

Warm Homes Plan – What it Means for Home Decarbonisation

Overview:

- The UK Government has just announced the [Warm Homes Plan](#) (WHP) - aimed at upgrading homes nationwide to help families cut energy bills and tackle fuel poverty. It's the biggest public investment in home upgrades in British history. The funding includes:
 - £5bn for low-income schemes
 - £2.7bn for the Boiler Upgrade Scheme
 - £2bn for low interest loans
- This plan is very welcome and is a significant step forward. It will enable more households to access a wider range of small-scale renewables.
- Green finance and an expanded Boiler Upgrade Scheme are essential – however, the incentive for consumers to install clean heating relies on cutting the cost of electricity.

What do we need to see next?

- The Autumn Budget made some positive steps in part-funding a social and environmental levy off electricity bills and through general taxation - we now urgently need to fund all remaining social and environmental levies away from consumer bills and through general taxation.
- With a new target for 70% of heat pumps sold in the UK to be made in the UK, the WHP will undoubtedly create new jobs – however, to really drive-up progress, the Government need to [Commit to Clean Heat](#), by ensuring that all new heating systems have zero-carbon emissions from 2035.

Good news in the Warm Homes Plan

Expansion of the [Boiler Upgrade Scheme](#) (BUS)

- [Had already been announced](#) – at a cost of £2.7bn, the BUS has been expanded to include grants for heat batteries and air-to-air heat pumps, which can offer cooling in the summer as well as heating.
- We welcome this decision to give consumers a wider range of low-carbon technologies to choose from, and we welcome that the BUS will be funded to 2030.
- The BUS has been extremely popular and has contributed to the UK having the fastest growing heat pump market in Europe in 2024.
- Consumer satisfaction is [extremely high](#), with 90-95% of property owners that had their heat pump installed under BUS satisfied with their heating system.

Green Finance

- The average upfront cost of a heat pump installation after the BUS is roughly £5k – therefore, zero and low interest loans are meaningful ways to enable access to low carbon technologies.
- £2bn has been allocated for a new zero and low-interest loan offer, delivered in partnership with the private sector. We welcome this funding.

Money for fuel poor households

- £5bn has been allocated for fuel poor households, of which £4.4bn will be direct capital grants.
- The Government will deliver initially through the existing Warm Homes Social Housing Fund and Warm Homes Local Grant, before consolidating and integrating investment into a single scheme for low-income households from 27/28, which will shift towards area-based delivery.
- We welcome this significant investment into low-income schemes and await further details on what the new single scheme will look like.

Future Homes Standard (FHS)

- Confirmation that the FHS, which will mandate all new homes will be built with solar and zero-carbon heating, will be implemented in Q1 2026.

Private Rental Sector Minimum Energy Efficiency Standards

- Landlords will need to upgrade their properties to meet EPC Band C across two metrics by October 2030, unless their property has a valid exemption.
- The Government anticipate that this will lift hundreds of thousands of households out of fuel poverty by 2030.

Upfront Cost

- The Government argue that ‘as the market for clean heat expands, the upfront cost of heat pump installation will fall significantly.’
- Since the BUS was launched in 2022, there has already been an 11% real terms reduction in installation costs.

What’s missing from the Warm Homes Plan

No Fossil Fuel Boiler Phase-Out Date

- Phasing out fossil fuel boilers from 2035 is essential to meet legally binding climate targets.
- The policy is popular – [recent research](#) from The MCS Foundation shows that 58% of Scots support “ensuring that all new heating systems have zero-carbon emissions from 2035”.

No further action on Electricity Pricing

- Measures in the Autumn Budget were welcome – but rather than building on that success, the WHP notes the success of the budget measures but doesn’t go further.
- The success of the WHP will hinge on lowering bills – a key priority of the Prime Minister. The best way to do this is to [move all social and environmental levies off electricity bills](#) and into general taxation – to make heat pumps cheaper to run than gas boilers.

Uncertainty on ending of 0% VAT

- The WHP notes that the installation of certain energy-saving materials will continue to qualify for the temporary zero rate of VAT until 31 March 2027, but offers no comment on whether zero rate of VAT will be extended beyond 2027.
- If the Government are serious about lowering costs, this policy will [need to be extended](#) beyond 2027 at the next Budget.

Uncertainty regarding the future of Hydrogen and Biomethane for Home Heating

- We're pleased that the WHP 'concentrates on proven electric technologies that can be deployed now at scale across the country'.
- We need to [rule out Hydrogen and Biomethane](#) as options for home heating, to further boost certainty for consumers and industry.
- We're pleased that the WHP acknowledges it'll be important for biomethane to be 'encouraged to be used in high-value end uses'.

What are the Government Targets in the Warm Homes Plan?

By 2030, the Government has pledged to:

- Triple the number of homes with solar today by deploying panels on the rooftops of up to 3 million more homes.
- Deliver over 450,000 heat pump installations per year.
- Upgrade up to 5 million homes in total.

Analysis

- Notably, the Government target of 450,000 heat pump installations per year by 2030 includes heat pumps installed in new homes.
- However, the Climate Change Committee's target of 450,000 heat pump installations per year referenced only existing homes.
- This could indicate that the Government will not be able to meet the CCC's recommendations in its [seventh carbon budget](#), which would be significantly damaging for the UK's ambitions to meet its climate goals.

How you can help

- Meet The MCS Foundation to discuss how to incentivise clean heat [in your area](#).
- Contact: alexander.duley@mcsfoundation.org.uk