

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](#).

WGDB25-26(6)24: Ymateb gan: National Energy Action Cymru | Response from: National Energy Action Cymru



Dear Finance Committee,

Ahead of the publication of the Welsh Government's Draft Budget 2025-26 on 10 December, please find a short briefing attached which we hope will inform your scrutiny of the proposals.

Fuel poverty is deep and enduring in Wales. Hundreds of thousands of homes are struggling to keep warm, safe, and healthy at home, with many facing deficit budgets and very desperate conditions. The situation, sadly, has got considerably worse following the energy and cost-of-living crisis. There is an urgent need to focus on enduring and long-term solutions, especially by improving the energy efficiency of fuel poor homes to permanently lower energy bills, the opportunity which sits most squarely within the Welsh Government's gift.

National Energy Action Cymru continues to call on the Welsh Government to:

- **significantly increase the funding of its Warm Homes Programme** which is currently insufficient to address the scale of the challenge in Wales;
- including by allocating any **consequentials from the UK Government's Warm Homes Plan into the Programme** to support with this and help make the homes of those most in need much warmer, greener and healthier places to live.

If you have any questions, or would like to discuss the matter further, please do not hesitate to get in touch.

Very best wishes,

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[Redacted]

National Energy Action (NEA) nea.org.uk

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BRIEFING

Briefing for the Senedd's Finance Committee: Welsh Government Draft Budget 2025-26



National Energy Action (NEA) Cymru firmly believes the Welsh Government needs to significantly increase the funding of its Warm Homes Programme and that any consequential from the UK Government's Warm Homes Plan should be invested into this to upgrade the energy efficiency of fuel poor homes across Wales.

National Energy Action is the national fuel poverty and energy efficiency 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, safe, and healthy home.

The context around fuel poverty has changed dramatically and significantly in the past few years. The next decade needs to be a decade of delivery as there is an ongoing and urgent need to focus on enduring long-term solutions to fuel poverty. This means **upgrading the energy efficiency of fuel poor homes** and decarbonising heat, as well as introducing deeper price protection, to deliver a fair, affordable, and just transition for current and future generations.

In this short briefing, we outline the urgent need for the Welsh Government to **significantly increase investment into its Warm Homes Programme**, which is currently insufficient to address the scale of the challenge in Wales.

www.nea.org.uk/wales

Depth of fuel poverty

The number of households living in fuel poverty in Wales has sharply increased. In 2018, 12% of all households in Wales were estimated to be living in fuel poverty. This increased to 14% in October 2021, and up to 45% (614,000) of all households by April 2022. Of these, 8% (115,000) are living in severe fuel poverty. It is estimated that 98% (217,700) of all lower-income households now live in fuel poverty, over four in 10 of whom are estimated to be in deep, severe fuel poverty¹.

These estimates remain worryingly relevant as average energy costs currently remain up to 50% higher than pre-crisis levels and in excess of £1800 per year (based on Ofgem's previous way of working used in 2022²). Under the price cap, South Wales and North Wales & Merseyside are in the top three most expensive regions across GB.

A nationally representative survey by National Energy Action Cymru and YouGov in early September 2024 found that half (51%) of adults in Wales are likely to ration their energy use this winter (compared with 46% in GB). The survey also found that even in the preceding three months, when energy usage is typically much lower, householders were making significant cutbacks, with many forced to have cold meals to avoid using the oven, reducing their use of baths and showers, or even the use of essential medical equipment³.

Total energy debt has now reached £3.7bn across GB, three-quarters of which is 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. Furthermore, the average amount a household in arrears owes to their energy supplier is reportedly £2,875⁴ – considerably more than a year's worth of supply even at today's very high prices. Money that many can ill afford to repay.

The personal impacts of ongoing high energy prices, record debt levels and a lack of support on households in Wales are exceptionally acute.

With deficit budgets and nothing left to ration, the poorest households living in the least efficient homes 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.

Warm Homes Programme

The route to a warm and safe home in the long term is rooted in solutions that are already known. Of the three key drivers of fuel poverty, it is energy efficiency that sits most squarely within the Welsh Government's control and is a primary focus of its flagship programme to tackle fuel poverty: the Warm Homes Programme.

The Warm Homes Nest scheme is 'Part One' of the Programme and launched in April 2024. The Welsh Government has stated the Programme will continue to act as its 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 households in Wales⁵.

However, the amount of money invested in the Programme is not sufficient to address the scale of the challenge faced in Wales. The tender document published by the Welsh Government as part of the procurement process for the new Nest scheme outlined that a supplier would be expected to undertake work on 11,500 properties over 7 years, equivalent to just over 1,600 properties a year. Based on these figures, **it will take over 130 years to improve the energy efficiency of the homes of all our lower-income households currently estimated to be in fuel poverty**, assuming they are all living in inefficient homes (i.e., up to 217,700). It has also long been widely acknowledged, including by the Welsh Government, that the current investment of £30 million per year is not sufficient to meet need or targets.

If the Welsh Government is to meet the targets outlined in its Tackling Fuel Poverty Plan 2021 – 2035⁶ to dramatically reduce fuel poverty and eradicate severe fuel poverty as far as is reasonably practicable, as well as reduce carbon emissions and ensure a fair and affordable transition to net zero, **it is vital the Warm Homes Programme receives as much funding as possible in future years.**

We understand that the Welsh Government intends soon to fully assess the level of investment required to decarbonise fuel poor homes and to make long-term plans for delivering the funding required. As part of National Energy Action's UK Fuel Poverty Monitor 2022-23 report, modelling by Gemserv illustrates that approximately **£2bn of funding would ultimately be required in Wales to ensure that all low-income households live in a property with an EPC C by 2030.** £1bn of this funding

would be required from additional government investment in Wales, alongside £1bn via private and social landlords⁷.

There are opportunities to use consequentials to support with this: the Welsh Government will receive an additional £1.7bn in funding via the Barnett Formula following the UK Government's latest budget. Specifically, the UK Government's Warm Homes Plan will also result in significant consequentials for the devolved nations, and recently confirmed it will initially invest £3.4bn to kickstart the programme in the first three years, estimated to deliver around £170m in Wales. **National Energy Action Cymru firmly believes resulting consequentials from the UK Government's Warm Homes Plan should be invested into the Warm Homes Programme in Wales to upgrade the energy efficiency of fuel poor homes.**

Endnotes

1 See Fuel poverty modelled estimates for Wales, Welsh Government (2022), at <https://www.gov.wales/fuel-poverty-modelled-estimates-wales-october-2021>

2 See Price Cap Typical Domestic Consumption Value Explainer, National Energy Action (2023), at <https://www.nea.org.uk/news/tdcv-explainer/>

3 The survey of 1,059 adults in Wales also found even in the last three months, when energy costs are typically lower, they were making significant cutbacks: 48% of Welsh adults say they have turned off more lights than they wanted to (same as GB); 27% say they have had cold meals rather than use the oven (23% in GB); 42% say they have reduced their use of baths or showers (40% in GB); 29% say they haven't run the washing machine when they needed to (25% in GB); and 4% have reported reducing the use of essential medical equipment. See Half of Welsh adults are likely to ration their energy use this winter – as bills RISE again, National Energy Action (2024), at <https://www.nea.org.uk/news/oct-24-price-cap-wales-survey/>

4 See Debt and Arrears Indicators, Ofgem (2024), at <https://www.ofgem.gov.uk/publications/debt-and-arrears-indicators>

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

6 Under its Tackling Fuel Poverty Plan 2021–2035, the Welsh Government has set three targets, namely that by 2035: no households are estimated to be living in severe or persistent fuel poverty as far as reasonably practicable; not more than 5% of households are estimated to be living in fuel poverty at any one time as far as reasonably practicable; and the number of all households 'at risk' of falling into fuel poverty will be more than halved based on the 2018 estimate. See <https://www.gov.wales/tackling-fuel-poverty-2021-2035-html#section-64048>

7 See UK Fuel Poverty Monitor 2022-23, National Energy Action (2024) at <https://www.nea.org.uk/wp-content/uploads/2024/01/FPM-full-31-January.pdf>