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TARGETED NEAR-TERM ACTIONS TO BRING DOWN GB ELECTRICITY BILLS¹

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Our report “Cheap, Clean Electricity for Great Britain by 2030” sets out a framework for how Great Britain can transition away from gas for electricity generation, to protect the economy and permanently lower bills.

It will take time for this transition to be completed so the impact of the price volatility of gas on bills will be with us for some time. Therefore, as well as creating a long-term plan to lower bills, Government also needs to consider how to support targeted groups of consumers during this transition.

The near-term options to reduce bills involve moving costs between different consumers and general taxation or installing energy efficiency measures. As longer-term, structural changes will take time, these options are an opportunity to bring immediate respite for low-income and vulnerable households at the sharp end of the gas crisis.

Increasing support for the vulnerable

Reducing bills for the vulnerable has wide-ranging support and could reduce costs elsewhere. It is backed by MPs, energy companies and consumer groups.² It can also reduce public health costs. The NHS Confederation warns that without intervention rising fuel poverty will be a “public health emergency”, straining already stretched services.³ A well-designed scheme could reduce the scale of costly universal support schemes like the Energy Price Guarantee, in the event of another gas price spike.

Setting up a fully comprehensive scheme will take time. Citizens Advice have proposed that, as a quicker intervention, the existing Warm Homes Discount should be expanded to support more consumers, with support levels linked to

¹ This note is an annex to the E3G report ‘**Cheap, clean electricity for Great Britain by 2030**’ published July 2024.

² House of Commons Library, 20 October 2023, **Debate on Social Tariffs**

³ NHS Confederation, 19 August 2022, **Letter to Chancellor of the Exchequer: impact of rising energy costs on health outcomes and NHS services**



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the price of electricity. It would cost an additional £1.9bn/year. We recommend this is paid for through general taxation rather than levied on other energy bills.⁴

Boosting energy efficiency

Improving the energy efficiency of homes would permanently lower bills and bring wider health benefits. Heat pumps are another form of energy efficiency as they use roughly a third of the energy of a gas boiler⁵ and can substantially cut gas dependence. Accelerating energy efficiency deployment would tackle the root cause of fuel poverty and help people avoid the brunt of high energy prices. It will only be delivered with clear objectives, effective delivery mechanisms and an enabling regulatory environment. The decarbonisation of our housing stock has stalled without these conditions.

Lowering the running costs of clean heat

Policy costs levied on energy bills pay for important programmes to reduce fuel poverty, as well as renewable projects. They cost around £5bn/year for households and another £5bn/year for industry.⁶ A quick way to reduce bills is to pay for policy costs through general taxation, rather than levying them on energy bills. Moving all policy costs for all households into Treasury spending may be considered expensive, and there are variations of this option.

Policy levies could be removed just for people with electric heating. This could help to kickstart the market for heat pumps by making them as affordable to run as a gas boiler. It would also support the significant number of fuel-poor homes that use direct electric heating. For more information see our briefing “Make clean heat accessible to all”.⁷

⁴ Citizens Advice, January 2024, **Shock Proof**

⁵ Energy Systems Catapult, 2023, **Electrification of Heat Demonstration Project: Interim Report**

⁶ E3G, October 2023, **Make Clean Heat Accessible to All**

⁷ *ibid*



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About E3G

E3G is an independent climate change think tank with a global outlook. We work on the frontier of the climate landscape, tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action.

E3G builds broad-based coalitions to deliver a safe climate, working closely with like-minded partners in government, politics, civil society, science, the media, public interest foundations and elsewhere to leverage change.

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