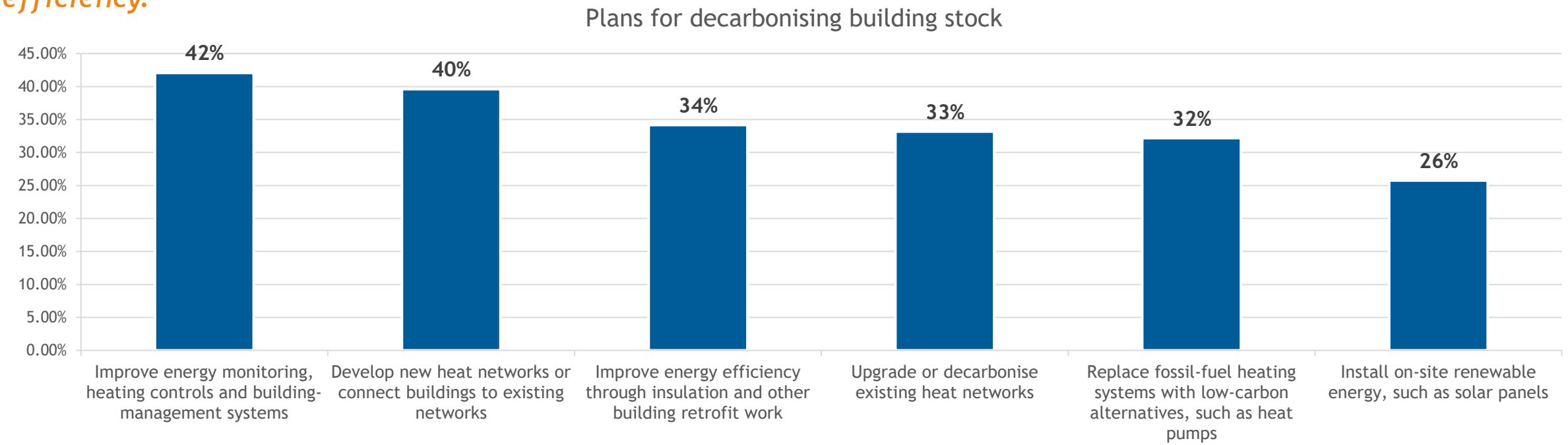
Respondents are generally aware of the various regulations. Interviewees distinguished between being aware of regulations and understanding how they will impact their organisation in practice, suggesting awareness alone will not deliver readiness.



- Organisations are most aware of metering and billing regulations (40% of respondents), HNTAS (38%), and the Building Regulations (36%)
- Only 24% said they were aware of zoning regulations
- There is a small difference in awareness of the Energy Ombudsman Redress scheme between housing associations (27%) and local authorities (34%)
- For interviewees, higher awareness and understanding came from engagement with webinars, conferences, industry bodies and consultants

Future improvement plans

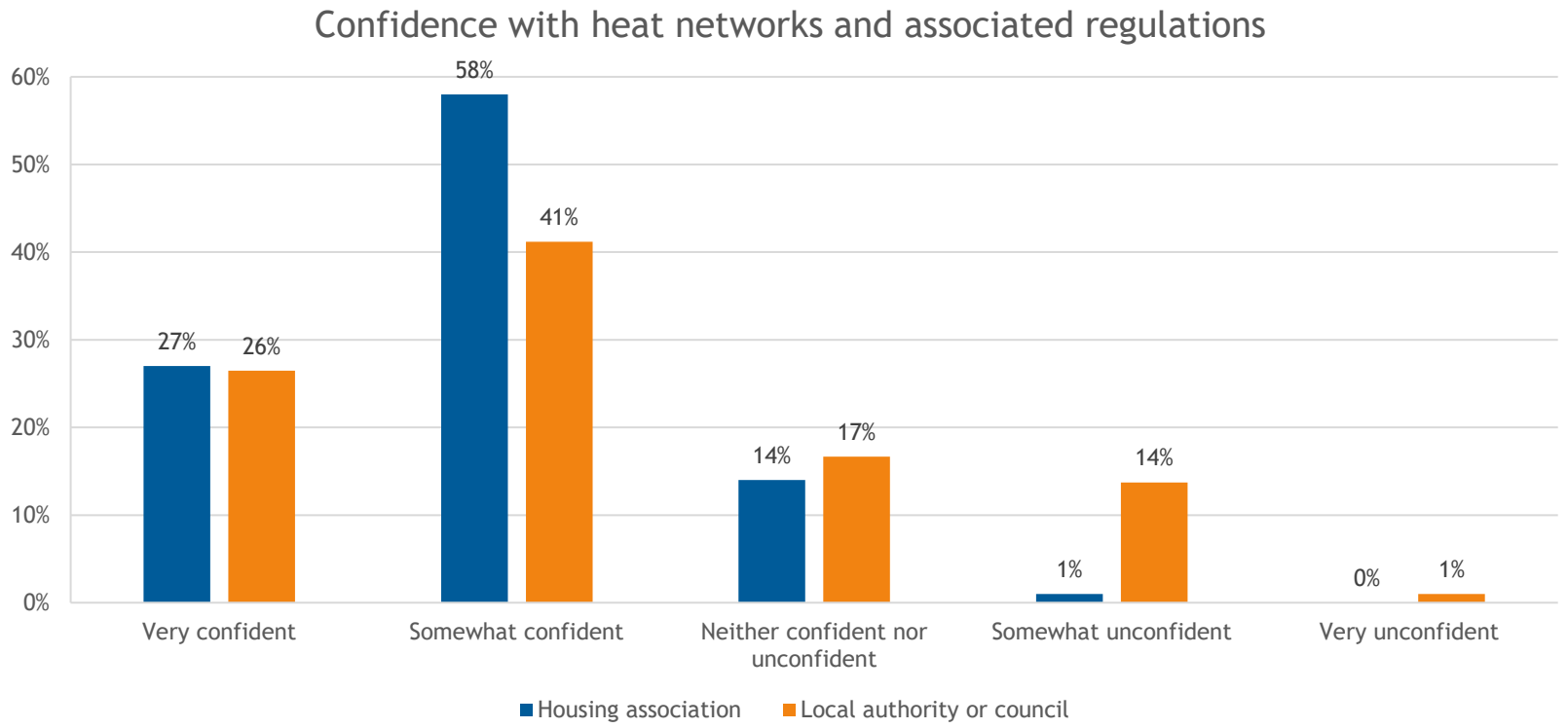
Many organisations view operational efficiency and system optimisation as a key part of their decarbonisation strategy. The most active regions leaned towards getting more from existing assets rather than adding new ones, suggesting that operational maturity shifts the focus from growth to efficiency.



- 40% of organisations surveyed plan to develop or connect to heat networks, while 33% plan to upgrade existing networks. Interviewees, however, identified commercial viability, limited internal capital and uncertainty over future compliance standards as the main barriers to progressing development and upgrade plans
- Local authorities are more likely than housing associations to be pursuing new heat network connections (43% vs 36%), while housing associations are more focused on upgrading existing networks than local authorities (37% vs 29%)
- Respondents from London and the East of England, who reported serving the largest number of homes in the survey, were more likely to prioritise optimising existing assets than investing in additional technologies such as heat pumps or on-site renewables

Confidence

Organisations were mostly confident in their plans for engaging with heat networks and the associated regulations, with housing associations more confident than local authorities.



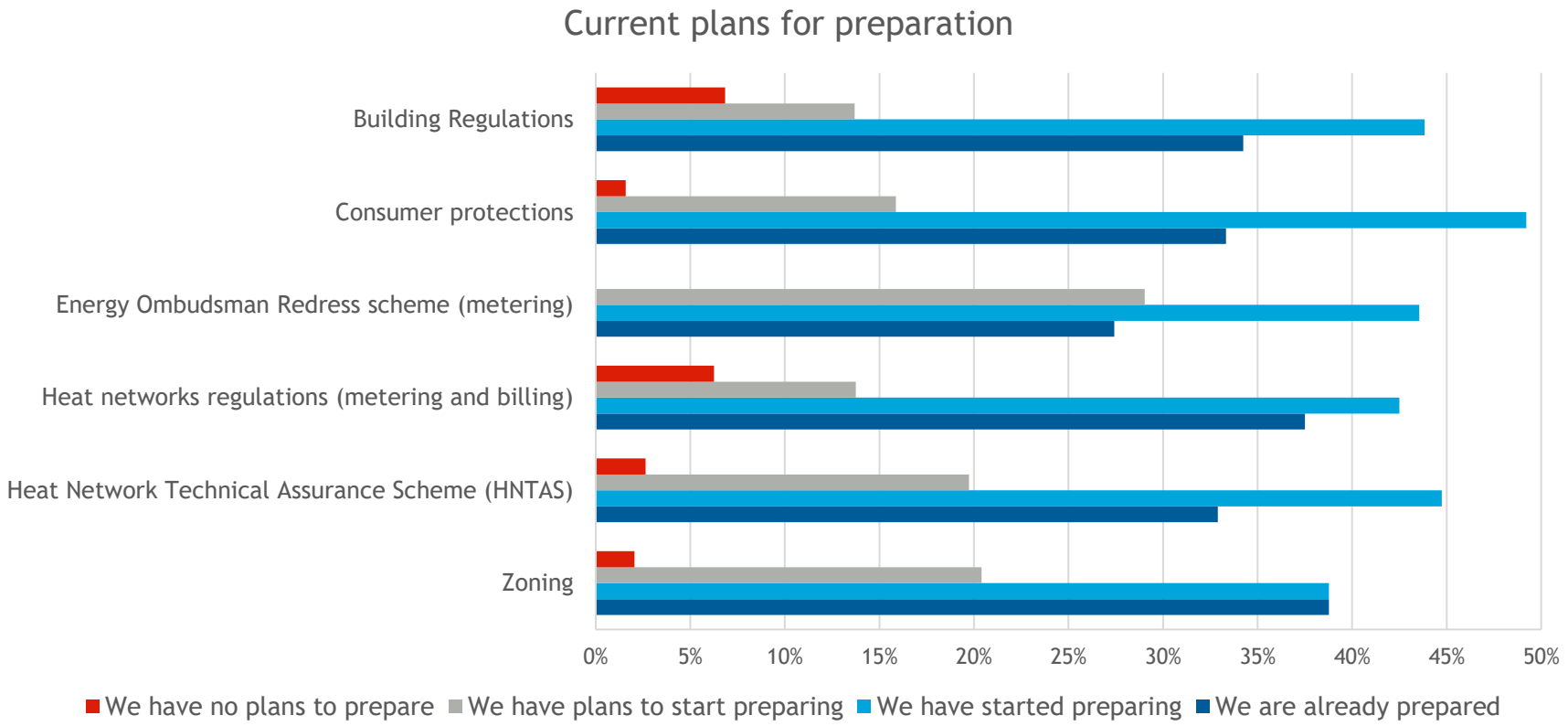
"The biggest risk is uncertainty"

- Interviewees echoed the survey's findings, but that confidence was conditional on regulatory clarity, funding, recruitment, and specialist support

- 76% of survey respondents were confident in their plans for engaging with heat networks and the associated regulations
- Housing associations (85%) were more likely to be confident in their plans than local authorities (68%)
- 14.7% of local authorities were not confident in their plans
- The North East reported the lowest levels of confidence among surveyed regions, with 44.4% of respondents indicating they were either neutral or unconfident, despite serving the second-largest number of homes represented in the survey

Preparation for policies and regulations

Most organisations are either prepared or actively preparing across all regulations. Interviewees suggest progress is weakest where regulations remain unconfirmed.



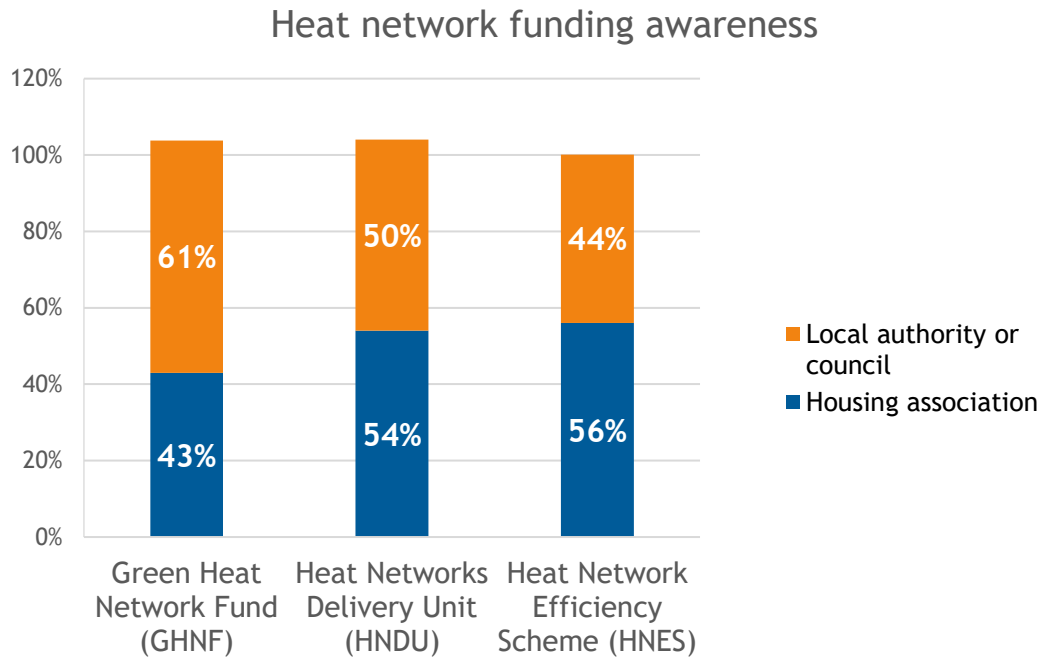
"We've got certainty with Ofgem, but uncertainty with HNTAS"

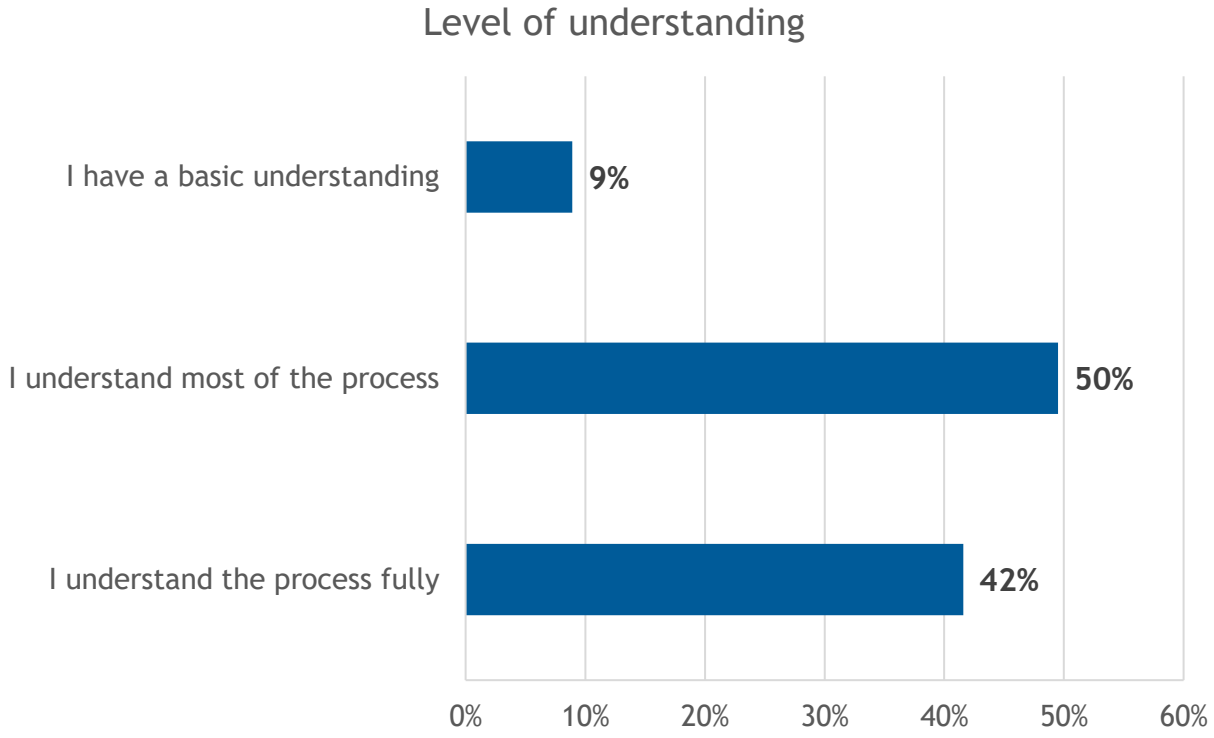
- HNTAS is the policy interviewees most frequently cited as adversely impacting forward planning

- For HNTAS, 32% of survey respondents note they already feel prepared
- Only 71% are prepared or are preparing to register with Ofgem, where it is mandatory for heat network operators to register
- Only 48 organisations had plans for zoning, with 32 organisations in a dedicated heat network zone

Awareness and understanding of funding

Respondents were mostly aware of the range of government funding options and understood the application processes.

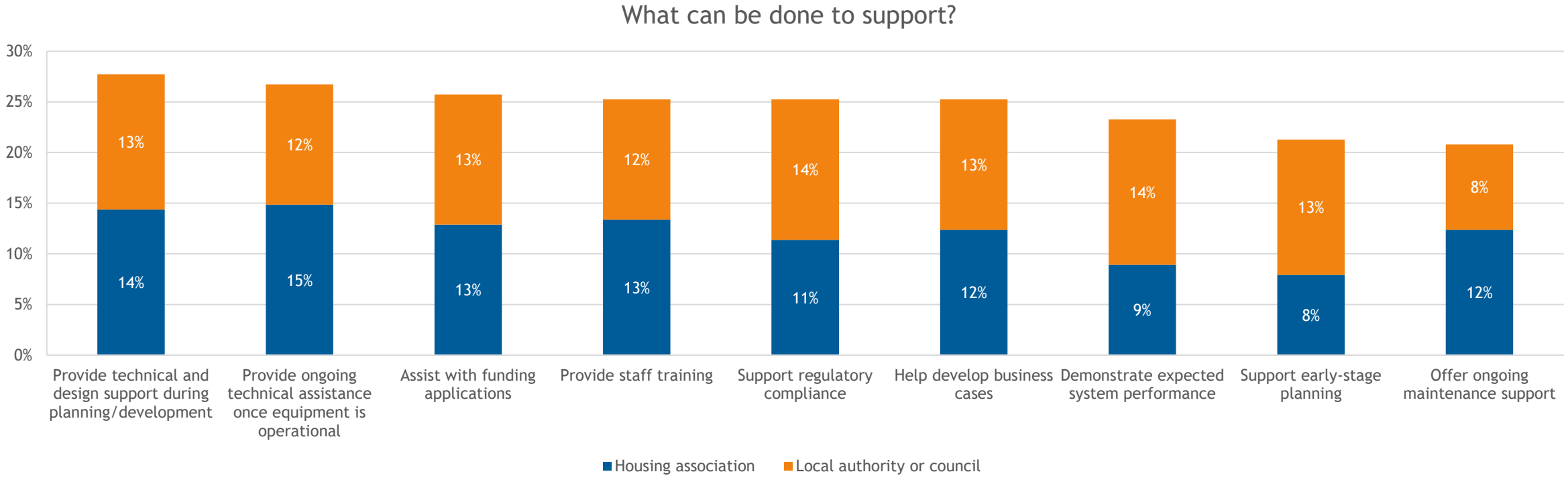




- 61% of local authorities surveyed were aware of GHNF in comparison to 43% of housing associations
- 56% of housing associations surveyed were aware of HNES in comparison to 44% of local authorities
- Everyone interviewed had at least a basic understanding of the application processes for the funding schemes
- Interviewees showed that access to funding depends on more than procedural knowledge
- Match funding, technical evidence, internal capacity and alignment with organisational budget and procurement cycles determine whether funding can be converted into deliverable projects

How can manufacturers support?

Organisations want manufacturers to act as lifecycle partners rather than equipment suppliers. Alongside technical input, many sought help with funding, business cases and staff training, suggesting the gap is as much organisational capacity as technical capability.



- A quarter to a third of respondents wanted technical support during planning (29%) and operation (30%), alongside ongoing maintenance support (25%)
- Beyond technical input, a quarter would like support with the commercial and organisational side of delivery, including funding applications (26%), business case development (25%), regulatory compliance (25%) and staff training (25%)

- Interviewees wanted manufacturers to move beyond equipment supply and provide lifecycle support: early design input, product-specific training, commissioning and handover support, clear maintenance guidance, performance monitoring and timely resolution of defects

Policy Recommendations

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Implications of the research:	Policy recommendations:
Many organisations require optimisation studies and asset assessments before identifying cost-effective upgrades and decarbonisation opportunities across their heat network portfolios.	Protect and expand HNES funding for optimisation studies, asset data and physical improvement works.
Uncertainty around HNTAS requirements and implementation timelines is delaying investment decisions and making long-term planning more difficult for heat network owners.	Provide a clear and phased HNTAS implementation roadmap, with realistic transitional periods for existing networks.
Skills shortages and limited organisational capacity are increasing risks to compliance, delivery, network operation and customer support.	Create recognised heat network skills and competency pathways covering technical and regulatory functions.
Metering, billing and compliance costs could increase energy bills and create affordability challenges for heat network consumers.	Protect residents from unaffordable metering, billing and compliance costs, with tailored safeguards for vulnerable households.

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References

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