



Market Report

A Snapshot of your Marketing Sector

Low Carbon Heat

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 **April 2026**.

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 **global heat pump market in 2023 was \$51,969.3 million** and is expected to grow to \$94,519.9 million in 2033. The heat pump market in the UK was 847.4 thousand units in 2025 and \$2,779.9 million in market size, with estimated growth to 1,116.3 thousand units in 2033 and \$4,042.4 million (BIS Research, *Global Heating Equipment Market 2023-2033*, March 2024.)
- ◆ The **average cost of installing a heat pump in a UK home in 2023 was £11,287**. The UK government has set the target of reducing this cost by between 25 and 50 percent by 2025, relative to 2021 prices (Statista, *Annual heat pump installation costs in the UK 2019-2023*, November 2025).
- ◆ The total number of retrofit heat pump installations recorded in 2025 was 51,886. This was a 7% increase on 2024 (48,677) and is over four and a half times higher than five years ago (2020; 11,196). The majority of retrofit heat pump installations in 2025 were of air source heat pumps (99%), an increase from 92% of installations in 2020. **In Scotland, 1,304 heat pumps were installed in 2025 Q4**. (Department for Energy Security and Net Zero, *Heat pump deployment statistics*, March 2026) (www.gov.uk/government/collections/heat-pump-deployment-statistics).
- ◆ By 2035, the total Gross Value Added (GVA) generated by manufacturing, installing and operating residential space heating appliances could rise from £12.2 billion today to reach £22.5 billion in 2035 – an 85% increase. This demonstrates that decarbonising heat in homes through electrification should not be viewed as a cost burden, but as a driver of opportunity. (Heat Pump Association, *New Analysis Reveals £22.5bn Economic Opportunity if UK Accelerates Heat Decarbonisation*, March 2026) (hpauk.org.uk/news/new-analysis-reveals-22-5bn-economic-opportunity-if-uk-accelerates-heat-decarbonisation).
- ◆ The UK government's current targets are 450,000 heat pump installations per year by 2030, as heat pumps increasingly become the desirable and natural choice for households replacing an existing heating system at the end of its life, and as the [Future Homes and Buildings Standards](#) [in England only] ensure that new homes and buildings have low carbon heating as standard (Department for Energy Security and Net Zero, *Warm Homes Plan*, March 2026) (www.gov.uk/government/publications/warm-homes-plan/warm-homes-plan-html).
- ◆ Industry bodies include the [Heat Pump Association](#); [Heat Trust](#), a heat network consumers protection organisation; [HeatSource](#), Scotland's clean heat network; the [UK District Energy Association](#); and the [Association for Decentralised Energy \(ADE\)](#).

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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.

- ◆ **BIS Research, *Global Heating Equipment Market 2023-2033 (March 2024)***. The sector's forward momentum is boosted by technological advancements, such as variable-speed compressors and intelligent control systems, which are shaping a future of even more efficient and sophisticated heating solutions. Strengthening the case for heat pumps is their potential to play a pivotal role in propelling businesses toward a path of robust and sustainable growth. A pivotal element shaping the U.K. heating equipment market is the government's commitment to achieving net zero carbon emissions by 2050. This has led to initiatives such as the Green Homes Grant, which incentivises homeowners to invest in energy efficient and low carbon heating systems. Heat pumps, both air source and ground source, are gaining traction as viable alternatives to traditional gas boilers, with manufacturers such as Mitsubishi Electric and Daikin reporting rising demand in the region. Regulatory measures, including the Future Homes Standard, set to be implemented by 2025, aim to ensure new homes are fitted with low carbon heating systems and meet high energy efficiency levels. This regulation underscores the government's proactive stance in transitioning toward a more sustainable heating equipment landscape. The market's evolution is characterized by the increasing adoption of green heating technologies, regulatory reforms, and consumer demand for cost-effective and environment-friendly heating solutions.

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

- ◆ [Climate Xchange \(climatexchange.org.uk\)](https://climatexchange.org.uk) is Scotland's centre of expertise on climate change, and provides research, advice and analysis to policy teams at the Scottish Government and associated public agencies. Recent reports on low carbon heat include [Funding and financing heat networks in Scotland](#) (April 2025) and [The suitability of clean heating options for challenging dwelling types](#) (September 2024).
- ◆ The [Heat Pump Association \(hpauk.org.uk\)](https://hpauk.org.uk) publishes [statistics](#), [case studies](#) and [insights](#) on the heat pump sector.
- ◆ In Scotland, the [New Build Heat Standard \(NBHS\)](#), in force since April 2024, requires new buildings to install climate-friendly heating systems instead of oil and gas boilers. Meanwhile in England, the [Future Homes Standard](#) requires all new homes from March 2027 to meet carbon and energy performance standards, necessitating low carbon heating systems.
- ◆ The Department for Energy Security and Net Zero publishes an overview of [heat networks pipelines \(gov.uk/government/publications/heat-networks-pipelines\)](https://www.gov.uk/government/publications/heat-networks-pipelines) – the current and planned heat networks projects and procurements in the UK, including those supported by government funding.

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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.



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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.

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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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