EXPLANATORY MEMORANDUM TO

THE BOILER UPGRADE SCHEME (ENGLAND AND WALES) (AMENDMENT) REGULATIONS 2026

2026 No. 390

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Department for Energy Security and Net Zero and is laid before Parliament by Command of His Majesty.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments and the Secondary Legislation Scrutiny Committee.

2. Declaration

2.1 Martin McCluskey, Minister for Energy Consumers at the Department for Energy Security and Net Zero, confirms that this Explanatory Memorandum meets the required standard.

2.2 Lowri Gilbert, Deputy Director for Electrification, Products, Buildings and Delivery, at the Department for Energy Security and Net Zero, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Michael Shea, Head of BUS Policy at the Department for Energy Security and Net Zero. Can be contacted with any queries regarding the instrument via email: BoilerUpgradeScheme@energysecurity.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The Boiler Upgrade Scheme (BUS), introduced in April 2022, supports the installation of heat pumps and biomass boilers in domestic and small non-domestic buildings in England and Wales. This statutory instrument makes changes to the Boiler Upgrade Scheme (BUS) Regulations 2022, as previously amended, to update the eligibility criteria and to introduce requirements to improve scheme administration.

- Introduce grants to support the installation of air-to-air heat pumps (AAHPs) in domestic properties with a value of £2,500.
- Amend scheme eligibility criteria to allow more installations of heat pumps in combination with other electric heating appliances, providing they are capable of meeting the full space and hot water heating demand of the property.
- Remove the requirement that heat pumps cannot use heat in air expelled by an appliance or building to allow the installation of exhaust air heat pumps.
- Relax the requirement to provide a valid Energy Performance Certificate (EPC).
- Introduce a requirement in the BUS regulations for installers to deduct the grant amount from the upfront costs of the eligible plant.

- Mandate MCS as the sole certification scheme for the BUS, removing the option for multiple certification schemes to certify installations.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales.

5. Policy Context

What is being done and why?

Expanding system eligibility

5.1 There are circumstances where a hydronic heat pump is not the most appropriate solution, for example in space-constrained properties, The instrument will introduce a grant category of £2,500 for air-to-air heat pumps (AAHPs), in domestic properties, providing they are accompanied by low carbon hot water heating. This technology can provide both heating and cooling i.e. air conditioning.

5.2 It will also amend the eligibility requirements for hydronic heat pumps, to allow more installations of heat pumps in combination with other low carbon heating technologies. Restrictions will be retained which exclude any installations that would leave the property owner predominantly reliant on another heating appliance or involve a fossil fuel appliance.

Simplifying the consumer installation journey

5.3 It will ease the requirement for applicants to hold a valid Energy Performance Certificate (EPC) to broaden scheme access.

Enhancing consumer protection

5.4 It will introduce a requirement for installers to deduct the grant amount from the upfront costs of the installation. This will enable more customers to overcome the initial cost barrier and therefore boost deployment, whilst also protecting consumers if an installer goes into liquidation.

What was the previous policy, how is this different?

5.5 The BUS was introduced in April 2022 to support the installation of heat pumps and in limited circumstances, biomass boilers in domestic and small non-domestic buildings in England and Wales. The scheme offers a grant payment to help customers overcome the high upfront capital costs of low carbon heat technologies in the transition away from fossil fuel systems. £450 million was committed for the BUS to run for three years, from 2022/23 to 2024/25. The scheme was extended to 2025/26 with a budget of £295 million. The Warm Homes Plan confirmed that the scheme will continue to 2030, with total funding of £2.7 billion for the period 2025/26 to 2029/30 inclusive. BUS funding is planned at £295 million in 2025/26, £400 million in 2026/27, £600 million in 2027/28, £683 million in 2028/29, and £709 million in 2029/30.

5.6 Under the previous policy, air to air heat pumps were ineligible for funding through the scheme, supplementary low carbon heating appliances were largely not permissible alongside a BUS funded installation, properties were required to have a

valid EPC to be eligible, installers were not mandated to deduct the BUS grant from the upfront installation costs.

5.7 The changes will broaden support to more properties and provide more solutions to transition to low carbon heat.

5.8 This instrument will give effect to the changes referenced in section 4.1. It will also enable the extension of the scheme to financial year 2029/30.

6. Legislative and Legal Context

How has the law changed?

6.1 Section 100 of the Energy Act 2008 enables the Secretary of State to make regulations establishing a scheme to encourage the renewable generation of heat and to provide for the administration and financing of the scheme. The instrument amends the Boiler Upgrade Scheme Regulations (2022), as laid under S.100, to implement policy amendments that were supported in the 2025 Regulations Consultation and to further clarify existing eligibility requirements within the regulations. These measures are intended to encourage further uptake of the scheme and increase flexibility, whilst ensuring the scheme continues to meet its objectives.

Why was this approach taken to change the law?

6.2 This is the only possible approach to make the necessary changes.

7. Consultation

Summary of consultation outcome and methodology

7.1 A consultation was open on GOV.UK from April-June 2025 for scheme participants and stakeholders to respond to four proposals. The proposals explored whether government should:

- allowing new heat pump purchase options alongside the BUS grant
- expanding eligibility for low carbon heating technologies
- reviewing potential barriers to the consumer installation journey
- enhancing consumer protection by simplifying certification requirements and requiring installers to deduct grants upfront

7.2 A total of 357 individual responses were received from a wide range of organisations, representative and trade bodies, industry professionals, and individual members of the public. All views shared were taken into consideration, as well as feedback received through other channels, such as stakeholder forums, during the period that the consultation was open. The government response[1] to the consultation was published on 18 November 2025.

8. Applicable Guidance

8.1 Ofgem, the scheme administrator, is responsible for running the day-to-day operations of the scheme, including performing functions such as handling enquiries, reviewing applications, making payments, and monitoring compliance with the scheme rules. Ofgem will publish revised guidance on the administration of the scheme, reflecting

[1] https://www.gov.uk/government/consultations/boiler-upgrade-scheme-and-certification-requirements-for-clean-heat-schemes

scheme amendments implemented through this instrument, on their website ahead of the new regulations coming into force to provide clarity to installers and consumers.

8.2 The Department will update scheme guidance on GOV.UK to reflect the amendments made through this instrument and will publish the approved standards, as approved by the Secretary of State.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment is submitted with this memorandum and published alongside the Explanatory Memorandum on the legislation.gov.uk website.

Impact on businesses, charities and voluntary bodies

9.2 The impact on businesses is likely to be positive as the BUS will be providing grant support for them to increase their annual sales of low-carbon heating technologies. Furthermore, as the scheme is entirely voluntary for businesses, they will face no equivalent annual net direct cost to business (EANDCB).

9.3 There is no, or no significant, direct impact on charities or voluntary bodies.

9.4 There is no, or no significant impact on the public sector.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is, the Department is undertaking an impact and economic evaluation of the extended BUS (as part of a wider Electrification of Heat Multi-Policy Evaluation) to assess the extent to which the objectives and expected impacts of the scheme (post-March 2025) have been realised, including as a result of the changes implemented by this legislation. The original duration of the BUS (2022-2025) was subject to an initial process, impact and economic evaluation and has published two interim reports to date, with a final report expected in due course. The ongoing monitoring will also support the management of the scheme, including tracking of delivery, financial management and future amendments.

10.2 The instrument does not include a statutory review clause. The requirement under section 28(2) of the Small Business, Enterprise and Employment Act 2015 to make provision for review does not apply to this instrument as it falls within an exception in section 28(3) of that Act.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 The Joint Committee on Statutory Instruments (JCSI) raised an issue with S.I. 2024/524 (a formal report was not made) and this instrument addresses that issue. The issue concerns regulation 25 which refers to a "grant application" that was "properly made". While these terms were defined in the original substantive regulations (S.I. 2022/565) they were not expressly defined in the amending regulations (S.I. 2024/524) nor was an explicit link made to the earlier instrument. The intention is that these provisions should be read consistently with the definitions in S.I. 2022/565 and the amendment in this instrument makes the necessary clarification.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").