



OFTEC's vision for a fair transition to low carbon heating for rural communities

Malcolm Farrow
OFTEC Head of Public Affairs

OFTEC

What is the challenge?

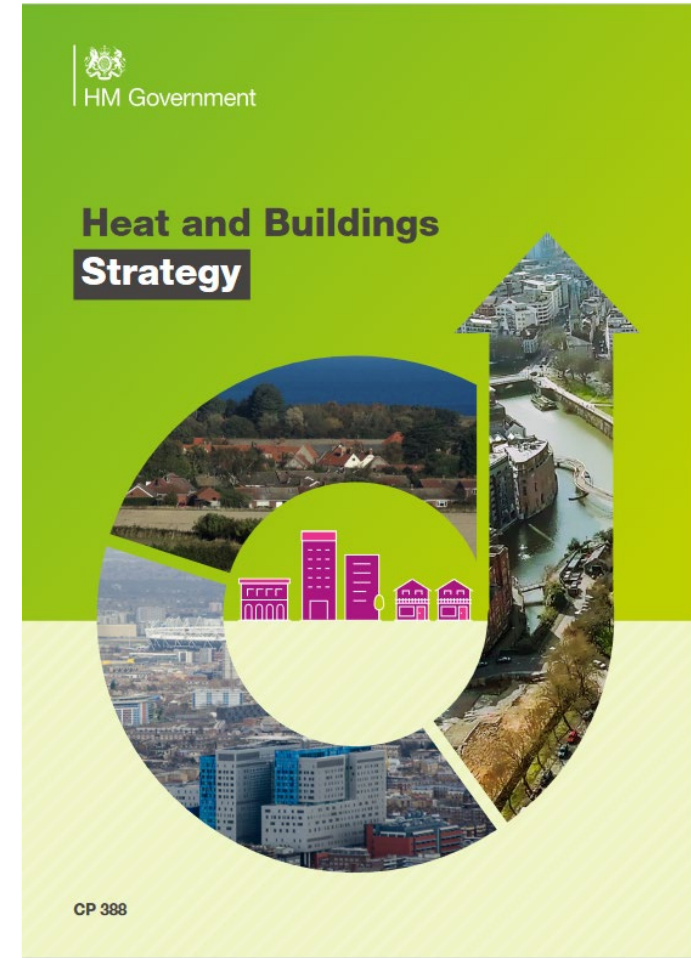
UK target is to achieve 'net zero' by 2050.

Interim target of 78% reduction in emissions by 2035.

Heating accounts for 23% of emissions.

UK Heat and Buildings Strategy published in 2021

- 86% of homes are heated by gas.
- 5% of homes are heated by electricity.
- 4% of homes are heated by oil.
- 5% of homes are heated by heat networks or other heating types.



What is the government proposing?

Timetable by sector:

- **2024** - Large non-domestic off-gas grid buildings.
- **2025** - Newbuild.
- **2026** - Domestic and small non-domestic off-gas grid buildings.
- **2035** - Homes and non-domestic buildings on the gas grid.

The government plans to phase out the installation of high carbon fossil fuel heating off the gas grid and take a 'heat pump first' approach where 'reasonably practical' supported by regulation, incentives and a 'market mechanism'.

Target: 600,000 heat pump installations per year by 2028.

Purpose of the policy: develop the heat pump supply chain.

What is the government doing to support the transition?

- The **Boiler Upgrade Scheme (BUS)** - grants for heat pumps and biomass boilers in homes and non-domestic buildings in England and Wales. Grants of £5,000 for air source heat pumps and biomass boilers, and grants of £6,000 are available for ground source heat pumps. £425m available over three years 2022 – 2025.
- The **Home Upgrade Grant (HUG)** provides energy efficiency upgrades and low carbon heating to low-income households living in the worst quality, off-gas grid homes in England. Delivered by LAs - £700 available to local authorities 2022 - 2025.

Are the government's proposals fair?

The government claims that:

- 80% of off-grid homes are technically suitable for a heat pump with only radiators resized.
- The policy will be fair because the price of a heat pump is expected to fall by 50% by 2025.

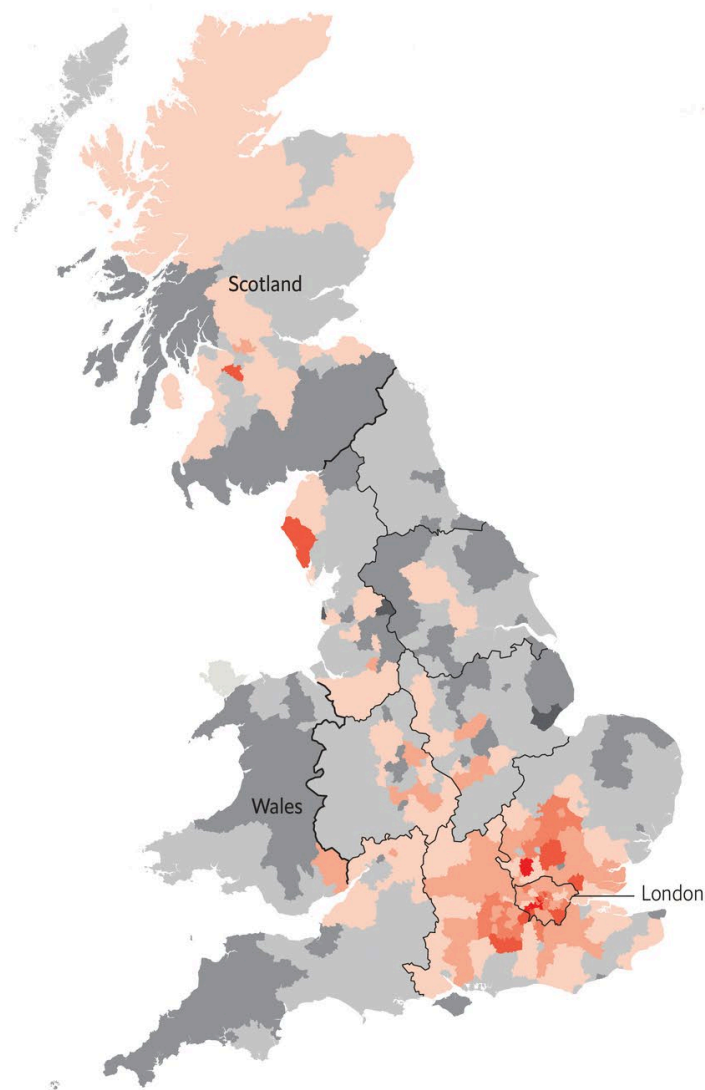
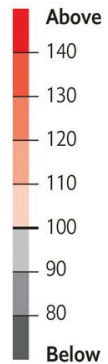
However:

- The average installation cost of an air source heat pump under the government's Boiler Upgrade Scheme is £12,938 (£28,293 for ground source).
- CPI inflation rate is currently at 9.2%.

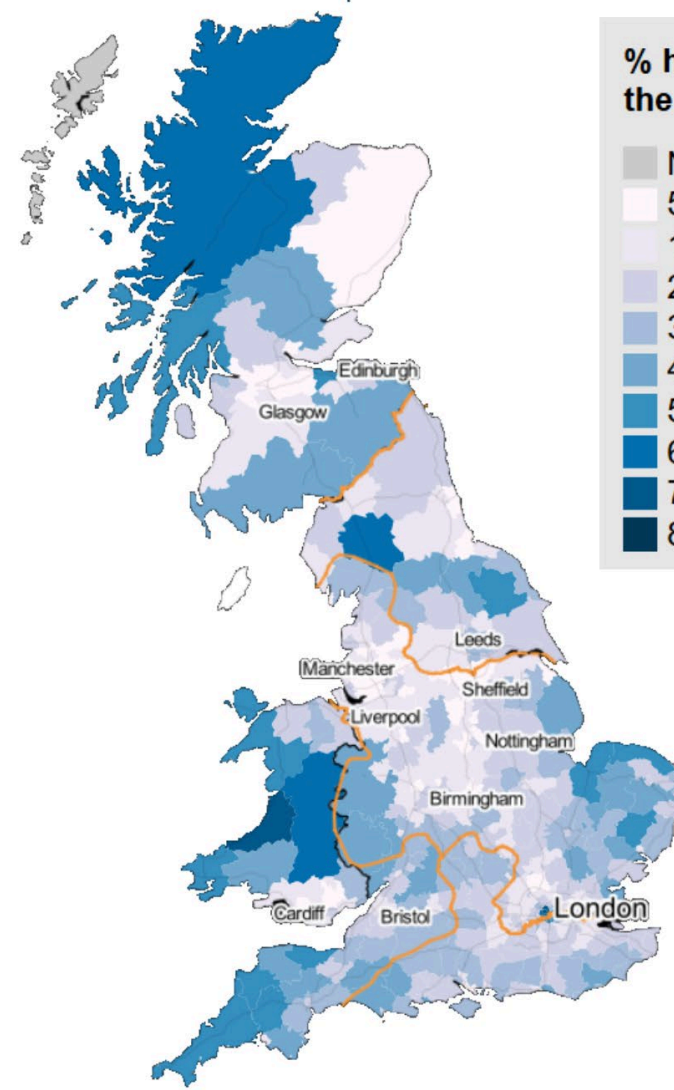
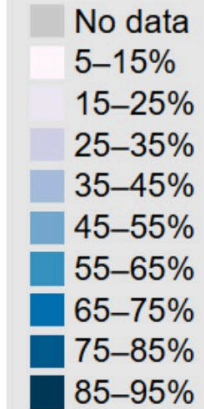
Are the government's proposals fair?

Median gross earnings
as share of national
average 2020 - 2022

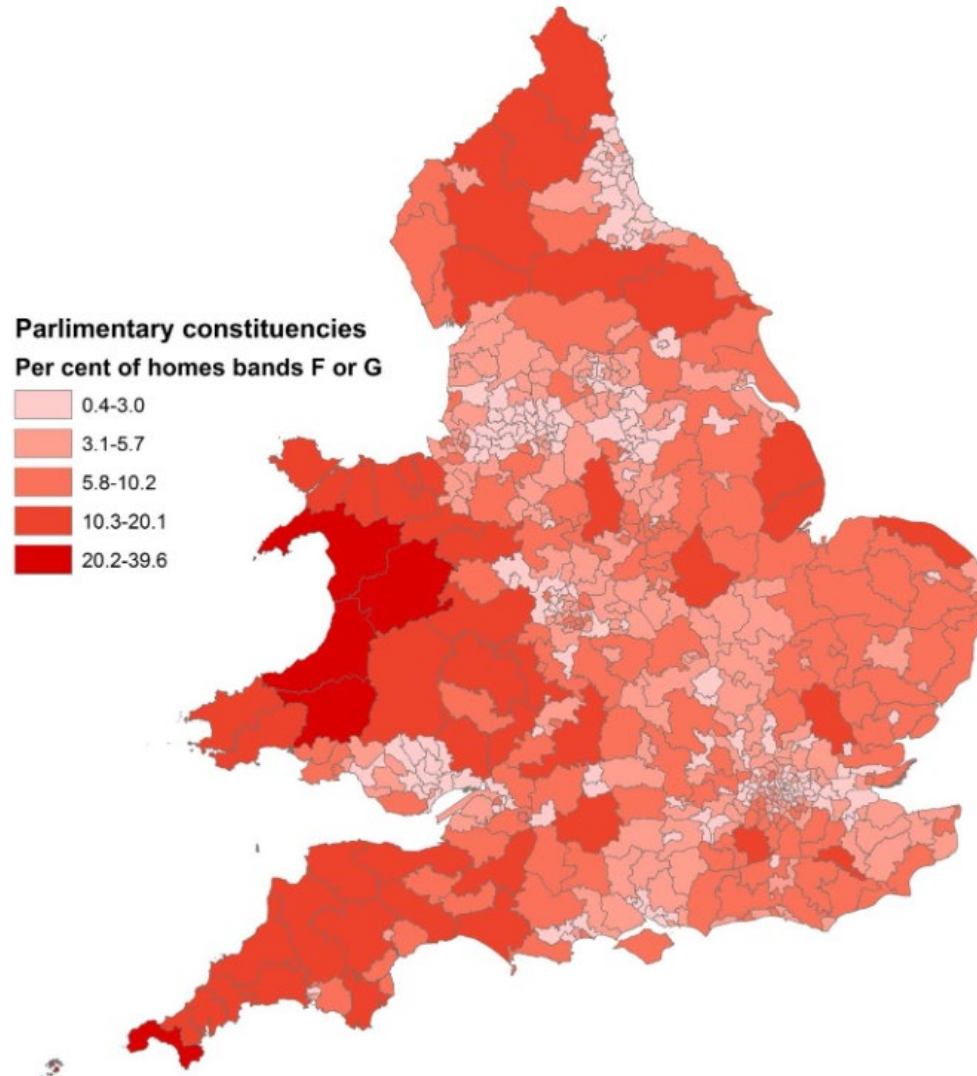
% of national average



% homes off
the gas grid



Are the government's proposals fair?



Proportion of dwellings with EPC ratings of F or G by parliamentary constituency

(65% of oil heated homes in England are in EPC Bands E - G. Only 3% are in Bands A – C)

Are the government's proposals fair?

OFTEC's view:

- The government's evidence base and underlying assumptions don't reflect the current economic reality.
- Rural households and businesses already face significant challenges compared to those in urban areas.
- Rural homes and businesses are probably the worst place to start deploying heat pumps.
- Rural households and businesses face the greatest risk of high capital costs, disruption and poor outcomes.
- It isn't yet clear what alternatives the government may support if a heat pump isn't suitable.

THIS ISN'T FAIR!

What would a fair decarbonisation policy look like?

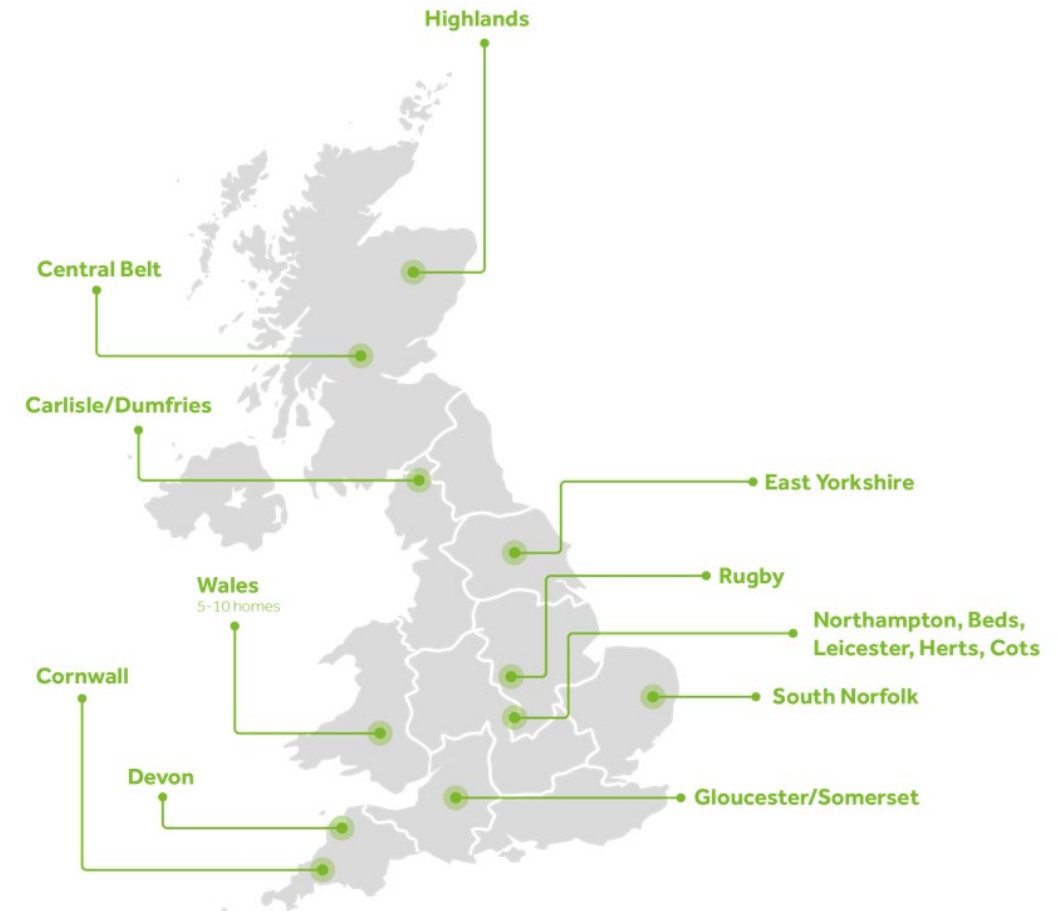
- The need to make rapid progress with decarbonisation means that pushing back the date isn't viable. However, cost is the biggest barrier to adoption so making the switch easier means making it cheaper.
- Support for energy efficiency improvements is desperately needed and should be a policy priority.
- The government should abandon its one size fits all technology approach for off-gas grid homes.
- **A technology inclusive approach** with support for all viable low carbon solutions provides more choice and encourages competition, which is good for innovation and lower prices.
- The government already supports solid biomass in limited cases where a heat pump isn't suitable, but the average cost of these systems is high (£14,700). Supporting renewable liquid fuel is another option.

Support is growing for HVO

- Hydrotreated vegetable oil (HVO) is produced from 100% waste oils and other biogenic wastes and is certified as sustainable by the ISCC.
- HVO offers a net GHG CO₂ reduction of 88% vs Kerosene.
- It's a direct replacement for heating oil and is effectively a 'drop in' solution.
- Conversion can be done in just a couple of hours and typically costs less than £500.
- It is likely to work in all existing oil heating systems.

The HVO demonstration project

- OFTEC, working with UKIFDA the fuel distributor's trade association, has undertaken a two-year field project to fully test the use of HVO in heating.
- Over 130 homes and non-domestic buildings have been converted in 11 different areas throughout the UK.
- Non-domestic sites have included a school, a church and a pub.
- All the conversions have been extremely successful, and we now have a full understanding of how to use this fuel in the real world.
- The industry is confident that HVO works – we are ready to deliver this solution at scale.

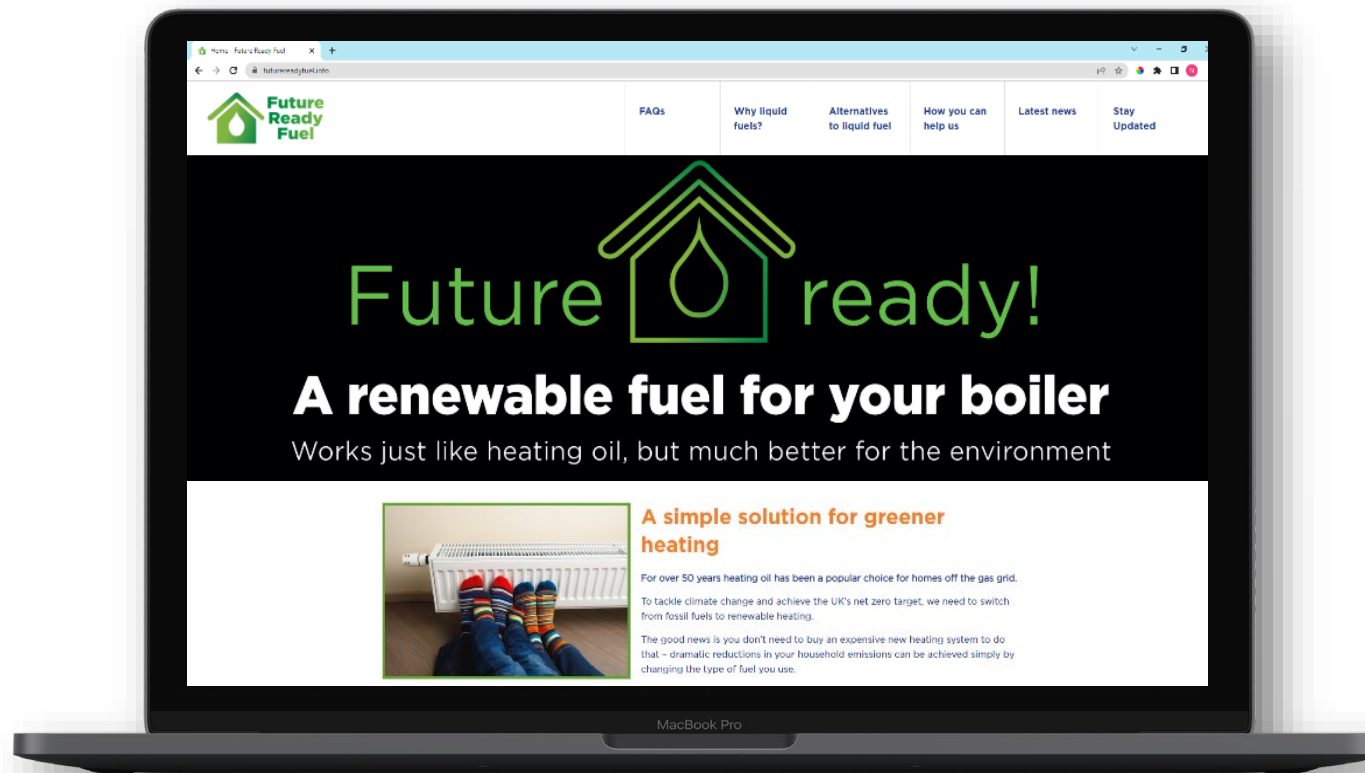


10 Minute Rule Bill introduced

- HVO is currently more expensive than heating oil and is also taxed differently, making it more costly than it should be.
- George Eustice, introduced a Ten Minute Rule Bill in Parliament to support the use of HVO in heating. The bill proposes to reduce the duty charged on renewable liquid heating fuel, provide for the imposition of obligations on suppliers of heating fuel in relation to the supply of renewable fuel.
- The effect of these measures would make the price comparable to heating oil, making HVO a viable option alongside heat pumps and other technologies.

Add your voice to our campaign...

Future Ready Fuel campaign hub: www.futurereadyfuel.info



Thank you for listening

