



Heat Pump Policy Briefing Warm Homes Plan

In anticipation of the Government's **Warm Homes Plan**, Talan's team of analysts have reviewed the status of the UK's heat pump market and analysed **3 key questions**.

1. Is the 600,000 heat pump deployment target still deliverable?
2. How are changes to building regulations impacting new build delivery?
3. What impact would levy removal have on heat pump economics?



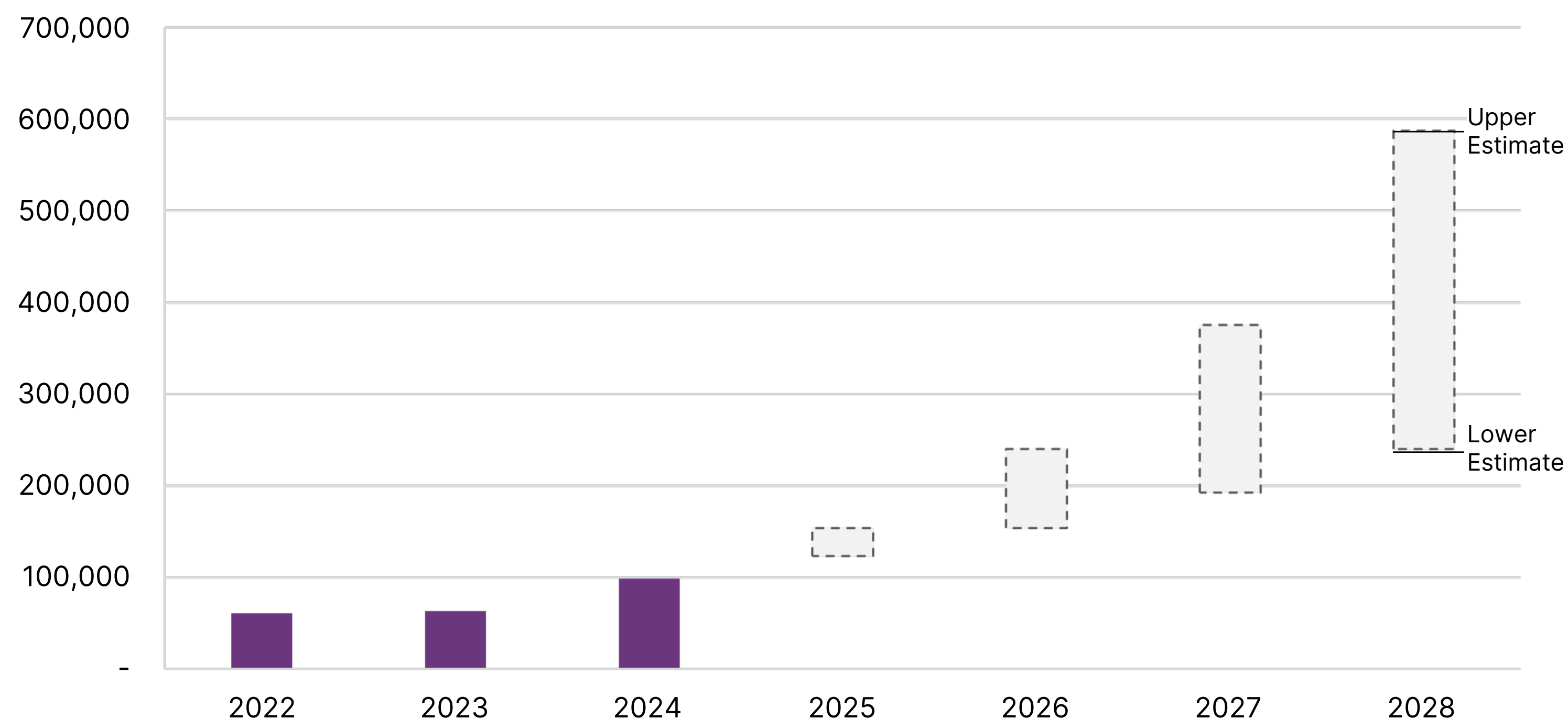
IS THE 600K TARGET ACHIEVABLE?

We estimate that the 600,000 heat pump target is **still achievable**, but represents an **upper bound** estimate, and requires:

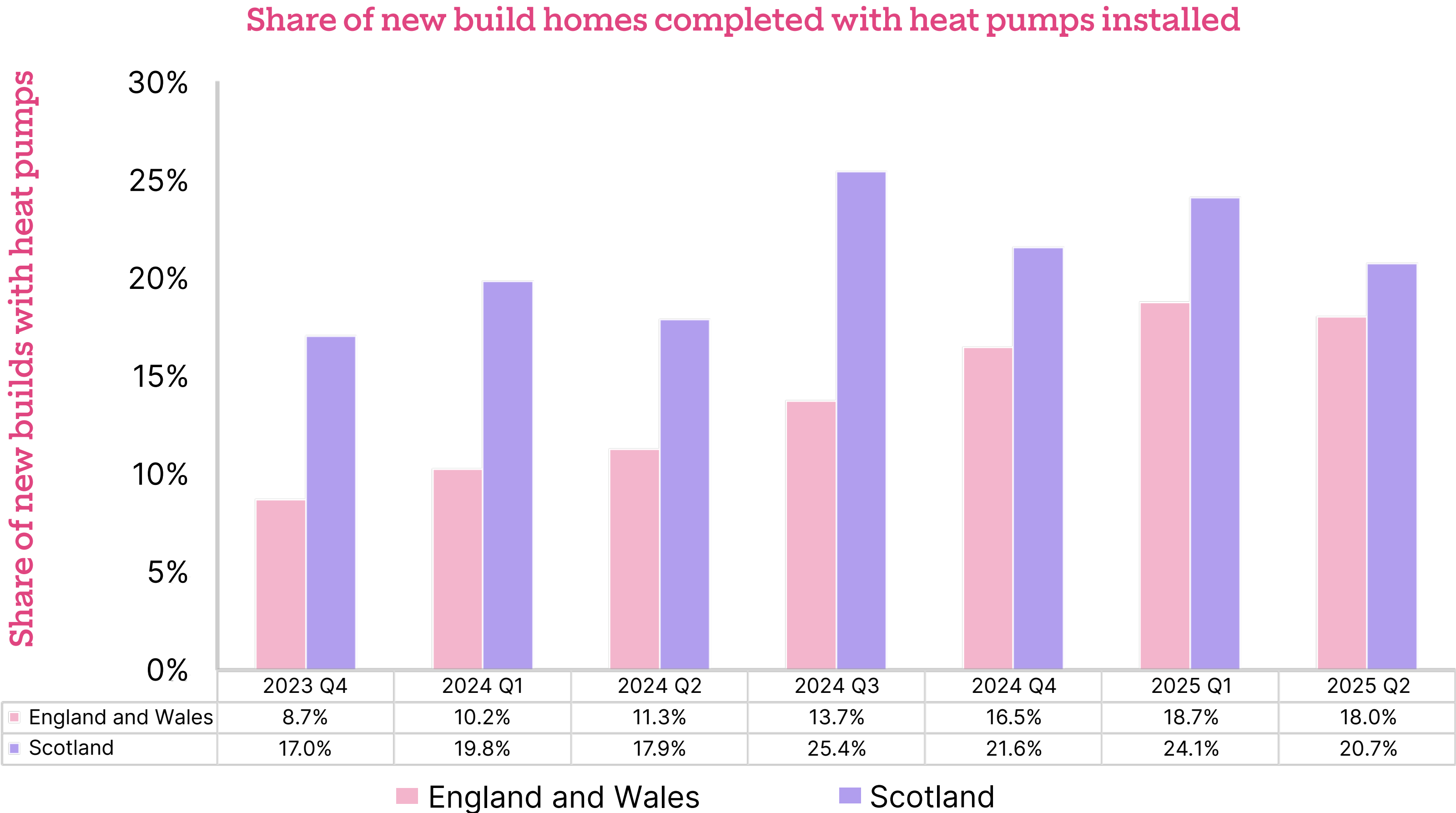
1. Continued growth in the retrofit market. As of June, Boiler Upgrade Scheme volumes have **increased** this year by **54%** (vs Jan-Jun 2024).¹
2. Training rates to scale with demand. Training rates are **down by 22%** in the first half of 2025, **versus 2024**.²
3. Growth in new build volumes. Talan estimates there is room to increase new build deployment by **2-4+ times** current rates.

The Warm Homes Plan will have an important influence on the deliverability of this target.

UK Annual Heat Pumps Sales



HOW ARE CHANGES TO BUILDING REGULATIONS IMPACTING NEW BUILD DELIVERY?



As the housebuilders look to regulation changes including the Future Homes Standard (FHS), heat pumps are being installed in an **increasing percentage** of new builds.

Nonetheless, there is still substantial room for these figures to grow – the FHS Impact Assessment assumes that **at least 50%** of homes will have a heat pump installed.

Notes

New build data sourced from new properties with an EPC lodgement. Hot water only heat pumps excluded from this analysis.

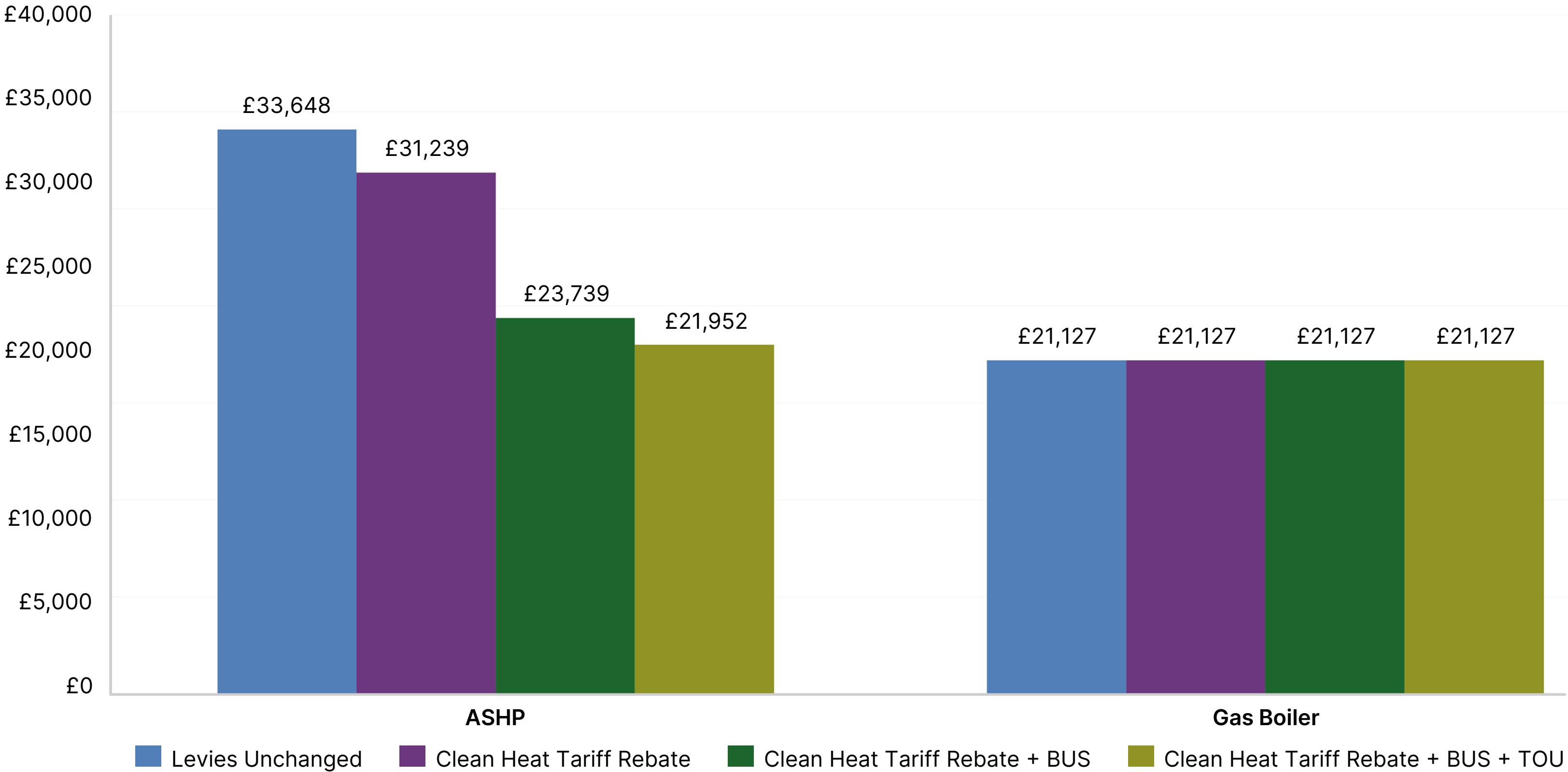
WHAT IMPACT WOULD LEVY REMOVAL HAVE ON HEAT PUMP ECONOMICS?

The Government is expected to evaluate policy options for rebalancing energy bill levies.

Our analysts have modelled the lifetime¹ costs of a new gas boiler and a new ASHP – operating in a typical semi-detached home – under several levy scenarios.

When incorporated with the Boiler Upgrade Scheme grant (BUS) and savings from dynamic tariffs², the removal of electricity levies creates cost-equivalency between the gas boiler and ASHP.

Total cost of ownership over 15 years



Notes

Clean Heat Tariff Rebate = removal of electricity levies from bills.

1. System lifetime is assumed to be 15 years.
 2. Dynamic tariff savings (TOU) clearly varies substantially, but here are modelled as delivering a 13% reduction in electricity costs based on [CAR Modelling](#) in Scotland.
 Assumptions: gas boiler efficiency = 90%, gas boiler capex = £2,634, ASHP efficiency = 3.16 COP, ASHP capex = £14,555.

See more of
our Retrofit
team's work

