

# Energy UK response to exploring the role of alternative clean heating solutions

February 2026

## About Energy UK

Energy UK is the trade association for the energy industry with over 100 members - from established FTSE 100 companies through to new, growing suppliers, generators and service providers across energy, transport, heat and technology. Our members deliver nearly 80% of the UK's power generation and over 95% of the energy supply for 28 million UK homes as well as businesses.

The sector invests £13bn annually and delivers nearly £30bn in gross value - on top of the nearly £100bn in economic activity through its supply chain and interaction with other sectors. The energy industry is key to delivering growth and plans to invest £100bn over the course of this decade in new energy sources. The energy sector supports 700,000 jobs in every corner of the country. Energy UK plays a key role in ensuring we attract and retain a diverse workforce. In addition to our Young Energy Professionals Forum, which has over 2,000 members representing over 350 organisations, we are a founding member of TIDE, an industrywide taskforce to tackle Inclusion and Diversity across energy.

## Executive summary

[According to the Climate Change Committee](#), electricity will be the largest source of low-carbon energy for heating. Energy UK therefore believes that the Government should focus its heat decarbonisation policy on the growth of electrified low-carbon technology, and growth in the low-carbon heat networks sector. While Energy UK is technology neutral, and supports innovation across all forms of heat decarbonisation, it is important to adopt a strategic approach to the decarbonisation of heat to ensure a cost-effective transition for customers that aligns with the pathways set out by the Government and Climate Change Committee, and so the Government should focus on adopting policies that further these objectives.

Should the Government introduce an obligation on fuel suppliers that aims to support the expansion of clean heat, it must include all forms of low-carbon electricity sources in heating use to deliver the most effective use of the obligation for decarbonising oil-heated homes. Energy UK would not support a Renewable Liquid Heating Fuel Obligation unless it was expanded in this way.

Crucially, should there be an obligation, it must not be paid for through energy bills, nor should it displace the current trajectory of heating electrification and expansion of low-carbon heat networks. These steps would safeguard against negative impacts

upon households and emission reduction targets, while supporting the growth of lower-cost and lower-emission heating solutions.

Ensuring a focus on electrification will:

- Support the largest source of energy for low-carbon heating
- Recognise the potential for future innovation in the off-gas grid heat decarbonisation space
- Align with the focus on electrification within the Warm Homes Plan
- Align with the development of supporting infrastructure of electrified heat
- Support a wider range of households
- Support a wider range of technology types

## Consultation response

**32. Do you have any evidence or views that could help inform future decisions on whether to implement a Renewable Liquid Heating Fuel Obligation, and if so, how? We would particularly welcome any evidence or views which take into account:**

**• At what stage of development in the market for renewable liquid heating fuels would it be appropriate to consider bringing in such an obligation?**

N/A

**• What initial level of obligation would strike the right balance between ambition and deliverability?**

N/A

**• What forward trajectory for the level of obligation would strike the right balance between ambition and deliverability?**

N/A

**• How would the fossil fuel heat sector offer a viable, tradable, market for the renewable heating fuel certificates that would be generated under any future Renewable Liquid Heating Fuel Obligation?**

N/A

**• How the likely costs to consumers arising from any future Renewable Liquid Heating Fuel Obligation could be abated?**

It will be important to develop the market for alternative forms of low-carbon heating, to ensure that there is a viable pathway for consumers to switch away from more expensive fuel sources. The Warm Homes Plan has made positive progress in this regard, but the sector could be supported further through additional action to reduce the price of electricity and looking at the potential for long-term regulatory drivers to provide a pathway for households to switch.

**33. Do you agree that evidence of affordability to consumers, and availability at scale of sustainable feedstock are key factors in determining if the government should pursue the implementation of a Renewable Liquid Heating Fuel Obligation? If not, what other factors do you think are significant and why? Please provide your views and evidence to support this answer.**

Yes.

Both cost and sustainability are key factors to consider when determining whether to pursue a Renewable Liquid Heating Fuel Obligation (RLHFO).

As 8.99 million households spend [more than 10%](#) of their income after housing costs on domestic energy, bringing down bills should be a priority for any intervention targeted at supporting the growth of clean heat. At the same time, homes and buildings account for [one fifth of UK emissions](#).

Therefore, interventions to support the rollout of clean heat should be made at the lowest cost to the consumer with the highest benefit to the expansion of clean heat.

As the consultation sets out, renewable liquid heating fuels are significantly more expensive than typical liquid heating fuels used by off-grid properties, such as kerosene, and can drive up heating costs for these households by 20%.<sup>1</sup>

Meanwhile, households [can save up to £550](#) a year by installing a heat pump, battery and solar, compared to a gas boiler, and up to another £300 when using energy flexibly on a time-of-use tariff.

Crucially, should there be an obligation, it must not be paid for through energy bills, nor should it displace the current trajectory of heating electrification to support the growth of lower-cost and lower-emission heating solutions. This would be necessary to safeguard against negative impacts upon households and emission reduction targets.

When considering both cost and carbon factors, any obligation on fuel suppliers targeted towards clean heat should be inclusive of low-carbon electricity. This would additionally reflect the focus on electrification within the Warm Homes Plan, complimenting the provision of technology packages that can deliver substantial bill reductions for households, such as the one above (see answer to Question 35).

Decisions on whether to pursue the obligation should take ongoing innovation and existing policies in rolling out low-carbon heating technologies into account. Innovation may deliver more effective solutions for off-gas grid properties to decarbonise which are in line with current trend of the growing heat pump market.

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<sup>1</sup> When using a 14% Hydrotreated Vegetable Oil blend

This highlights the risk of locking policy into current assumptions, as seen with the Renewable Transport Fuel Obligation, which was introduced before electricity emerged as the market-led route to low-carbon transport.

Low carbon electricity should form part of the scheme, given the focus of using low carbon electricity as a way to decarbonise heating. Including electricity within any obligation would mitigate this risk.

**34. Do you have any views on what other steps government or industry could take to develop the market for renewable liquid heating fuels, ahead of making a decision on whether to implement a Renewable Liquid Heating Fuel Obligation?**

N/A

**35. Do you have any views on whether the introduction of the Renewable Liquid Heating Fuel Obligation would be an effective tool in fully decarbonising oil heated homes or whether it is a transitional solution to decarbonisation (if either)? We would particularly welcome responses which take into account cost, renewable liquid heating fuel availability and sustainability considerations.**

Should there be any obligation placed on fuel suppliers targeted at supporting clean heat, it must be inclusive of all forms of low-carbon electricity to deliver the most effective use of the obligation for decarbonising oil-heated homes. Energy UK would not support a Renewable Liquid Heating Fuel Obligation unless it was expanded in this way.

The Climate Change Committee's (CCC) [7<sup>th</sup> Carbon Budget](#) sets out that 80% and 20% of residential space heating demand will be met by heat pumps and heat networks by 2050, respectively. Demand for renewable liquid heating fuel is therefore expected to be low, while in the long term, electricity will be the largest source of low carbon energy for heating.

The Government's goal should always be achieving zero emissions for domestic heating at the lowest cost to the consumer. The focus should therefore be on futureproofing the development and adoption of clean heat technologies, many of which are reliant on electricity as a primary fuel source.

If any Renewable Liquid Heating Fuel Obligation (RLHF) were to be adopted, the Government must take steps to ensure that it supports rather than displaces the current positive trajectory of heat electrification, and that it does not disproportionately encourage the adoption of RLHF dependent technologies. The Warm Homes Plan's focus on increasing access to these technologies and supporting assets such as solar and batteries to support lower bills and emissions reduction underscores the necessity of this approach, alongside the expansion of low-carbon heat networks.

Should there be an obligation, the inclusion of low-carbon electricity would also support greater consumer choice by avoiding prescriptive policy making for off-grid

households that could inadvertently promote a particular clean-heating solution for this property type. This additionally extends the benefits of any obligation to a wider range of households. It would encourage growth of multiple clean heat technology markets, rather than that of RLHF systems only.

Finally, as the consultation sets out, renewable liquid heating fuels compete with sustainable aviation fuels for the same feedstocks. Including electricity within any heating obligation on fuel suppliers to support clean heat would retain greater focus upon the production of sustainable fuels for harder to decarbonise sectors, such as aviation and shipping.