



Market Report

A Snapshot of your Market Sector

Low Carbon Heat

Cost of Doing Business Support

For information on **reducing the cost of running your business**, the [Find Business Support](#) website has links to advice, funding and regional support.

This pack has been designed to provide information on setting up a business in the **Low Carbon Heat** industry in Scotland, as well as helping to inform the market research section of your business plan. You can find more information on how to write a business plan from the Business Gateway website (www.bgateway.com/businessplan), including an interactive template and tips to get you started.

This market report was updated by Business Gateway in **September 2023**. If you find the information contained in this document useful, tell us about it! Send us feedback [here](#); we will use your comments to help improve our service.

What do I need to know about the Low Carbon Heat market?

The following summary statistics have been taken from market research reports and reliable resources that the Information Service uses to compile industry information. They should give you an indication of how your industry is faring at present and whether there is demand for your type of business:

- ◆ The use of heat pumps, particularly air-to-water and air-to-air heat pumps, is expected to play a key role in delivering heat for properties that are built to the Future Homes Standard. This is underlined by the UK government's plans for **600,000 heat pump installations per year by 2028 and 1.9 million by 2035**, but the initial year fell well short of the target. By way of comparison the CCC pathway called for **900,000 per year by 2028 and 1.4 million by 2035**. (Mintel, *Residential Central Heating and Heat Pumps – UK*, August 2023).
- ◆ Industry revenue is forecast to expand at a compound annual rate of **1.9% over the five years through 2028-29 to £1.8 billion**. Both commercial construction activity and residential construction activity are anticipated to expand, boosting demand for industry products. Due to the essential nature of boilers and radiators, industry demand is insulated from difficult market conditions in construction markets. However, high import competition is likely to constrain revenue growth. In 2022, the government announced a ban on new gas boilers in new built homes from 2025, changing the type of boilers and radiators produced in the UK. **Manufacturers are likely to produce more heat pumps**, while boilers made in the UK will be export focused. (IBISWorld, *Radiator & Boiler Manufacturing in the UK*, April 2023)
- ◆ The heat pump market share is expected to **increase by US\$35.20 billion from 2021 to 2026**, and the market's growth momentum will accelerate at a CAGR of 8.64%. Europe is expected to be the second-fastest growing region within the overall market, growing from **\$5,916.75 million in 2020 to \$9,313.41 million in 2025**. After recognising the vital role of heat pumps in the reduction of carbon emission, it is expected that the UK will witness over **one million heat pump sales a year by 2030**. (Technavio, *Global Heat Pump Market 2022-2026*, September 2022).
- ◆ Industry bodies include [The Heat Pump Association](#), [Ground Source Heat Pump Association](#) and [UK District Energy Association](#).



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Where can I find more information on my market?

The Information Service has access to a number of databases which can offer more detail on this industry. Some of these reports are listed below - if you would like to be sent extracts from any of these reports, please contact us on **0300 013 4753** or email info@bgateway.com.

- ◆ **Mintel - Plumbing – UK** (August 2022). Mintel reports that gas remains the dominant fuel of choice, being 85% of residential heating system installations in 2021. However, the issue of major fuel-based inflation in 2022 has changed the market dynamic - consumer spending power has been challenged and interest rates increased, yet the incentive to ensure energy efficiency has increased. This is adding a notable impetus to investments in solar power, for example, as homeowners look to combat inflation, but is also encouraging boiler replacement as an efficiency measure.
- ◆ **Technavio - Global District Heating Market 2021-2025** (July 2022). Technavio predict that Europe will continue to be the largest market, accounting for some 63% of the global market by 2025. They also think that at an annual growth rate of 3.2% it will grow faster than the overall market, growing from \$94.42bn in 2020 to \$110.51 bn in 2025.

There are also a number of online resources you may find helpful:

- ◆ The Scottish Government's Heat in Buildings Strategy published in October 2021 contains a [2045 Pathway for Scotland's Homes and Buildings](#). This section of the report details the net zero target, *by 2045 all homes and buildings in Scotland must have significantly reduced their energy use, and almost all must be using a zero emissions heating system*. This contains details on the targets, and also how they can be achieved.
- ◆ A report published by the WWF in 2023, ["Affordable Warmth: Next Steps for Clean Heat in Scotland"](#), gives a great overview of the different potential decarbonising solutions for homes in Scotland. The report contains findings from a modelling exercise carried out looking at 12 different types of typical Scottish housing stock, and the potential savings and benefits of different low-carbon heating solutions.
- ◆ In February 2022 the Scottish Government announced the [Heat Network Fund](#), making £300million of financial support available to facilitate the delivery of low or zero emission heat network projects across Scotland. The funding is targeted at both public and private sector organisations implementing large scale energy efficiency projects.
- ◆ Climate Change – offers a publication [Heat pump use in Scotland: an evidence review](#), August 2021, which presents the results of a desk-based evidence review to understand how heat pumps currently, or are likely to, perform in practice in Scottish homes.
- ◆ UK Government's [Heat Pump Ready Programme](#) will support the development of innovative solutions across the heat pump sector. *Heat pumps are a key solution for decarbonising homes and will be critical for meeting the UK's commitment to achieve net zero by 2050*. The Heat Pump Ready Programme is split into [3 separate delivery streams](#) with different levels of funding aimed at research or trials.
- ◆ The CBI and the University of Birmingham publication [Net-zero: the road to low carbon heat](#).

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How can I find out about my competitors?

Business Gateway's online guide to [Competitor Analysis](#) explains how to find your competitors, how to research what they're doing and how to act on what you learn about them.

Immediate competition will be from other businesses in your local area. There are several online directories which can be used to find company information and generate lists easily and at no expense. Many Local Authorities also publish local business directories on the web. Below are some key web resources:

- ◆ General business directories such as [Yell](#) ,[Thomson Local](#) or [Google Maps](#)
- ◆ Trade specialists like [EuroPages](#) (European directory), [The Wholesaler](#) or [Free Index](#)
- ◆ Business to business (B2B) specialists such as [Kompass](#)

Likewise, your local Chamber of Commerce may publish a members' directory; find your local Chamber on the [Scottish Chambers](#) website.

Once you've identified who your competitors are, the next step is to gather information on the way they do business. Which services do they provide? How do they market themselves? How much do they charge?

To learn about your competitors:

- ◆ Look for articles or adverts in local newspapers, trade press and directories.
- ◆ Try to read their marketing material; if the company has an online presence, visit the company's website as a first port of call. Not only does it give you a better understanding of the company's activities, it can also offer a wealth of information such as a company history or staff biographies, as well as the company's partners or suppliers
- ◆ Search for information on limited UK companies via the [Companies House](#) website
- ◆ Gain an insight into your competitor's performance using credit checks and the accounts that limited companies are required to submit to Companies House each year.

We can provide credit checks free of charge; if you are interested in using this resource, or looking for us to help you find relevant publications, please contact us by emailing info@bgateway.com or by calling **0300 013 4753**



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What about suppliers?

[Choosing and Managing Suppliers](#) can help you decide what you need from a supplier, how to identify one and how to choose one to deal with.

Trade associations or industry specific organisations may also be able to recommend suppliers or contacts. You can also use the aforementioned resources for finding competitors to find suppliers.

Once you have decided on a supplier, we can run a credit check on the company to help assess their financial stability. We provide credit checks free of charge; if you are interested in using the resource please info@bgateway.com or by calling **0300 013 4753**.

Who are my customers?

Your business plan should include information about the customers you would expect. Business Gateway's guides on [Market and customer research](#) will help you to identify new trends, opportunities, customers and competitors.

It can be useful to group your customers by geographical location, age or lifestyle. The websites listed below are freely available and can provide most of this information. If you can't find what you're looking for from these website, please contact us and one of the team will be happy to help:

- ◆ Access the latest population estimates from the [National Records of Scotland \(NRS\)](#). NRS also offers demographic factsheets for each council area in Scotland, which can provide summary statistics for the area you will be based in.
- ◆ Information from the most recent census in 2011 is released via the official website. See in particular the [Census Area Profiles](#). Clicking on your area of interest will give the latest population figures, including estimates by age.
- ◆ [Understanding Scottish Places](#) has interactive profiles of towns and cities across Scotland. It can be useful for understanding the interrelationships and flows between towns, and also gives comparisons between two or more places.
- ◆ [Scottish Government Statistics](#) provide accurate and up-to-date statistics on Scotland, covering population, health, education and housing.
- ◆ [The Scottish Household Survey](#) provides information on the structure, characteristics, attitudes and behaviour of Scottish households, both at a national and local level.
- ◆ [Office for National Statistics \(ONS\)](#) is the recognised national statistical body for the UK. ONS covers a wide range of demographic, economic and social issues at a UK level.

How can you help me with other aspects of starting my business?

The Business Gateway website has guides, videos, online tutorials and tips on all aspects of starting up a business in Scotland. Follow the links below to explore each resource:

Accountancy

Institute of Chartered Accountants of Scotland's (ICAS) "[Find a Chartered Accountant](#)" tool

Funding

[Practical information](#) on finance and funding for starting and growing your business

Insurance

[Business insurance guide](#)

Legal Help

Gov.uk "[Licence Finder](#)" tool

Law Society of Scotland's "[Find a Solicitor](#)" tool

Pricing

Business Companion [Pricing & payment guide](#).

Please note: the most effective way to research pricing is to conduct your own research – visit wholesalers or suppliers to obtain price lists, find quotes from similar companies and work out what other businesses in your area are charging

Promotion

[BG guides to Marketing](#)

Training

[Skills Development Scotland's My World of Work](#)

[Funding for training](#)

[Small Business Bonus Scheme \(Scotland\)](#)

Your local Business Gateway can offer events, workshops and 1:2:1 support on all aspects of starting and developing your business. Call the helpline on **0300 013 4753** to find out what is available in your area.

We hope you find this Market Report useful and we'd love to hear your feedback [here](#).

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You must not rely on the information in the report as an alternative to advice from an appropriately qualified professional. If you have any specific questions speak to your Business Gateway Advisor or consult an appropriately qualified professional.

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