Hot take

What to make of the Government's Warm Homes Plan

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January 2026 saw the eventual release of the Warm Homes Plan, delivering on a flagship election pledge that the Government expects will make up to five million homes cheaper to keep warm. With a healthy £15 billion budget, the Plan contains much to applaud: low-income households are firmly at its centre, and delivery of energy efficiency programs is set to be simplified and stabilised after years of chopping and changing.

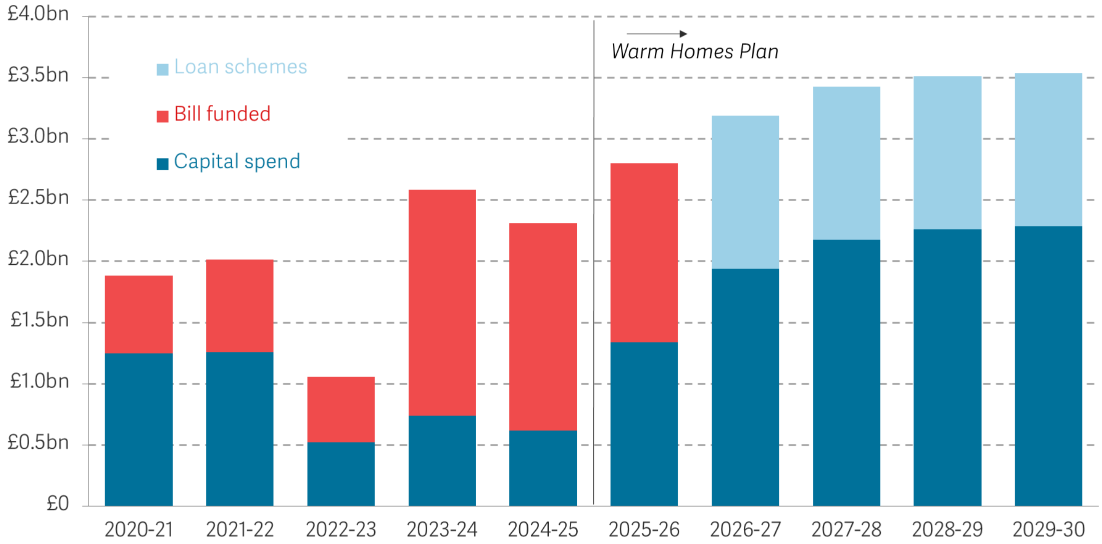
However, the Plan will not benefit all households in need, and a reliance on financial transactions (government-backed loans) risks favouring better-off families. And while regulation is being used to deliver significant change in the private- and socially-rented sectors, Ministers have shied away from stronger action that could accelerate wider progress, such as tougher rules that would enable the cost of key technologies like heat pumps to fall quicker.

One of the Government's most eagerly-anticipated net zero strategies is finally here. After months of delay, the Warm Homes Plan was released this week. And it is a big deal, setting out, in the Government's words, the "biggest ever investment in cutting energy bills", with a £15 billion budget to boot. Bills are already set to fall into 2026, bolstered by the '£150 off bills' pledged by the Chancellor at the Budget. But instead of more direct action on prices, the Plan aims to tackle the problem at source: improving energy efficiency with insulation, generating electricity at home with solar panels, and reducing our dependence on gas for heating by replacing boilers with heat pumps.

After half a decade of chopping and changing on home upgrade schemes, the Plan should see a more consistent Government approach into the late 2020s. As Figure 1 shows, as well as ensuring stable funding, the Plan will also see all programs funded centrally, as the bill-funded Energy Company Obligation (ECO) scheme, which has dominated recent energy efficiency policy spend, was scrapped in the Budget last November.

Figure 1: **Funding for energy efficiency will be more centralised and stable under the Warm Homes Plan**

Funding for energy efficiency schemes, by type, in current prices: UK



Notes: The Warm Homes Plan funding starts in 2025-26 and ends in 2029-30. It is assumed that loan schemes will not be running until 2026-27.
Source: RF analysis of DESNZ, Energy efficiency statistics; DESNZ, Warm Homes Plan.

This is good news, but the outlay from Government should not be overstated: the £5.5 billion in capital grants expected over 2025-26 to 2027-28 is short of the £6 billion promised by the previous Government in 2023. Instead, the uptick in total spending will be driven by new Government-backed loan schemes.

The Plan is also banking that spending its money more efficiently will make a difference: its focus on setting up better delivery models and concentrating on the measures that can cut bills most are welcome, and stand a chance of squeezing more value out of a limited budget.

The Warm Homes Plan is right to focus spending on poorer households

Previous Resolution Foundation research showed that installing simple insulation measures could lead to energy savings equivalent to 2 per cent of expenditure for the poorest fifth of households, compared to 0.3 per cent for the richest. As such, it is very welcome that a substantial proportion (£4.4 billion) of capital spending in the Plan will be dedicated to improving lower-income households' properties, especially in a world without ECO and its focus on the fuel poor.

Lower bills through solar panels would also present the same distributional pattern and can cut bills three-times more effectively than Solid Wall Insulation, a popular measure under ECO. This has been reflected in a broadening of technologies the Plan will support: the Government has acknowledged that insulation is not the only way to lower bills, and that solar and batteries can also play a significant role.

But despite a healthy budget, the Government will not be able to fund upgrades for every low-income household. There are more than three million families in England alone that have a total income of less than £30,000 and own a home rated EPC D or lower – the Government's budget is expected to deliver upgrades across just 600,000 homes.[1] To ensure public money goes to those most in need, the Government is planning to integrate multiple capital schemes into a combined offer for low-income households from 2027-28. It has also outlined plans to shift towards an approach based on area-based delivery that has worked relatively well in past decades, and ending energy suppliers' role in identifying vulnerable households which has been historically wasteful.

This may be a more efficient way get money out of the door, but an area-based approach risks excluding some people based on where they live. The Government has seemingly accepted this trade-off, and during 2026 the Resolution Foundation will produce research on how to navigate this as successfully as possible.

How do we solve a problem like… financial transactions

One area where the Government is not focusing on the lowest-income households is with financial transactions, a type of spending that contributes around one-third (£5 billion) of the Plan's total budget. This is spending that has to be paid back, so it is convenient for the Government – expenditure via loans does not count towards constraints imposed by the Government's fiscal rules – but it is much less suitable for low-income families who are often wary of taking on new debts. It is sensible, therefore, that the Government has decided to allocate just one-tenth (£0.6 billion) of its new loans scheme to low-income households.

Added to that, most of the financial transactions will materialise through "innovative finance" schemes, which have not yet been set out, and a flagship new consumer loans program. This latter scheme will focus on solar panels and other smart tech, is backed by £2 billion, and forms part of the Government's "universal offer".[2] Help for everyone is a laudable goal – and one best served by loan schemes rather than limited capital funding that should be stringently targeted – but it is richer households that are likely to benefit most. Unsurprisingly, families in the richest quintile take out 70 per cent more in loans for big purchases than poorer ones (those in the lowest income quintile) – see Figure 2. Easy access to finance (as well as savings) is probably why there are currently twice as many solar panels on the roofs of homes in richer areas than in poorer places.

Figure 2 **Any universal consumer loans scheme will likely benefit more richer than poorer households**

Proportion of consumer loan value held by after housing costs household income quintiles: UK, 2020-2022

Source: RF analysis of ONS, Wealth and Assets Survey.

And while loan capital doesn't count against the Government's fiscal rules, the cost of subsidising low interest rates does, and is expected to eat into the Plan's capital budget to the tune of £300 million. Ministers will set out more detail on how, and by whom, financial transactions will be utilised later this year, but they should be mindful that they are not fiscally free, and that they bring a trade-off of lower capital grants for low-income households.

Light touch regulation

One of the major differences between the Plan and its predecessor is its focus on an incentive-based approach to decarbonising heating. Ministers frequently say that "nobody will be forced to rip out their gas boilers", but they have still delivered a strategy that leans on regulation to deliver significant change.

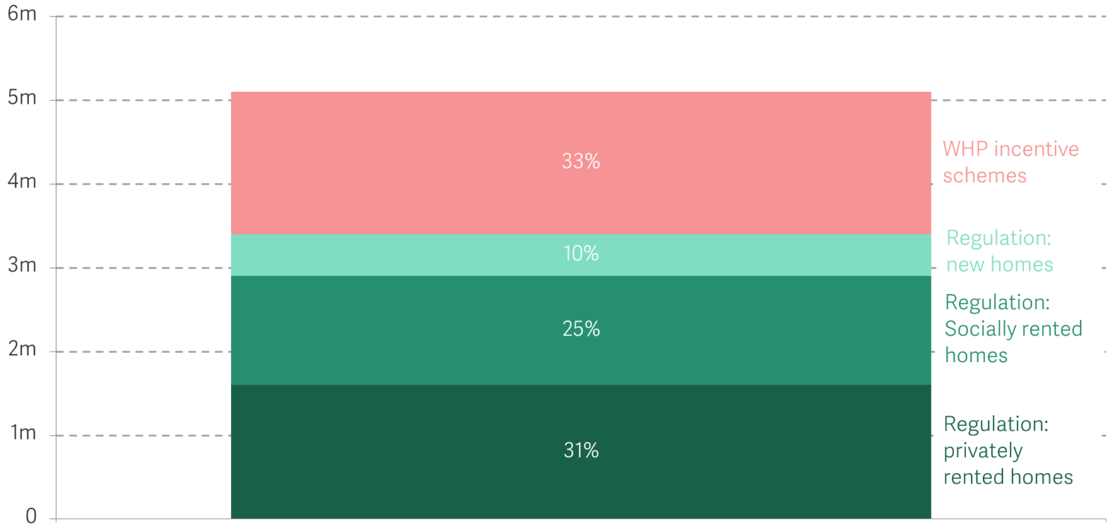
Mainly, this refers to a tightening of minimum energy efficiency standards in privately- and socially-rented homes, under which all properties without a valid exemption will be required to attain a minimum EPC C rating by October 2030. This is a proven way to drive change: comparable standards introduced in 2018 led to a 20-percentage-point fall in the share of privately rented homes with the very worst efficiency ratings in just a few years – and crucially, without a reduction in the overall size of the private rented sector. And with more than two million households with a gross income of less than £30,000 living in inefficient rented homes, this approach represents a very valid route to cutting bills for those most likely to struggle.[3]

The Plan also pledged a long-overdue tightening of standards for new homes, which will all be built with low-carbon heating, high levels of energy efficiency and solar panels as standard following the implementation of the Future Homes Standard in Q1 2026. This is an effective grabbing of low-hanging fruit: just 13 per cent of homes built in 2024 were fitted with heat pumps, a quarter of the share (58 per cent) with gas boilers, and fewer than half of new homes were fitted with solar panels.

Combined, we can see that regulation is, in fact, doing a lot of the work. As we show in Figure 3, regulation will drive change in two-thirds of the five million homes targeted by the Plan. This highlights both its efficacy as a policy tool, and that widespread overhaul of the nation's housing stock cannot be driven by incentives alone, despite the Government's narrative.

Figure 3 **Regulation is delivering most of the progress in the Warm Homes plan**

Number of homes upgraded by each of the Plan's policy types, and proportion of the total: 2024-2030



Notes: WHP incentive schemes include those for low-income households, the Boiler Upgrade Scheme, heat networks and loan schemes.
Source: RF analysis of DESNZ, Warm Homes Plan.

However, Ministers have been less bold in using regulation to speed up the heat pump rollout. Gone are plans to set a date after which gas boilers can no longer be installed in homes. And although the mandate on heat pump sales – a regulation on boiler manufacturers to increase heat pump sales which mimics the successful Zero Emissions Vehicle mandate for electric cars – has survived, there is no sign of reversing the cut in penalties to a level so low that manufacturers may be better off eating fines instead of ramping up heat pump sales. There is also nothing in the way of a 'stick' to drive improvements in the nine million owner-occupied homes with an EPC rating of D or worse.

An approach less reliant on regulation means accepting that some costs will be higher than they need to be. The Plan details how the cost of installing a heat pump has fallen by 11 per cent, in real terms, since 2022, but subsidies alone are unlikely to deliver the falls in costs expected just a few years ago. The Plan also assumes that installations will increase, topping 450,000 per year by 2030 and working towards its target of fitting 8.8 million new heat pumps in the coming decade. Continuing to rely on carrot rather than stick to achieve takes the pressure of manufacturers and installers to cut costs, reflected in the more than a quarter of the Plan's capital funding being dedicated to universal grants through the Boiler Upgrade Scheme (which have so far mostly benefited richer families). This is one of the clearest contrasts between the Plan and 2021's Heat and Buildings Strategy, with the latter more willing to push through regulation to deliver a lower-cost transition.

Britain needs (energy bill) reform

A notable absence from the Warm Homes Plan was a detailed approach to tackling high electricity prices. Instead, it leant on announcements made at the 2025 Autumn Budget that are expected to drive a 13 per cent fall in electricity unit prices come April. But with most of the savings delivered at the Budget only lasting until 2029, ministers should be focusing on setting out a plan to ensure that prices do not rise again before the decade is out. Here they may be hoping that falling gas prices keep bills low, but this won't deliver a situation where electricity prices drop quicker than gas, which is much needed to incentivise electric heat.

A first port of call here should be to stop making electricity more expensive by loading more costs onto bills. But this alone is unlikely to be enough to ensure that low-carbon heating quickly becomes a compelling offer to consumers. As such, ministers should be prepared to go further on policy measures that can deliver materially cheaper electricity, such as moving more policy costs into general taxation.

Conclusion

The Warm Homes Plan represents a much-needed step towards making the nation's homes cheaper and cleaner to keep warm. It is right that capital funding has been targeted at lower-income households, and Ministers have navigated fiscal constraints well to deliver a loan offer for households. But it should have been bolder on regulation and contained more of an effort to bring down the price of electricity.

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1 RF analysis of MHCLG, English Housing Survey. To calculate the number of homes that will be treated by the £5 billion low-income scheme we assume that the average expenditure is the same across all 1.7 million homes treated by the £15 billion worth of incentive schemes.

2 It is sensible to focus on solar panels, which are one of the only measures that pay back quickly enough to stand a chance of repayments being lower than the bill savings.

3 RF analysis of MHCLG, English Housing Survey.