

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2025-26](#).

WGDB\_26-27 24: Ymateb gan: National Energy Action (NEA) Cymru |Response from: National Energy Action (NEA) Cymru

---



## **Finance Committee**

### **Consultation: Welsh Government Draft Budget 2026-27**

#### **From: National Energy Action (NEA) Cymru**

## **1. Executive Summary**

- 1.1 National Energy Action (NEA) Cymru welcomes the opportunity to respond to the Finance Committee's consultation on the Welsh Government's 2026-27 draft budget.
- 1.2 Fuel poverty remains a deep and enduring issue across Wales. 25% of all households are estimated to be in fuel poverty, including more than four in five of all our lower-income households.
- 1.3 Energy prices remain significantly higher than pre-crisis levels. As we head into winter, low-income and vulnerable households of all ages in Wales face high energy bills and record levels of energy debt with limited support.
- 1.4 The route to a warm and safe home in the long-term is rooted in solutions that are already known. Of the three key levers to address fuel poverty (i.e. energy prices, incomes, and energy efficiency), it is energy efficiency that sits most squarely within Welsh Government's sphere of control. It is the primary focus of its flagship programme to tackle fuel poverty: the Warm Homes Programme.
- 1.5 The next decade must prioritise the delivery of enduring solutions to fuel poverty, including by substantially increasing investment to improve the energy efficiency of fuel poor homes and to support a fair and affordable transition to net zero.
- 1.6 The UK Government has announced it will be investing £13.2 billion into its Warm Homes Plan, expected to yield significant consequential for Wales – funding which could be used towards the same aim of helping to cut bills, tackle fuel poverty and make homes greener in Wales.
- 1.7 In this response, we talk primarily to consultation question 3 (i.e. what action should Welsh Government take to help households cope with cost-of-living issues?) and outline the urgent need and opportunity for Welsh Government to significantly increase investment in its Warm Homes Programme, while also protecting and enhancing crisis support, as well as the opportunity available to do so.

## **2. Introduction**

- 2.1 National Energy Action (NEA) is the national fuel poverty charity. We've worked across England, Wales, and Northern Ireland for over 40 years, to ensure that everyone in the UK can afford to live in a warm and safe home. We work together with frontline practitioners, companies, regulators, and governments for customers in vulnerable circumstances to make positive changes.
- 2.2 In August 2025, Welsh Government published new estimates revealing that 340,000 households were living in fuel poverty (25%) as of October 2025<sup>1</sup>. This includes more than four in five of

Wales's lower-income households (83%), almost a quarter of whom are estimated to be in deep, severe fuel poverty<sup>2</sup>.

2.3 Although the very peak of high energy prices may have passed, energy bills remain unaffordable for hundreds of thousands of households across Wales. Ofgem announced a further 2% rise in the energy price cap from 1 October 2025 to £1755 per year<sup>3</sup> on average across Great Britain, solidifying that high energy prices are here to stay. Energy prices remain £500 higher than October 2021, before the energy crisis began.

2.4 Under the price cap, there are regional variations in prices across 14 regions. North Wales & Mersey has consistently been *the* most expensive region across GB (£1,854 per year), while South Wales will be the fourth most expensive from 1 October (£1,781 per year).

2.5 Total energy debt has now exceeded £4 billion across GB; three-quarters of which are arrears (i.e. money owed on domestic gas and electricity accounts that is not yet on a repayment plan). This indicates that energy debt is only likely to continue to grow, and the situation get worse, with no chance of being repaid. Furthermore, across both fuels, the average combined arrears owed by a household to their energy supplier is around £3200 – considerably more than a year's worth of supply at today's unaffordable prices<sup>4</sup>.

2.6 This is complicated further by the housing stock in Wales. Many households live in cold, poorly insulated, inefficient homes – some of the worst in Northern Europe. According to the most recent Welsh Housing Conditions Survey 2017-18, just 28% of homes in Wales had an EPC rating of C or above<sup>5</sup> making Welsh homes leaky and very costly to heat. This is particularly true in rural areas, where dwellings were found to be overall less energy efficient than in urban areas.

2.7 It is evident that the personal impacts of ongoing high prices, high debt levels and inefficient homes in Wales are exceptionally acute. With deficit budgets and nothing left to ration, the poorest households continue to face desperate conditions. The severity of the situation has prompted the energy crisis and its impacts to be one of the most prominent public policy challenges facing Wales and the UK in recent history.

### **3. What action should Welsh Government take to help households cope with cost-of-living issues; address the needs of people living in urban, post-industrial, and rural communities, including building affordable housing and in supporting economies within those communities?**

3.1 The Warm Homes Nest scheme is 'Part One' of the Warm Homes Programme and was launched in April 2024. The Programme is Welsh Government's primary mechanism to tackle fuel poverty, while also contributing towards a just transition to net zero. It aims to focus support on deeper retrofit for those least able to pay, taking a 'fabric, worst and low carbon first approach' delivering measures to improve the energy efficiency of the least thermally efficient low-income homes in Wales<sup>6</sup>.

3.2 While National Energy Action welcomes the steps taken by Welsh Government to provide deeper retrofit for those least able to pay and to tackle fuel poverty through the latest iteration of the Warm Homes Programme, it is currently insufficient in scale to address the challenge in Wales.

- 3.3 The 2025-26 budget of the Warm Homes Programme is £37.5 million (inclusive of £2.5 million slippage from the previous year)<sup>7</sup>. The budget has remained stagnant over the last few years and currently has a delivery rate of c.1,600 homes per year (according to the tender document published as part of the procurement process). Based on this figure, it will take well over a century to upgrade all of Wales's lower-income households currently estimated to be in fuel poverty (i.e. up to 195,000).
- 3.4 If the Welsh Government is to meet the targets outlined in its *Tackling Fuel Poverty Plan 2021 – 2035* to dramatically reduce fuel poverty and eradicate severe fuel poverty as far as is reasonably practicable, reduce carbon emissions, and ensure a fair and affordable transition to net zero, it is vital the Warm Homes Programme (or related targeted efforts to improve the energy efficiency of fuel poor households in Wales) receives as much funding as possible in future years.
- 3.5 Following the UK Government's announcement that it will invest £13.2 billion into its Warm Homes Plan<sup>8</sup>, it is anticipated that Wales could receive over half a billion pound in consequential. This is money that National Energy Action and the Fuel Poverty Coalition Cymru would like to see Welsh Government spend to the same aim of helping to cut bills, tackle fuel poverty and making homes greener in Wales.
- 3.6 While we understand Welsh Government won't be making any major spending decisions prior to the Senedd Election, it is imperative that all political parties commit to using the full yield of the Warm Homes Plan consequential towards the same aforementioned aim.
- 3.7 National Energy Action firmly believes the resulting consequential from the Warm Homes Plan presents significant opportunity to upgrade the energy efficiency of and decarbonise fuel poor homes in Wales, for example, by:
- significantly ramping up investment in energy efficiency for those who need it most, including the existing demand-led Nest scheme;
  - by introducing a complementary area-based scheme to target clusters of inefficient homes in deprived areas; and
  - assisting local authorities across Wales to maximise wider related opportunities, such as funding available from GB-wide schemes like ECO and/or the enforcement of tighter minimum energy efficiency standards in the private rented sector.
- 3.8 These are actions which could be taken by the Welsh Government to help households cope with cost-of-living issues and to address the need of households in Wales by reducing energy bills permanently, making the homes of low-income and vulnerable households warmer, healthier, and greener places to live.
- 3.9 This approach would also prevent harm and bring key societal and economic benefits across housing, health, environment, and social justice, indicating the cross-cutting benefit of investing in energy efficiency.
- 3.10 The economic case of doing so is well documented and would deliver significant benefits for Wales, including having a positive impact on local economies. Independent modelling by National Energy Action has found that the following benefits could be unlocked between 2025 and 2030<sup>9</sup>:
- potentially £290 million in energy bill savings;

- the creation of around 800 jobs;
- generating an estimated total benefit of £2.4 billion by 2030; *and*
- saving households c.£400 per year on their energy bills.

3.11 Such intervention would help to address avoidable health inequalities and create savings for the health sector, with cold homes estimated by Public Health Wales to cost the Welsh NHS at least £95 million every year<sup>10</sup>.

3.12 The UK Government also announced its Crisis and Resilience Fund (which will replace the Household Support Fund in England) which is worth £1 billion per year<sup>11</sup>. This is estimated to result in a further £50m per year in consequential for Wales. This funding could be used to maintain and maximise existing crisis support such as via the Discretionary Assistance Fund and the Fuel Bank Foundation. This would help low-income households to top up prepayment meters and rural communities to purchase off-gas fuels such as oil and LPG; fuels which are often more expensive and do not benefit from the same protections as gas and electricity.

---

<sup>1</sup> See Fuel poverty modelled estimates for Wales (headline results): as at October 2024, Welsh Government (2025), at <https://www.gov.wales/fuel-poverty-modelled-estimates-wales-headline-results-october-2024-html>

<sup>2</sup> See Ad-hoc statistical requests: 28 July to 8 August 2025, Welsh Government (2025), at <https://www.gov.wales/ad-hoc-statistical-requests-28-july-8-august-2025>

<sup>3</sup> See Changes to energy price cap between 1 October and 31 December 2025, Ofgem (2025), at <https://www.ofgem.gov.uk/news/changes-energy-price-cap-between-1-october-and-31-december-2025>

<sup>4</sup> See Debt and arrears indicators, Ofgem (2025), at <https://www.ofgem.gov.uk/data/debt-and-arrears-indicators>

<sup>5</sup> See Welsh Housing Conditions Survey 2017-18: Energy Efficiency of Dwellings, Welsh Government (2019), at <https://www.gov.wales/sites/default/files/statistics-and-research/2019-10/welsh-housing-conditions-survey-energy-efficiency-dwellings-april-2017-march-2018-795.pdf>

<sup>6</sup> See New Warm Homes Programme: policy statement, Welsh Government (2023) at <https://www.gov.wales/new-warm-homes-programme-policy-statement.html>

<sup>7</sup> See Final Budget 2025 to 2026, Welsh Government (2025) at <https://www.gov.wales/final-budget-2025-2026>

<sup>8</sup> See Spending Review 2025, UK Government (2025) at <https://www.gov.uk/government/publications/spending-review-2025-document/spending-review-2025-html>

<sup>9</sup> See UK Fuel Poverty Monitor 2022-23, National Energy Action (2024) at <https://www.nea.org.uk/publications/uk-fuel-poverty-monitor-national-energy-action-2022-23/>

<sup>10</sup> See Poor housing costs health service £95m per year, Public Health Wales (2019) at <https://phw.nhs.wales/news/poor-housing-costs-health-service-95m-per-year-new-report/>

<sup>11</sup> See Spending Review 2025, UK Government (2025) at <https://www.gov.uk/government/publications/spending-review-2025-document/spending-review-2025-html>