



National Energy Action Budget Representation – Autumn 2026

Introduction

National Energy Action (NEA) campaigns so that everyone can afford to keep their home warm, healthy and safe. Fuel poverty is about more than an unaffordable energy bill. It affects health, wellbeing and quality of life, particularly for households already facing additional challenges such as poor health, disability, caring responsibilities and low incomes. Our frontline evidence consistently shows that fuel poverty is driven by the interaction of affordability, housing quality and vulnerability, with these pressures often reinforcing one another. This is particularly evident among households with health conditions and disabilities. NEA's latest client evidence shows that almost half of households accessing support are at high risk of severe fuel poverty because low incomes coincide with higher energy needs, while over a third report a mental health condition and one in five report a physical impairment.

Despite progress in bringing bills down from the peak of the energy crisis, fuel poverty remains deeply entrenched. Over the last year, NEA supported more than 31,000 people through direct advice, advocacy and community outreach. Three quarters of those receiving support lived on low incomes and almost three quarters lived in a household where someone had a health condition or disability. Our latest client insight data shows that around two in five households accessing support are in fuel debt, while almost half are at high risk of severe fuel poverty due to a combination of low incomes and higher energy needs. NEA's latest client evidence suggests that conventional measures of affordability may understate the scale of hardship. Many households avoid arrears not because energy is affordable, but through underheating their homes, limiting hot water use, or rationing essential energy consumption.

NEA's latest client evidence¹ also highlights the continuing exposure of families with children to fuel poverty, with 41% of households supported having dependent children and many managing affordability pressures through sacrifice and energy rationing.

The Chancellor should use this Budget to address both the immediate pressures facing households and the factors that leave people trapped in fuel poverty for the long term. NEA therefore recommends three priorities: strengthening targeted support with energy bills, tackling record levels of energy debt, and accelerating investment in energy efficiency improvements for fuel poor households. The recommendations below reflect NEA's dual focus on supporting households through immediate crisis while addressing the structural causes of fuel poverty.

Evidence from NEA's frontline work consistently shows that fuel poverty is increasingly characterised by households with low incomes, often with poor health and unavoidable energy needs, rationing their energy use to avoid debt. The challenge for government is therefore not simply reducing bills in general but targeting support towards those least able to absorb high energy costs and most likely to suffer harm when they cannot afford adequate warmth.

¹ Our latest frontline evidence can be sent on request.

The Chancellor should take three steps to help households facing the greatest affordability pressures, prevent fuel poverty from causing further harm, and ensure more people can afford to keep their homes warm, healthy and safe:

1. **Deliver targeted energy bill support for households facing the greatest affordability pressures.** The Chancellor should deliver emergency targeted energy bill support this winter through a tiered Warm Home Discount-style rebate. Support should be funded by government and delivered automatically wherever possible, using existing data and systems to target households on low incomes alongside those with higher unavoidable energy needs. This would give people breathing space on energy bills, support them with the cost of living and direct help towards households facing the greatest risks from living in a cold home, while delivering better value for money than a flat-rate rebate.
2. **Clear crisis-era energy debt to lower bills and restore household stability.** Record levels of energy debt are harming households, increasing energy bills and holding back wider government ambitions. The Chancellor should fund a major expansion of Ofgem's Debt Relief Scheme, so it clears a much larger share of domestic energy debt accrued during the energy crisis. This would give households a chance to regain control of their finances, reduce debt-related costs currently recovered through bills, lower pressure on future price caps, and create the conditions for more households to engage with home energy upgrades and the wider benefits of the energy transition.
3. **Allocate the remaining £3 billion of Warm Homes Plan funding to proven local delivery routes.** The Chancellor should allocate the remaining £3 billion of low-income Warm Homes Plan funding to local government and social housing delivery partners. Funding should support not only the installation of energy efficiency measures for the most vulnerable, but also the trusted advice, tailored support, referral networks, outreach, consumer protection and practical help needed to help vulnerable households access and benefit from schemes. This would put more control in people's hands, accelerate delivery, reduce fuel poverty, support jobs, improve health outcomes and ensure public investment reaches households most likely to be left behind without trusted local support.

Further detail on our key proposals

1. Deliver emergency targeted energy bill support this winter

The Chancellor should deliver emergency, targeted energy bill support this winter for households at greatest risk of living in a cold, unsafe home. The quickest and most practical route to do so is through a direct bill discount, delivered automatically through suppliers wherever possible, with government funding so the cost is not recycled back onto the bills of the people who need help most. This would give people immediate breathing space on energy bills while supporting them with the cost of living.

Additional winter support should be delivered through a tiered Warm Home Discount-style rebate. The Warm Home Discount is an established mechanism, already operating at scale and reaching millions of low-income households through automatic data matching. It provides the strongest foundation for delivering further targeted support this winter.

A flat-rate rebate does not adequately reflect the wide variation in household need. Some households face significantly higher energy costs because of disability, long-term health conditions, use of medical equipment, caring responsibilities, larger household sizes, or other circumstances that increase essential energy use. Equally, low-energy consumption should not be treated as evidence of low need, as it can often reflect self-rationing and underheating.

Government should therefore move towards a tiered rebate model, combining broad support for low-income households with higher levels of support for households facing the greatest affordability pressures and cold-related risks. This would retain the simplicity and deliverability of the current scheme while ensuring support is better matched to need. Higher tiers could be identified by combining available indicators of low income, higher essential energy use and increased risk from a cold home. No single dataset provides a complete measure of need, but relevant indicators could include:

WHD-matched households	Households that have already been found to be living on a low income (in receipt of means-tested benefits) <u>and</u> have high energy costs.
Households using prepay	Prepay households are: • More likely to live on the lowest incomes (48% have an income of <£18k) • More likely to include a member with a disability (23%) • More likely to be a single parent family (18%) • More likely to have no formal educational qualifications (30%)
Households on the Priority Services Register (PSR)	While households on the PSR are not necessarily financially vulnerable, some 'needs codes' can indicate higher energy need (for example, needs code PSR08 indicates a household uses life support equipment at home).

This approach would target support more effectively, direct additional resources towards households facing the greatest risks from living in a cold home, give people more control over unaffordable bills, and ensure public spending delivers greater impact than a universal or flat-rate approach.

This should be presented as an urgent winter intervention, not a substitute for enduring reform. With bills expected to remain unaffordable for many households, the government should also consult on a permanent social tariff that sits beyond the current Warm Home Discount, is funded progressively and gives households greater long-term control as prices rise or fall.

Alongside targeted support, NEA also supports recommendations from across the sector to further reduce electricity costs by moving the costs of some policy levies onto general taxation. This would provide respite to all households, including those living in fuel poverty. It should not, however, be seen as a fuel poverty measure. While it would help, targeted support will also be required to adequately address the energy affordability challenges faced by the poorest households, who face an average fuel poverty gap of almost £400.²

Shaliyah's experience

Shaliyah is a single parent living on a low income with two children who have asthma. Rising energy costs, prepayment meter debt and a cold, draughty home meant she often went without heating during winter. When energy credit ran out, the family sometimes had to leave home and stay with relatives. Keeping the home warm was essential for her children's health, but affordability pressures meant this was often out of reach. Her experience illustrates why some households face higher unavoidable energy costs and why support should be better targeted towards those with the greatest need.

2. Clear crisis-era energy debt to lower bills and restore household stability³

Energy debt built up primarily during the 2022 to 2024 price crisis is still rising. Millions of households remain in arrears, many owing substantial sums they cannot realistically repay. Among households accessing NEA support, those in fuel debt owe an average of £1,694. For many households this debt is not the result of excessive consumption, but the interaction of low incomes, poor health and unaffordable energy costs. NEA's frontline evidence consistently shows that households most affected by energy debt are those with very low incomes, high and unavoidable energy needs, and limited capacity to reduce energy consumption safely. These include households managing health conditions, disabilities, caring responsibilities and the use of medical equipment at home.

For low-income households, debt is not simply a financial liability. It drives harmful coping behaviours, including underheating homes, limiting hot water use and cutting back on essentials. Many households live with sustained anxiety about bills they cannot afford and debts they have little prospect of repaying. Families often face impossible trade-offs between energy, food and other necessities, while households with children, health conditions or caring responsibilities have even less flexibility to reduce their energy use safely. Energy debt is therefore not merely a market issue. It is a major driver of poorer health, reduced wellbeing and financial insecurity.

² [Annual Fuel Poverty Statistics Report: 2026, DESNZ, 2026](#)

³ For more detail, see [National Energy Action's recent report 'Clearing the Decks'](#).

The Chancellor should commit funding to taking forward, and substantially expanding, Ofgem's Debt Relief Scheme so it clears a much larger share of domestic energy debt accrued during the crisis. The mechanism already exists. What is now needed is the political will, funding and scale to make it match the size of the problem. This should prioritise households on low incomes, those with high and unavoidable energy needs, and those whose arrears are preventing them from moving back onto sustainable payment arrangements. Evidence from NEA's frontline services suggests the strongest outcomes occur when unaffordable debt is removed rather than simply restructured, giving households financial stability, helping them regain control of their finances and allowing them to re-engage with suppliers and support services.

The case for debt relief extends beyond the households directly affected. Energy debt creates costs that are ultimately recovered from all consumers through the price cap. Ofgem has estimated that debt-related costs add around £50 to £70 a year to a typical household energy bill. Clearing a larger share of accumulated debt would therefore reduce pressure on future energy bills while improving affordability for households across the energy market. Allowing debt to continue accumulating is not a neutral option. It embeds higher debt-related costs in future price caps and increases pressure for more restrictive approaches to debt management.

Debt relief would also support wider government objectives. Persistent arrears can act as a barrier to engagement with home energy upgrades, smart tariffs and the wider benefits of the Warm Homes Plan. Households struggling with debt are less likely to engage with retrofit programmes, tariff optimisation or low-carbon technologies because immediate financial pressures take precedence. Clearing unaffordable debt is therefore not only about addressing past hardship. It gives households the financial stability to participate in the energy transition and benefit fully from future investment in energy efficiency and electrification.

Bill's experience

Bill and his wife live on a State Pension and both have long-term health conditions. Despite living in a relatively efficient home, affordability pressures meant they regularly heated their home to just 13-14°C and relied on borrowing to cover energy costs. Bill explained: 'I used my credit card to pay the gas and electric bills, which has left me with massive debts.' His experience highlights how energy debt is often driven by low incomes and health-related energy needs rather than excessive consumption.

3. Allocate the remaining £3 billion Warm Homes Plan funding to local delivery

The Chancellor should use the Budget to allocate the remaining £3 billion of low-income Warm Homes Plan funding to local government and social housing delivery partners to support fuel poor households to retrofit their homes. These are the routes already delivering support to low-income households, cutting bills, improving comfort and helping people live in warmer, safer homes. But this must not be designed as a capital-only programme. Our experience from our Community Retrofit Hubs⁴ shows that successful retrofit depends on trusted advice, local engagement, independent advocacy and ongoing support, as well as the installation of physical measures. Without that support, too many households will not get the control, confidence or practical help they need to benefit from investment.

⁴ [Details on our community retrofit hubs can be found here](#)

Our Warm Homes Healthy Futures programme⁵, which has referred health-vulnerable individuals to energy and retrofit support has also highlighted the importance of referral infrastructure in reaching households most at risk of cold-related illness. Around two thirds of people supported reported struggling to find help before reaching the service, often because support was fragmented, poorly signposted or difficult to access. The strongest outcomes were achieved where households were referred through trusted networks spanning health services, local authorities, community organisations and the voluntary sector. This suggests that effectively targeting support is not simply a question of data and eligibility criteria. It also requires investment in the referral pathways, partnerships and frontline capacity needed to identify vulnerable households and connect them with appropriate support.

Local delivery is working, but it is being held back by uncertainty and limited funding. Local home upgrade teams are consistently spending their allocations and asking for more, while thousands of eligible households have already been identified and are waiting for help. Without a clear funding allocation, successful programmes will start planning to wind down rather than scale up.

As Warm Homes Plan delivery expands, UK government should ensure that consumer protections keep pace with investment. A solidarity fund as a secondary line of defence, sitting alongside robust warranties and guarantees, would provide an important backstop where installers are unable to undertake remedial works. This would help maintain confidence in retrofit programmes, protect vulnerable households from poor-quality installations, and safeguard the significant public investment being made through the Warm Homes Plan.

Allocating the remaining £3 billion now would give delivery partners the confidence to retain capacity, plan pipelines and get targeted support to households faster. A dedicated share of funding should be available for trusted, in-person advice and tailored support, including outreach, eligibility navigation, application support, referral partnerships, liaising with installers, consumer protection, quality assurance and post-installation aftercare. This is what turns eligibility into completed improvements and ensures public investment reaches those most vulnerable to the impacts of fuel poverty. This includes people with health conditions, disabilities, low literacy or limited digital access, and households who may be least likely to come forward without trusted local support. This is a practical, ready-to-go investment that would cut energy bills, reduce fuel poverty, support jobs, help people with the cost of living and give neighbourhoods across the country more control over the transition to warmer, healthier homes.

Abdullah and Salma's experience

Abdullah and Salma live with their five children in a home affected by damp, mould, poor ventilation and disrepair. Following problems with an ECO-funded external wall insulation installation, an NEA Retrofit Hubs adviser identified serious quality issues, helped the family understand their rights, challenged poor practice and escalated concerns with the organisations responsible for oversight. As a result, contractors returned to complete remedial works, improve ventilation and address outstanding problems, while additional support secured funding for replacement windows. Their experience demonstrates that successful retrofit requires more than the installation of physical measures. Trusted advice, advocacy and consumer protection support are often essential to ensuring vulnerable households receive the benefits intended by public investment.

⁵ [Details on our Warm and Healthy Futures programme can be found here](#)

Assessment of our Recommendations against Green Book Criteria

	Targeted support	Debt scheme	Releasing Warm Homes Plan funding
Likely effectiveness and value for money	Targeting support means reduced energy costs for those who need it. Direct reductions in energy costs are strongly associated with improved affordability and households' ability to maintain adequate warmth, particularly among low-income households with limited financial resilience. Debt in the energy market stands at more than £6bn currently. This costs £3bn/year to service, a cost that is placed on energy bills. Reducing debt would amount to targeted financial support with the universal benefit of reduced energy costs. Evidence from NEA's frontline services demonstrates that targeted intervention can significantly reduce fuel poverty and the use of harmful coping strategies. Among households completing pre and post support surveys, subjective fuel poverty fell by 30%, while avoidance of cooking, reductions in use of essential equipment and inability to afford cleaning products all reduced substantially following support.		The key benefits of supporting fuel poor households to decarbonise their homes are: • Energy bill savings • Warmer homes, leading to reduced health issues (and health sector savings) • Increased capital value of properties • Job creation • Reduced energy imports • Primary energy saved • Reduced carbon emissions • Improved outdoor air quality
Revenue implications for the Exchequer	Reduced energy costs would increase low-income households' spending power on other goods. Reduced energy-debt servicing costs may also ease future policy and consumer pressures associated with rising arrears. This would support local economies and, as domestic energy is charged at a reduced rate of VAT, spending redirected towards other goods and services could increase VAT receipts.		Investment in energy efficiency delivers wider economic and fiscal benefits through reduced health costs, increased economic activity and higher tax receipts. Recent analysis from Warmworks found that every £1 invested in fuel poverty and energy efficiency programmes generated £2.31 in wider social and economic benefits.⁶
How it supports growth	Reducing energy costs for low-income households is likely to result in more spending in local economies, stimulating growth.		As well as reducing energy bills and increasing household spending power, investment in fuel poor homes supports employment across the retrofit supply chain, stimulates local economic activity, and improves productivity through better health outcomes.

⁶ [New research shows social benefits of fuel poverty initiatives, Warmworks, 2026](#)

Wider macroeconomic implications (for example, for economic stability, and supporting employment)	Reducing the impacts of fuel poverty can materially improve health and wellbeing, including impacting individuals' capacity to work		• Increased capital value of private rented properties • Job creation • Reduced energy imports • Reduced exposure to future energy price shocks and lower long-term pressure on health and welfare services.
Sectoral impacts	<u>Energy</u> • Reduced costs for low-income households means fewer debt risks for suppliers, and more stable businesses. • Lower debt costs also means lower energy prices, reducing everyone's bills. <u>Health</u> Reduced debt and energy rationing means warmer homes and less anxiety about bills. This means healthier people, and reduced NHS costs.		
Distributional impacts	All options are targeted at those on the lowest incomes.		
Locational impacts	Targeting measures at fuel poor households tends to have the impact of reducing locational inequalities (as fuel poverty tends to exist in areas of multiple deprivations).		
Administrative and compliance costs and issues	The costs of proposed schemes are well known to Treasury, as they mirror previous schemes.		
Legislative and operational requirements	NA	NA	NA
Environmental impact	NA	NA	• Reduced carbon emissions • Improved outdoor air quality through reduced boiler emissions