north east & yorkshire
NET ZERO HUB

BRIEFING NOTE: WARM HOMES PLAN AND HEAT NETWORK ZONING CONSULTATION RESPONSE

January 2026

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On January 21st 2026 the government published The Warm Homes Plan, described as “the biggest ever public investment to upgrade British homes and cut bills”.

The North East and Yorkshire Net Zero Hub’s current Memorandum of Understanding with government gives it the objective of supporting with the implementation of the plan, and this briefing note sets some of the key interventions detailed within it.

Targets

By 2030 the plan aims 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
- Double the amount of heat demand met via heat networks by 2035

The Case for Change

The plan begins by affirming the need for action stating**:** *“Our current dependence on volatile and expensive fossil fuels is bad for energy bills, energy security, fuel poverty and climate change. The solution is cheap, clean power in the home, through solar panels, battery storage, and clean heat, alongside energy efficiency”*

- **Energy insecurity and the cost of living**: The Russian invasion of Ukraine in 2022 demonstrated how exposed the UK is to international energy price shocks. As 86% of households in England use a natural gas-fired main heating system the impact of the war saw the energy price cap for a typical household rise from just over £1000 in 2021-22 to over £4,000 by the start of 2023. The support issued in response cost £42 billion.
- **Fuel poverty and regional inequality**: 2.7millon households live in fuel poverty, including 10.1% of homes in the North East and 14.2% of homes in Yorkshire and the Humber. It is estimated that the NHS spends £900m a year treating illnesses associated with cold and damp housing – and this figure only includes the first year of treatment.
- **Climate Change:** The effects of climate change are being seen in the UK through the increased prevalence of flooding, extreme heat and wildfires**.**

21% of the UK's greenhouse gas emissions are linked to the heating of buildings.

- **Lack of access to home upgrades:** Clean energy technologies like solar panels, domestic batteries and clean heat, alongside targeted energy efficiency improvements, are the best long-term solution to these problems - but for "too many households" home upgrades "are out of reach" due to "high upfront costs and regulatory barriers" as well as a lack of access to informed advice and trusted installers.

The Warm Homes Plan's vision for heating

- Heat pumps will be **"the best and cheapest form of electrified heating for the majority of homes".**
- Communal clean heating technologies, such as heat networks "can deliver even more efficient electrified heating to consumers. **For those living in denser locations like city centres, the best option is likely to be a heat network**".
- The vast majority of rural homes are suitable for a heat pump – with 50% of Boiler Upgrade Scheme grants being paid to properties in rural areas and 39% to homes off the gas grid. 96% of these grants were for air source heat pumps. For the minority of rural homes less suitable to heat pumps and consultation exploring alternative heating technologies is open until February 2026. Although retrofitting our heritage and historic buildings will "present challenges" and "specific skills can be needed, and upgrades may need to be adapted to suit the aesthetic to the property, as well as additional permissions in some cases" the report notes that these properties are "*not as difficult to decarbonise as sometimes perceived (and) the majority of homes in this category can be retrofitted without any major issues. For example, 14% of BUS applicants lived in homes built pre 1900, and 6% were in homes built from 1900-1929. The Electrification of Heat Demonstration project also showed that heat pumps can work effectively in UK homes from all historic periods."*
- The plan also seeks to ensure low-income and middle-income households and those in the private and social rented sectors can access rooftop solar with the government welcoming the additional consumer offers being developed by mayoral strategic authorities and highlights how the Crown

Commercial Service and Great British Energy are testing approaches to aggregating demand for rooftop solar to drive down unit costs for both social housing landlords and the public sector estate.

- Fabric insulation measure "remain a cornerstone of energy efficiency" and this will continue to be delivered through the minimum energy efficiency standards for the private and social rented sectors and through the Warm Homes. The plan notes "some insulation measures, particularly solid wall insulation, have become less viable in recent years following supply chain cost increases. Alternative technologies—such as rooftop solar and home batteries—are likely to offer significantly more cost-effective routes to reducing energy bills and maintaining thermal comfort".
- Over the course of this Parliament, the government will look to embed the most appropriate and cost-effective passive cooling measures into funding schemes targeting low-income households and social housing

The plan states:

> *"We will upgrade homes and make support available for every kind of household, deliver significant capital investment across the country in partnership with mayors and local authorities, and focus on electrification as well as energy efficiency for lower bills and energy security"*

The offer for consumers

Access to help with home upgrades for all households:

- Universal grant support for households to switch to clean heat through the Boiler Upgrade Scheme, with expanded choice over the range of technologies available.
    - The government is also removing the need for a new Energy Performance Certificate under the Boiler Upgrade Scheme.
- £5bn funding for low- and zero-interest consumer loans, to help more households meet the upfront costs of improving their homes through a range of financing options (including increased mortgages or separate loans)
    - This funding would be made available to lenders.
    - The government will also establish a Strategic Partnership with the green home finance sector to help build and diversify the range of green financing options available from the broader market.

    - Government will also work alongside the devolved administrations, mayoral authorities and others on how best to deliver the programme and a call for evidence on the scheme will be launched later this year.
    - Potential investments include:
        - Loans or equity for local authorities and housing associations: Targeted finance could unlock large-scale programmes to upgrade homes with solar panels, batteries, heat pumps and insulation, particularly where private finance is less accessible. This could mirror existing government support for local authority housing delivery, enabling councils and housing providers to lead on decarbonisation at scale.
        - Bulk purchasing and aggregated procurement: Investment in collective buying schemes could reduce equipment and installation costs through economies of scale.
        - Developing the Energy-as-a-Service market: Support for subscription-based models, where a third-party provider installs, owns, and operates energy systems on behalf of the customer.
        - Community energy and cooperative models: Investment could support local energy cooperatives or community-led home upgrade schemes, enabling groups of households to share infrastructure such as solar arrays or battery storage, and to benefit collectively from lower costs and improved resilience
- Tailored home upgrade packages for low-income households, including solar, batteries, suitable insulation and clean heat.
    - This includes additional funding for Warm Homes: Social Housing Fund in 2026/27. Further detail about the deployment of low-income homes funding for all tenures in 2027/28 and beyond, as well as the devolution implications for the whole period will be set out in March 2026.
    - From 2027/28 onwards the two Warm Homes funds (WH:SHF and WH:LG) will integrate into a single capital scheme which will shift toward area-based delivery. The plan states: *“We aim to build on the experience of local authorities and other partners, whilst aligning with network needs and capacity. This means looking at how we can best utilise DNOs’ position to coordinate delivery with local authorities and*

align with delivery of Regional Energy Strategy Plans (and) Local Area Energy Plans"

- New energy efficiency standards across both the private and social rented sectors.
    - 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.
    - BUS grants will remain available to landlords and personal investments can be eligible as an allowable expense and can be tax deductible.
- The installation of certain energy-saving materials will also continue to qualify for the temporary zero rate of VAT until March 31st 2027. 59 Eligible technologies include air source, ground source and water source heat pumps, solar panels and electrical storage batteries in residential accommodation and charity buildings, as well as biomass boilers.

Delivering at scale

A Warm Homes Agency (WHA) will be established to support the delivery of the Warm Homes Plan – working at both a national and local level.

The Warm Homes Agency will consolidate the existing delivery landscape. Salix (an existing non-departmental public body) will close and its functions, alongside some from within DESNZ and relevant roles in Ofgem, will be brought together into a single executive agency.

"Many European countries have adopted more centralised, coordinated delivery models to support both householders and retrofit companies and their workers – via an effective public-private partnership model"

The WHA will have "a critical role" in place-based delivery. The plan states:

"Many strategic and local authorities are already pursuing bold agendas to drive forward the retrofit and decarbonisation of their building stock, delivering warm and affordable homes for communities. The WHA will seek to build on this good practice in local delivery, showcasing excellence and enabling up skilling across all areas. It will play a pivotal role in supporting local partnerships, convening, facilitating and supporting where necessary to build capacity in local government, to enable delivery to be successfully planned and led at a local level."

The Plan states that Network Operators will *"need to work in close partnership with mayoral strategic authorities and local authorities, as well as other key regional stakeholders. This year, Ofgem intends to consult on approaches that could strengthen the role played by DNOs in enabling and delivering the transition. A strengthened role for DNOs could help ensure a planned, efficient rollout of electrified homes and associated network investments"*

Hydrogen and biomethane

The plan sets out that the government will consult in due course on its assessment of whether hydrogen should have any role in heating homes in the future, but states:

"As hydrogen is not yet a proven technology for home heating, a role would come later and likely be limited."

The role of Biomethane - currently used to decarbonise heating by blending it into the gas grid – "will evolve over time" but the government intends to encourage its use in high-value end uses, such as industrial process where there are few other options to decarbonise, such as lack of access to hydrogen infrastructure

The government plans to consult on a future biomethane policy framework in Spring 2026, building on the current Green Gas Support Scheme.

The role of district heating

The Warm Homes plan sets a target to more than double the amount of heat demand met via heat networks in England to 7% (27TWh) by 2035 with them expected to provide a fifth of all heat by 2050, noting:

"Heat networks can provide the lowest cost, low-carbon heat for consumers in the right locations. They are an essential part of our path towards lowering bills, decarbonising heat, enhancing energy security and achieving net zero by 2050."

The Plan has been published alongside a formal response to the consultation on Heat Network Zoning which states:

- The regulations that will implement the proposals outlined in the HNZ consultation response are currently in development and are expected to be laid in Parliament in spring 2026.

- A heat network zoning authority (HNZA) will be established and will coordinate heat network zoning across England. It will be housed in the Department for Energy Security and Net Zero (DESNZ) initially, moving to the Warm Homes Agency once established
- Zone coordination bodies (ZCBs) will coordinate the development of heat networks within specific heat network zones and carry out other local functions. The HNZA will oversee the establishment of zone coordination bodies through a co-design process with local authorities.
- Zoning in England will enable local government to grant exclusive rights to develop a district heat network within previously designated zones, whilst also holding developers accountable for delivery
- To build developer and investor confidence in Heat Networks and Zoning, local government (via the ZCBs) will be able to issue connection notices to certain types of buildings requiring them to connect to a zone's heat network within set timeframes
- In the initial phase buildings will not be required to pay for this connection although in future the government intend to introduce a requirement to pay for this connection as the sector matures and as the costs of heat networks fall
- Domestic buildings, such as single residential houses will not be required to connect in zones. However, pre-existing communally heated domestic will be required to connect.
- Any residential properties which are required to connect in zones will have their connection costs capped at zero
- The appointed zone developer will be required to inform the ZCB of the prices it will offer to consumers in the zone in a pricing schedule. The ZCB will then analyse these prices and be able to reject the appointment if these charges do not represent a good deal for consumers. There will be a role for Ofgem to comment on prices.

Jobs and growth

The plan is expected to support 21,000 additional high-quality jobs throughout the North East and Yorkshire.

The Plan also sets a new target for 70% of heat pumps sold in the UK to be made in the UK, backing domestic manufacturing £90 million in investment grants, tripling the current available support.

The Heat Training Grant will increase to up to £21 million to support existing heating engineers upskill, alongside an £8 million Warm Homes Skills Programme for other qualifications in solar. panels, insulation, and assessment.

£1 billion of funding will be provided to cities and urban areas to invest in heat networks by 2050