



Market Report

A Snapshot of your Market Sector

Low Carbon Heat

This pack has been designed to provide information on setting up a business in the **Low Carbon Heat** 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 2024**. 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:

- ◆ In 2023, there was 25% increase up to 35,329 MCS-certified air source heat pump installations and a 69% decrease to 745 in ground source heat pump installations. The residential heat pump market is forecast to rise from 84,342 installations in 2024 to 421,539 in 2028 (MBD). The use of air-source heat pumps is expected to play a key role in delivering heat for properties that are to be built to the Future Homes Standard from 2025. This is underlined by the new UK government's plans to build 1.5 million homes over the next five years. To reach net zero by 2050, the Climate Change Commission estimates that at least 50 to 80% of UK homes will need domestic heat pumps. (*Mintel, Residential Small-Scale Renewables UK, Jul 2024*).
- ◆ The heat pump market share is expected to **increase by US\$43.45 billion from 2023 to 2028**, and the market's growth momentum will accelerate at a CAGR of 8.9%. Europe is expected to be the third-fastest growing region within the overall market, growing from **\$21,507.43 million in 2023 to \$32,810.84 million in 2028**. Growth in the heat pump market is forecast with further adoption of heating and cooling systems. A rise in residential solar installations in developed nations such as UK, US and Canada improve the market for heat pumps. (*Technavio, Global Heat Pump Market 2024-2028, September 2024*).
- ◆ With a market value of USD 92,115.3 million in 2023, the global zero-energy buildings market is predicted to grow to USD 264,770.0 million in 2028. This increase of approximately 188% of the 2023 market size will drive growth in sales of HVAC and controls, insulation and glazing, lighting and controls, and water heating products. The UK market is forecast to grow from USD 3,965.56 million in 2023 to USD 10,696.69 million in 2028 with a compounded annual growth rate of 21.95% between 2023 and 2028. (*Technavio, Global Zero-Energy Buildings Market 2024-2028, Jul 2024*).
- ◆ *Industry bodies include [The Heat Pump Association](#), [Ground Source Heat Pump Association](#), [Heat Trust](#), [HeatSource](#) 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.

- ◆ **Frost and Sullivan - Global HVAC Equipment Growth Opportunities** (Apr 2024). Frost and Sullivan note that Europe gained 21.7% of global HVAC equipment industry with a market revenue in 2023 of USD 49.88 billion. They predict a CAGR of 6.9% between 2023 and 2029 reaching a market revenue of USD 74.3 billion in 2029 due to tightening of the regulatory environment and climate extremes. The UK (along with Western European nations such as Germany and France) champion energy efficiency and retrofitting. The UK, Germany, France, and lead growth in the Industrial HVAC segment growth due to wider manufacturing base which includes automotive, pharmaceuticals, and warehouses.
- ◆ **Mintel – Residential Windows and Doors UK** (May 2024). Mintel reports that the market size was £3.24 billion in 2023 and is forecast to grow 24% through years 2024 to 2028. Sales growth drivers include high energy prices and resultant consumer interest in energy efficiency (replacement windows and long term trend towards triple glazing), climate change and sustainability. The Federation of Master Builders survey highlighted that energy efficiency was the main reason behind double glazing purchase for 94% of homeowners.

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. The ['Proposals for a Heat in Buildings Bill'](#) consultation closed in March 2024. [The New Build Heat Standard \(NBHS\)](#) was introduced in April 2024 to regulate the heating system types installed in new-build homes and properties.*
- ◆ Climate XChange – offers a publication [The suitability of clean heating options for challenging dwelling types](#), September 2024, reviewing the feasibility of clean heating especially heat pumps in Scottish homes.
- ◆ *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.*
- ◆ *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.*
- ◆ 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.

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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 websites, 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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