Energy UK

The voice of the energy industry

# Energy UK Explains: The Warm Homes Plan

October 2026

## Key points

- Buildings are one of the UK's biggest remaining decarbonisation challenges, accounting for around a quarter of emissions while households remain heavily reliant on gas for home heating.
- At the same time, the UK's building stock is also some of the least efficient in Europe, which contributes to higher energy bills than should be needed.
- In 2026, the UK Government announced its Warm Homes Plan, with an aim to help households reduce their reliance on fossil fuels, allowing them to have more control over their energy usage and protecting them against future gas price shocks.
- As part of the Warm Homes Plan, the Government is expected to allocate around £15 billion of investment which, in turn, would catalyse £38 billion of total investment across the public and private sector, investing in jobs, skills and supply chains.
- Previous cuts to energy-efficiency schemes have had detrimental impacts on market confidence, leading to significant job losses and cuts in investment, while also reducing installation rates, demonstrating the importance of stable long-term funding.

## What is the Warm Homes Plan?

- The Warm Homes Plan (WHP) is a £15 billion government programme to upgrade millions of homes, cut fuel poverty and support the transition to low-carbon heating.
- It is projected to catalyse £38 billion of total investment across the public and private sectors, creating jobs across the UK and reducing households' exposure to volatile fossil fuel prices.[1]
- The plan supports an industry worth nearly £25 billion per year and employs almost 150,000 people, a number which is growing year on year.[2]
- By improving energy efficiency and accelerating electrification, it will help strengthen the UK's energy security, lower emissions and deliver more stable energy bills for households.

[1] Department for Energy Security and Net Zero (2026), Warm Homes Plan

[2] Office for National Statistics (2026), Low carbon and renewable energy economy estimates; Department for Energy Security and Net Zero (2026), Warm Homes Plan

- The WHP brings together grants and financing schemes to support home improvements, such as fabric efficiency, clean heating systems, on-site generation and storage, and smart controls.
- The Government has also announced plans to devolve the programme's funding and delivery away from Whitehall, although details of the new arrangements have yet to be published.

## How is the Government's £15 billion investment being allocated?

- The £15 billion public investment behind the WHP is distributed across specific pillars to target various income groups, property types and infrastructure needs.

| Programme | Funding | Delivery area |
|---|---|---|
| **Low-income and fuel-poor upgrades** | £5 billion | Directly funds fully subsidised programmes like the Warm Homes: Local Grant (administered via local councils) and the Warm Homes: Social Housing Fund, ensuring that vulnerable households and social tenants do not have to pay out of pocket for essential insulation and heating improvements. |
| **The Boiler Upgrade Scheme (BUS)** | £2.7 billion | Maintains and expands direct capital grants (such as the £7,500 vouchers) for homeowners to transition away from fossil fuel boilers to clean heat alternatives such as air-source or ground-source heat pumps. This also includes funding to scale up domestic manufacturing and the installer supply chain. |
| **Innovative Finance and the Warm Homes Fund** | £2.7 billion | Broader capital initiatives and repayable investments – working in tandem with institutions like the National Wealth Fund – helping social landlords and local delivery partners stretch their retrofitting budgets further. |
| **Consumer Loans and Able-to-Pay Support** | £2 billion | Government-backed low- and zero-interest loan schemes allow homeowners to spread the cost of installing solar panels, battery storage and heat pumps while immediately benefiting from lower energy bills. |
| **Heat Networks and Local Infrastructure** | £1.1 billion | Expanding community-level clean heating networks, local heat zoning, and multi-building infrastructure, empowering local authorities to |

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|---|---|---|
| | | coordinate larger-scale communal heating solutions. |
| **Devolved Administration and Programme Delivery** | £1.5 billion | Block-grant allocations distributed to Scotland, Wales and Northern Ireland for their own localised energy efficiency initiatives, alongside resources required to coordinate delivery through regional authorities and the newly established Warm Homes Agency. |

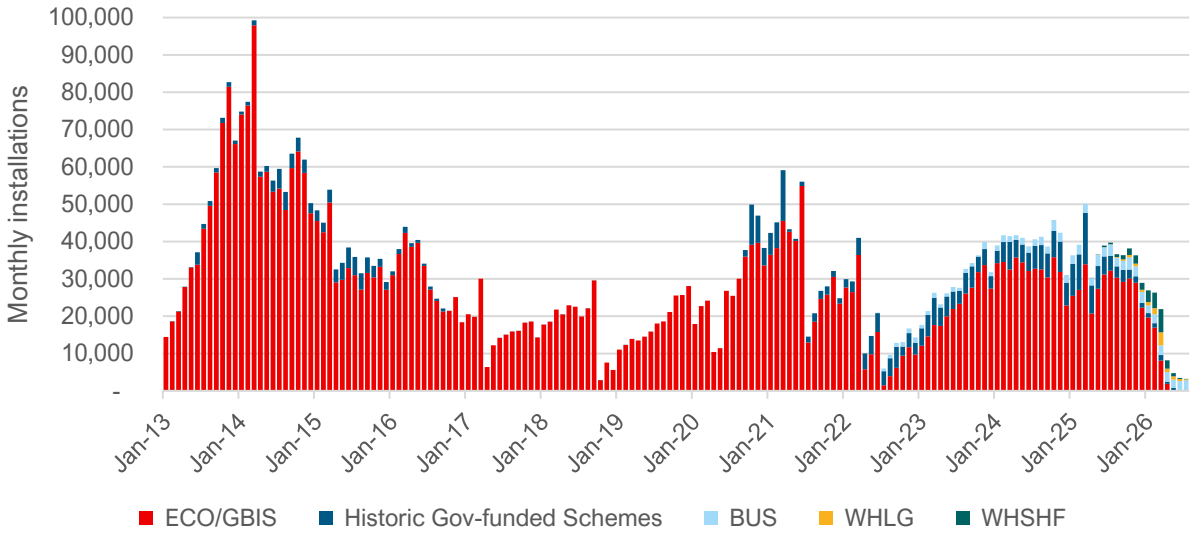
## Why does the Warm Homes Plan funding matter?

- The UK has made significant progress in building a clean energy system, having roughly halved territorial emissions since 1990 largely due to the decarbonisation of our power. But we've made very little comparative progress on decarbonising buildings, which account for around a quarter of our total emissions.[3]
- The UK is more reliant on gas for home heating than any of our European neighbours, leaving households particularly exposed to the volatility of international gas prices and energy market shocks.[4]
- Public investment is critical to the success of the programme. Home upgrades often require significant upfront investment, creating barriers for households, landlords, and social housing providers. Government support helps overcome these barriers, tackling fuel poverty whilst also creating the confidence for businesses to invest in skills, manufacturing and installation capacity.
- History shows how reducing support can have significant consequences for the market, having a direct and damaging effect on households. Removing existing energy efficiency schemes in the early 2010s led to a dramatic fall in insulation installations.
- More recently, the decision made at the 2025 Autumn Budget to discontinue the Energy Company Obligation (ECO) has similarly caused a collapse in energy efficiency and low-carbon technology installations, as shown in Figure 1.[5]
- According to the Installation Assurance Authority Federation, the closure of ECO had already led to almost 20,000 job losses by September 2026. This could rise

[3] Department for Energy Security and Net Zero (2026), Final UK greenhouse gas emissions statistics: 1990 to 2024
[4] Climate Change Committee (2025), Progress in reducing emissions – 2025 report to Parliament
[5] DESNZ (2026), Household Energy Efficiency Statistics; DESNZ (2026), Great British Insulation Scheme release; DECC (2015), Green Deal and Energy Company Obligation (ECO): headline statistics; DESNZ (2025), Green Homes Grant Local Authority Delivery (LAD) and Home Upgrade Grant (HUG) release; DESNZ (2026), Social Housing Decarbonisation Fund statistics; DESNZ (2026), Boiler Upgrade Scheme statistics; DESNZ (2026), Warm Homes: Local Grant statistics; DESNZ (2026), Warm Homes: Social Housing Fund statistics; Energy UK analysis

to more than 80,000 redundancies over the next 12 months, with the North West alone potentially losing almost 13,000 jobs.

**Figure 1: Energy-efficiency and low-carbon technology installations under public schemes, January 2013 to July 2026**

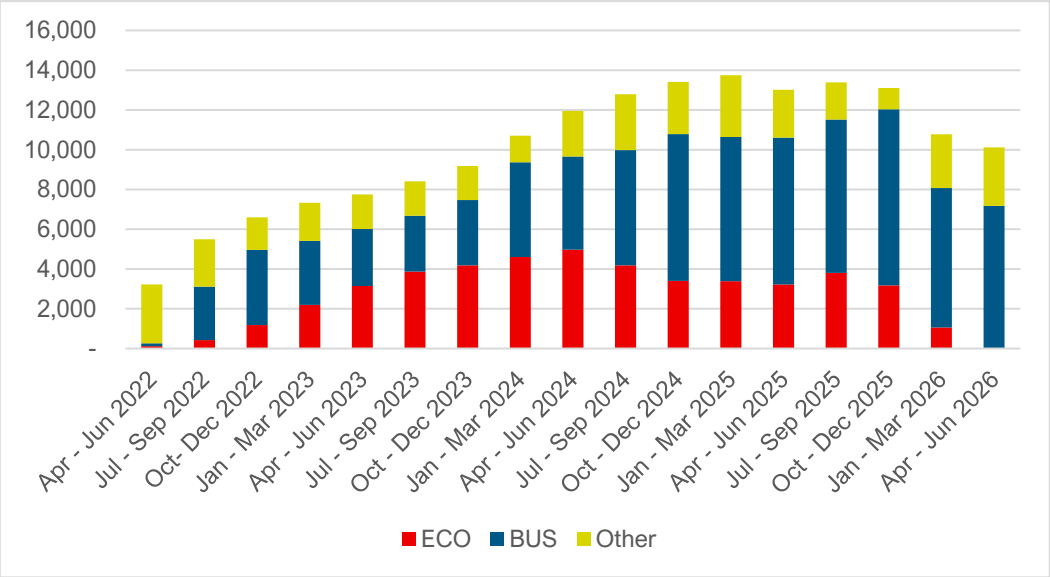



## Why is electrification important for our energy security?

- The Boiler Upgrade Scheme (BUS) is one of the Government's most effective tools in accelerating the transition away from fossil fuel heating, towards clean heat alternatives.
- Since its launch, it has supported more than half of all heat pumps adopted in existing homes and over a third of all installations.[6]
- Figure 2 (below) shows that its contribution to retrofit heat pump installations has risen to around 70% in the first half of 2026 as ECO winds down.[7]
- Government data also shows that the scheme was the main reason why more than two-thirds of participating households adopted a clean heat system, and that nearly three-fifths would have been unlikely to do so without the support.[8]

[6] DESNZ (2026), Boiler Upgrade Scheme statistics, DESNZ (2026), Heat pump deployment statistics, HPA UK (2026), Statistics
[7] DESNZ (2026), Household Energy Efficiency Statistics, DESNZ (2026), Boiler Upgrade Scheme statistics, DESNZ (2026), Heat pump deployment statistics
[8] Department for Energy Security and Net Zero (2026), Evaluation of the Boiler Upgrade Scheme

**Figure 2: Quarterly heat pump installations in existing homes, April 2022 to June 2026**




- Demand for clean heating is continuing to grow. While BUS voucher redemptions have seen moderate annual growth so far during the 2026/27 financial year, voucher applications have jumped by nearly 60%.[9]
- The Middle East conflict's impact on fossil fuel prices and Government actions to reduce electricity prices compared to gas are driving more consumers to switch to clean heat.
- If the rate of applications in July and August 2026 evolved into a similar level of redemptions over a 12-month period, it would use up the entire allocated BUS budget for 2029/30, let alone the 2026/27 budget. [10]
- This demonstrates the impact that incentivising electrification and clean heat can have on households, notably when the country is faced with rising gas prices.
- Without sufficient support, households may face barriers to switching away from fossil fuels, slowing progress on emissions reduction, energy security and bill stability.

For more information on this explainer, email press@energy-uk.org.uk.

[9] Department for Energy Security and Net Zero (2026), Boiler Upgrade Scheme statistics
[10] Department for Energy Security and Net Zero (2026), Boiler Upgrade Scheme statistics; Department for Energy Security and Net Zero (2026), Warm Homes Plan; Energy UK analysis

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## About Energy UK

**Energy UK is the trade association for the energy industry, representing companies investing billions of pounds to secure our country's current and future energy needs.**

From growing start-ups to major electricity generators, grid and infrastructure developers and energy suppliers, our members are driving change across power, heat, transport and flexibility, while working to serve customers and meet their evolving needs.

We provide a collective voice for the sector working with governments, regulators, charities and other organisations to provide crucial insight that shapes policy, offers solutions and promotes best practice.

Our broad view across the whole system supports evidence-based positions which are not tied to particular technologies, and are focused on delivering strategic benefits for people, businesses and the economy.

We champion initiatives such as our Vulnerability Commitment, which pushes suppliers to go beyond regulation to support customers with additional needs, and TIDE, the industry's drive for greater inclusion and diversity. Through our Young Energy Professionals Forum, we support the development of future leaders.

We are equally committed to our team and are proud to be recognised as a 'Platinum' Investors in People employer.