

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 **November 2025**.

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:

- ◆ This will also keep demand for repair and maintenance services from the commercial market fairly strong, especially where these systems are business-critical. In 2025, although inflation is easing and central banks are reducing interest rates, economic uncertainty persists due to ongoing supply chain issues that continue to drive up construction project costs, limiting revenue potential for industry contractors. Despite these challenges, the push for building decarbonisation is creating significant income opportunities for heat pump installers. Revenue is forecast to increase by 2.5% in 2025. (*IBISWorld, Plumbing, Heat & Air Conditioning Installation UK, July 2025*)
- ◆ 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*).
- ◆ UK was the 6th-largest country in the market in 2024 and will weaken its relative position in the overall market to become the 7th-largest segment in 2029. It will grow at a compounded annual growth rate of 4.5% between 2024 and 2029, which is lower than that of the overall market. Among the key countries, UK will be the slowest growing country and will grow from \$840.1 million in 2024 to \$1,048.2 million in 2029. It will contribute 2.2% to the incremental growth of the overall market between 2024 and 2029. (*Technavio, Global Residential Air to Water Heat Pump Market 2025-2029*).
- ◆ The global residential heat pump (HP) market is forecast to reach 17.0 million units by 2035, up from 7.6 million in 2024. Market definitions are important to the market forecast, and Frost & Sullivan excludes the sale of HPs for air conditioning. Market revenues are forecast to reach \$80.43 billion by 2035, at a CAGR of 8.5% from 2024 to 2035. (*Frost & Sullivan, Residential Heat Pump Industry, Global 2024-2035, December 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.

- ◆ **Technavio – Global Industrial Heat Pumps Market 2025-2029.** Since the availability of fossil fuels is dwindling, alternative sources, such as renewable sources, are increasingly finding applications in industrial heating and cooling solutions. Industries also realize the long-term benefits of using heating and cooling sources such as heat pumps over conventional HVAC systems, which can help them in achieving sustainable development. The chemical and paper and pulp industries are energy-intensive industries. These industries are regulated by stringent energy efficiency regulations and carbon emission reduction regulations. Heat pumps are widely used in these industries, which are key end-users.
- ◆ **Frost & Sullivan – Commercial and Industrial Energy Decarbonization, Global 2025-2035 (March 2025).** Decarbonization in the commercial and industrial (C&I) sector is a critical component of the global energy transition, presenting both significant challenges and massive growth opportunities. It will entail the optimization and electrification of the energy demand while transitioning to low-carbon energy sources. The C&I sector is heterogeneous, which makes it challenging to develop off-the-shelf solutions. However, the sector holds strong potential for achieving decarbonization. The incentives and technologies necessary for immediate action are in place, fuelling prospects of accelerated implementation. Increasing environmental regulations and a heightened commitment to sustainability from stakeholders are driving many companies to lower their carbon emissions and adopt cleaner, more efficient energy sources.

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

- ◆ Survey Climate Xchange provide lots of research and project reports to support the Scottish Government on the transition to net zero. You can see reports such as [Funding and financing heat networks in Scotland \(April 2025\)](#) and [The suitability of clean heating options for challenging dwelling types \(April 2024\)](#).
- ◆ The **Heat Pump Association** provide some statistics including those of the [Annual Heat Pump Sales in the UK](#).

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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@bgateaway.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.

Last updated: November 2025

Updated by: Liesel

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