

Briefing



Westminster Hall debate: The future of low carbon off-gas grid home and business heating

16 June 2022

The cost of living crisis is impacting off-gas grid homes and businesses the most

In the UK, over four million homes and 278,000 non-domestic buildings are off-gas grid. These homes and businesses use electricity and non-gas fuel heating systems, such as oil, liquified petroleum gas (LPG) and coal. Although spread across the UK, off-gas grid buildings are mostly concentrated in rural areas and the devolved nations. Fifty six per cent of homes in Northern Ireland, for example, currently depend on oil heating.

Off-gas grid homes are protected by Ofgem's energy price cap, but only for their electricity. This means that off-grid homes and businesses are exposed to skyrocketing non-gas fuel prices. According to the ONS' latest Consumer Price Inflation (CPI) Index, liquid fuels have increased by 113.9 per cent over the past 12 months. Electricity and gas have increased by 69.2 and 95.5 per cent respectively.

Whilst the energy price cap for dual tariff customers is set at £1,971 a year, analysis shows that off gas grid homes, with an average usage of 1,700 litres of oil per year, are already paying £2,960, including electricity.

Energy prices are likely to rise again in the autumn 2022, which could add a further £650 more per year to off-gas grid homes, it is vital that the government offers more targeted support to these households and businesses.

Moving to low carbon heating is essential, but there are barriers

To reduce energy bills and dependence on volatile fossil fuel prices, off-gas grid homes will need to install low carbon heat systems, such as heat pumps.

The move to low carbon heating is also essential if the UK is to meet its 2050 net zero target, as the housing sector contributes 16 per cent of the UK's total carbon emissions. The government's Heat and Building Strategy proposed phasing out the installation of new fossil fuel heating systems for domestic and non-domestic off-gas grid buildings by 2024 and 2026 respectively.

Research carried out by the Department for Business, Energy and Industrial Strategy (BEIS) found that 45 per cent of off-gas grid businesses are unlikely to install low carbon heating. They cited three common barriers:

1. **Cost.** Despite lower running costs, the upfront cost of replacing non-gas fuel heating systems with heat pumps can be prohibitively expensive. [Liquid Gas UK](#) estimates that replacing an oil-fired burner with a heat pump could cost over £30,000.
2. **Lack of information.** Consumer research by [Which?](#) found ‘not knowing where to start’, ‘not knowing what the options are and what they involve’, and ‘not knowing how to make the right choices for my households’ to be significant barriers to installing low carbon heating.
3. **Energy efficiency.** Heat pumps are cheaper to run in energy efficient buildings. Whilst most off-gas grid buildings and businesses tend to be older and in rural areas, although [BEIS](#) suggests that 80 per cent of off-gas grid homes have sufficient energy efficiency for a heat pump system.

Measures to support off-gas grid homes and businesses

To support off-gas grid homes and businesses, both during the cost of living crisis and in the shift to low carbon heating, the government should:

- **Extend support.** This should be in the style of the chancellor’s recent energy bill rebate, to households and businesses without access to mains gas supply who are facing very high energy prices. The [reported](#) review of the energy pricing system, which will look to decouple electricity prices from gas prices, should similarly consider the off-gas grid.
- **Save households money.** This could be done by moving green levies off electricity onto general taxation. [General taxation](#) is a fairer means of distributing these costs.
- **Launch a national campaign.** This should target energy waste, energy efficiency and low carbon heating for off-gas grid homes and businesses, to improve awareness and highlight the opportunities to reduce bills.
- **Create a super-deduction for skills.** A 130 per cent tax relief for investment in this area would help to plug the skills gap identified by [BEIS](#): 72 per cent off-gas grid heating installers require training to install heat pumps.

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