



The Heat Network Challenge

Heat networks (also known as district heating) supply heat from a central source to consumers via underground pipes carrying hot water. They are one of the most cost-effective ways of reducing carbon emissions from heating.

For many years, the UK has lagged other northern European countries in the development of heat networks. This now looks set to change with key government initiatives to introduce regulation and promote private sector investment.

Ofgem estimates **66% of all existing heat networks are owned and managed by social landlords.**

Approximately 180,000 housing association households in England are connected to a heat network.

There is also a relatively higher presence of heat networks in

the supported and retirement living tenure.

Ofgem regulation

In January 2026, Ofgem introduced new heat network regulations, mandating:

- Consumer protection: New rules focusing on fair pricing, service standards, transparent billing and vulnerable customers; and
- Technical standards: Regulations enforcing design, performance and maintenance standards.

In addition, operators and landlords must **register with Ofgem by early 2027.**

These regulations cover both communal and district heating, requiring financial resilience and emergency plans.

DESNZ ZONING

Six towns and cities will develop the UK's first [heat network zones](#), with construction from 2026.

The pioneering schemes in Leeds, Plymouth, Bristol, Stockport, Sheffield, and two in London – OPDC and South West Area Network (Swan) in Westminster - will receive a share of £5.8 million of government funding to develop the zones, with construction expected to start from 2026.

Zoning will mandate connections to larger heat network schemes.

Growing investor interest

The development of an investable pipeline has stimulated wider interest in the sector as investors look to grow business platforms. Investors are keen to explore opportunities with existing heat networks owned by RPs and local authorities as well as these new heat network zones.



Key questions for RPs

1. Are RPs willing to shoulder the burden of Ofgem regulation for heat networks?
2. How will the introduction of heat network zoning impact RPs?
3. How will RPs finance the necessary improvements to their existing heat networks?
4. Will we start to see the sale of existing heat networks by RPs, not least due to ongoing financial constraints?
5. How can RPs best secure private partners to finance the expansion of heat networks?

How Can Newbridge Help?

Credentials

- Since the beginning of 2023, Newbridge has raised over £5.0bn of infrastructure debt finance from bank and institutional funders.
- Newbridge advised the Old Oak and Park Royal Development Corporation (OPDC) on the commercial strategy and procurement for the Old Oak and Park Royal Energy Network.
- Newbridge is currently advising a local authority on reviewing strategic options for its existing heat network business.

Support

Alongside hosting briefing sessions to better understand optionality and obligations, Newbridge can advise on:

- strategic options,
- business plans,
- third party equity investment,
- debt financing including applications for grant and debt funding, and
- assistance with Ofgem registration and subsequent compliance.

