

Net Gain: popular policies to reduce bills and grow the economy

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- International gas prices are currently three times higher than before the pandemic, sometimes increasing to more than seven times higher
- This has led to unparalleled rises in energy bills, affecting all constituents in the UK
- The only long-term solution is to reduce our reliance on expensive, imported gas through:
 - increasing clean, cheap, domestic electricity generation and,
 - using less gas altogether through energy efficiency and electrification
- The current cost of living crisis only strengthens the argument to move quickly to decarbonise the economy, policies supported by voters
- Abandoning or delaying the UK's Net Zero targets will prolong higher bills, as well as deter investment and other benefits to people and the wider economy.

The price of international gas is the cause of the unprecedented rise in bills

- Gas is an international commodity and is traded on a global market.
- Increasing UK production would not produce sufficient quantities to affect the wholesale price.
- Gas is the single greatest source of UK electricity (36%)¹ and heats most of our homes (78%)².
- The wholesale price of gas has driven about 90% of the increase in bills.

Importing less gas means greater energy sovereignty and will bring down future bills

- The amount spent on importing gas is equal to around half of the UK's current trade deficit.³
- Building more domestic, clean energy generation increases our security of supply.
- Renewable generation is getting cheaper; the cost of offshore wind has reduced 65% in seven years and recent auction rounds awarded offshore wind projects at the lowest cost ever.
- Energy bills in the UK are nearly £2.5bn higher than they would have been if climate policies had not been removed over the past decade.⁴
- Last year renewable generation displaced around £6.1 billion worth of gas, equivalent to £221 per household.⁵
- Households would have saved an average of £100 each last winter if the wind and solar farms that are under contract or expected to be granted contracts had been built.⁶

Polling shows that voters are supportive of the move to Net Zero

- Polling shows that 64% of voters support the UK's plan to reach Net Zero by 2050, compared to 9% who say they oppose the policy.⁷
- By two-to-one, the public think that the conflict in Ukraine means we should move faster rather than slower on Net Zero.⁸

Net Zero will also create jobs and bring significant investment to the UK

- There could be £330 billion in economic activity from decarbonisation by 2030.⁹
- By the late 2030s the net zero transition will be saving us more than it costs, rising to tens of billions a year.¹⁰

1 BEIS Energy in Brief, 2021

2 BEIS Public Attitudes Tracker, 2022

3 Energy UK Analysis of ONS UK trade data

4 Carbon Brief

5 Renewed Importance (Onward, 2022)

6 [Renewable Energy Hub, 2022](#)

7 Taking the Temperature (Onward, 2022)

8 Ibid

9 [Greening the Giants \(Onward, 2021\)](#)

10 [Institute for Government, Paying for Net Zero](#)

- The Climate Change Committee estimates that to reach Net Zero, annual UK low-carbon investment will have to increase from around £10 billion in 2020 to around £50 billion by 2030, continuing at this level to 2050, with the majority of this coming from the private sector.¹¹
- The industry is investing more than £100bn over the course of this decade in new energy sources.¹²

That investment will also benefit areas outside of London

- If the Government follows the Sixth Carbon Budget pathway, plans to decarbonise will create 1.7m jobs by 2030. These jobs will be located in places most associated with levelling up such as Scotland, the Midlands and the North.¹³
- Many of these jobs offer long-term opportunities for skilled trade workers, for example we will need nine times more heat pump engineers than we have at the moment to reach our targets.¹⁴

“Green levies” support vulnerable constituents and measures that cut bills for customers

- The term “green levies” is often used to refer to environmental and social obligation costs which are contributions paid by consumers, via larger energy suppliers, towards various energy policies.
- Green levies have reduced over time and account for <8% of electricity bills in April 2022.¹⁵
- These levies include support for environmental policies as well as social policies targeted to vulnerable customers such as:
 - the Warm Home Discount (WHD) which is targeted support to low-income households and people receiving pension credits
 - the Energy Company Obligation (ECO) which funds energy efficiency measures from double glazing to insulation and helps to sustainably lower bills for those who need it
- Removing these policies altogether would risk millions of households missing out on lowering their bills in the long-term and risking investment in renewable energy.
- ECO has saved low-income households £17.5bn since 2013, or £290 per improved household per year.¹⁶
- At least 14m households have missed out on insulation because of the abandonment of the green deal scheme, which was set up in 2013 and stopped in 2015, with only about 15,000 homes upgraded.¹⁷

What are the quick measures the Government can take to reduce bills?

- There are a number of costs currently on energy bills which the Government could look to smooth over a longer period of time or move to general taxation to lower bills immediately.
- Adding these levies onto bills takes no account of someone’s ability to pay and penalises lower-income customers.
- These include:
 - Moving VAT and policy costs from energy bills to general taxation.
 - Smoothing the cost of failed suppliers over a longer period of time. Since last August over 30 suppliers have exited the market due to the rising international cost of energy – the cost of this stands at £4.6bn, potentially adding up to £164 to customer bills.¹⁸ Spreading this cost over a longer period of time would reduce the impact on customer bills this winter.

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¹¹ [Sixth Carbon Budget \(CCC, 2020\)](#)

¹² [Bloomberg](#)

¹³ [Greening the Giants \(Onward, 2021\)](#)

¹⁴ [Nesta](#)

¹⁵ [Full Fact](#)

¹⁶ [E3G, 2022](#)

¹⁷ [Regulatory Assistance Project, 2021](#)

¹⁸ [Back from the Brink \(Citizens Advice, 2022\)](#)