Energy UK Autumn Budget Submission – Bring Down Bills

The Government's ambitions and actions focused on the delivery of clean power have been highly commendable. This will deliver infrastructure growth and, ultimately, bring more affordable energy bills for working people and businesses.

While the long-term value of this investment will deliver significant economic benefit, industrial revolutions take time, and require a strong, clear direction and tough decisions. In the meantime, attention has to be centred on bringing down bills.

Energy UK's 2025 Autumn Budget submission is focused around two themes:

1. **Delivering cheaper energy for homes and businesses**
2. **Positioning the UK as a world-leading destination for infrastructure investment**

Energy is a fundamental input cost to the economy, from the immediate impacts of high prices felt by households to the sustained inflationary impacts deep into businesses and their supply chains. There is no leading economy that does not have an abundance of secure and affordable energy.

While wholesale gas prices have stabilised, they remain around 80% above the pre-crisis average and show no sign of returning to those levels. Even taking into account inflation and wage growth over that period, prices remain elevated.[1]

The record-high levels of household debt show little sign of abating, which is currently above £4.4 billion on energy suppliers' books. More worryingly, the households that have no repayment plan owe around £3,000 on average to their energy supplier.[2] This is only likely to grow as the April 2026 price cap looms, with an expectation of around £100 of levies to be added to bills.[3]

This can change. The energy sector is delivering and investing billions of pounds across the entire system each year, equating to millions of pounds every day. The United Kingdom is still one of the most attractive destinations for capital to invest in energy infrastructure.[4] But the transition to clean, secure energy that can stabilise energy prices will not be possible if public consent is eroded through high energy bills.

This Autumn Budget, HM Treasury has an opportunity to continue to unlock more private investment, speed up the delivery of more British power for the long-term, and be bold with actions to bring down bills for the country in the near-term.

[1] Energy UK analysis of wholesale gas prices between 2020 and 2025
[2] Ofgem (2025); Debt and arrears indicators; Energy UK analysis
[3] Multiple industry forecasts
[4] EY (2025) UK Attractiveness Survey

Policy costings table

Policy ask	Cost/Income	Economic impact
1a) Easing the household energy bill burden and lowering levy costs	**£2.5 billion/year** based on equivalent cut to VAT on domestic bills.	Saves dual fuel customers £70 per year and households with electric heating £180. Makes electricity cheaper, meaning electrification is more economically attractive.
1b) Supporting businesses to lower bills	**Variable** depending on the scale of ambition.	Encourage the decarbonisation of businesses and industry as well as the development of heat networks.
1c) Deliver savings to SMEs through energy efficiency advice	**£200 million/year** if following the model used in the West Midlands.	Boost to jobs and growth as SMEs save on their energy bills.
1d) Using the power of public finance to drive capital investment in home decarbonisation	**£1.5 billion/year.**	Unlock up to £9 billion in private household investment.
1e) Supporting vehicle makers and driving EV demand	**£85 million in 2026** increasing to over £300m by 2030.	Boost the uptake of electric vehicles and support households without driveways to transition.
2a) An attractive tax environment to unlock private capital	**Variable cost.**	Unlocks long-term private investment in infrastructure.
2b) Incentivise and streamline investment in skills and training	**Variable cost.**	Ensures high-quality jobs and economic growth for the future. Develops domestic supply chains.
2c) Maximising opportunities through EU alignment	**Negligible cost** to HM Treasury.	Provides certainty for businesses and will bring down bills in the long term.

Delivering cheaper energy for working people and businesses

While the peak of the energy crisis has passed, wholesale energy prices remain around 80% higher than pre-energy crisis. Even taking into account inflation and wage growth over this period, prices remain elevated. The largest driver of this increase has been gas prices, which remain volatile to this day; however a growing concern is the rising level of non-commodity costs being added to bills. This will become even more apparent in April 2026 when network costs and levies totalling around £100 are to be added to bills.

For households, high prices are adding to an ever-growing level of debt. The average debt for those in arrears stands at around £3,000 per account and is growing. The level of direct debit failures paints a similar picture and is more than double the failure rates for other main household expenses, notably mortgages and water.[5] This level of debt totals more than £4.4 billion on suppliers' books causing cashflow issues and bad debt costs which are paid by all energy consumers by being socialised across the sector, are increasing.

For businesses, the issue of high prices is also particularly acute. UK businesses pay some of the highest prices for electricity in the world, and as such the expansion of the British Industry Supercharger and the introduction British Industrial Competitiveness Scheme (BICS) are welcome, but these measures ultimately push up the energy bills for others.

People and businesses must feel the benefits of a clean power system sooner.

One proposal which could lower bills for both domestic and non-domestic customers, is to offer generators operating under the Renewables Obligation (RO) the option to take up a CfD contract. The 'Pot Zero' concept has been proposed by the UK Energy Research Centre as a way to reduce bills by £2-8 billion per year.[6] This would likely take the form of a competitive auction in which RO generators could voluntary decide to take part. The value to consumers could be significant if considerable volumes of RO capacity entered into this process, both reducing environmental levies on bills and delinking a larger proportion of the bill from international gas prices.

Easing the household energy bill burden and lowering levy costs

One of the key areas that must be addressed to ensure fair energy prices is policy costs. Successive Governments have opted to finance key infrastructure and energy support schemes through energy bills rather than through general taxation. These policy costs pay for now-closed legacy schemes to incentivise early investment in clean power technologies all the way to schemes to support vulnerable customers improve housing energy efficiency.

[5] Ofgem (2025); Debt and arrears indicators
[6] UKERC (2025): Pot-Zero 2025 Update

In addition to causing higher overall energy bills, most of these costs land on the electricity element of bills, which disincentivises the long-term route to stable prices. This is particularly problematic for the transition to clean heat and penalises users of electric heating, many of which use predominantly old, inefficient storage heaters and are currently twice as likely to be in fuel poverty as users of gas heating.[7] It's estimated around six million households are in fuel poverty.[8]

Energy UK notes the recent speculation around scrapping VAT on energy bills. While any measure to reduce energy bills is welcomed, the merits of VAT reduction can be debated. Energy UK believes that if HM Treasury was to use public funds to finance non-commodity costs, it should also seek options which drive decarbonisation and economic benefits.

Scrapping VAT on domestic energy would cost around £2.5 billion of income to HM Treasury. Energy UK believes the same level of support should be used to introduce an Energy Price Guarantee-style mechanism instead to lower the burden of environmental levies on electricity unit costs.

Like cutting VAT, this would still lower overall domestic energy bills by £2.5 billion per year. It would save the typical dual fuel consumer £70-£75 per year, compared to around £84 by cutting VAT, still allowing the Government to show it is lowering energy bills by a very significant amount for all consumers. However, a typical higher usage household with an old direct electric heating system would save around £180.[9]

Environmental levies have similar (if not higher) levels of political salience as VAT. Cutting them by a significant amount would help bring forward the benefits of the clean power system.

As well as meaningfully reducing households' energy bills, the major benefit of using this funding to lower environmental levies on electricity bills would be to decrease the 'spark gap' (the ratio of electricity to gas prices). The 'spark gap' would decrease from approximately 4.2:1 today to 3.8:1, and would fall further to 3.4:1 if the Energy Company Obligation costs are transferred to gas, as is being considered through the Warm Homes Plan. [10]

The result would be that adopting clean heating technologies, such as heat pumps, would become much more financially attractive, while electric vehicle (EV) charging would be made cheaper. Implementing these measures would reduce heat pump running costs by £118 per year, with customers capitalising on time-of-use tariffs saving £116 annually compared to a gas boiler.[11] This would lead to much higher demand for heat pumps as the economic case would be significantly bolstered by lower electricity costs, and high running costs remains one of the main barriers to

[7] DESNZ (2025), Annual Fuel Poverty Statistics report 2025
[8] National Energy Action analysis
[9] Ofgem (2025), Policy cost allowance methodology (Annex 4); Ofgem (2025), Average gas and electricity usage; Energy UK analysis
[10] Ofgem (2025), Policy cost allowance methodology (Annex 4); Energy UK analysis
[11] Energy UK analysis of Ofgem (2025), Policy cost allowance methodology (Annex 4)

adoption. Similarly with electric vehicles, reducing the running costs will increase overall sales.

The Government could further incentivise electrification by rebalancing all remaining policy costs from electricity onto gas, having taken £2.5 billion into tax. This would reduce the spark gap to 3:1, while still ensuring almost all households are better off.

Policy ask: Subsidise some policy costs on electricity units to bring down the cost, supporting households and encouraging electrification.

Targeted energy bill support for low-income and vulnerable households

With the limited fiscal headroom HM Treasury has for significant public interventions, the most efficient way to use existing funds is to target specific households that require support.

Energy UK welcomes DESNZ and DWP creating a cross-departmental working group to more effectively use and share data to better target support to customers who need help. By examining the barriers to sharing Government data to support targeting, the group has made progress in determining the necessary routes to develop better targeted support and the proposed trial for an income-linked support assessment is welcomed. The Government, led by HM Treasury, now needs to effectively address the ongoing crisis of energy affordability and reduce the costs of any future interventions required.

This support could be delivered in much the same way as the existing Warm Home Discount (WHD) model but should be more ambitious in scope and scale. While the expansion of the scheme for 2025-2026 is an incrementally helpful interim step, it is limited in reach and effectiveness. Better targeting beyond welfare eligibility is essential to achieve an enduring scheme that reaches everyone in need. Analysis shows the expanded WHD leaves out more fuel-poor households than it helps, with around 2.2 million of those left out being low-income households, or disabled or older people.[12]

An effective scheme should be better targeted, using income data rather than relying solely on benefit receipt, and should account for households with high energy needs. Support should be tiered based on consumption and need, with higher payments for those facing the highest costs and on the lowest incomes, while ensuring a minimum level of help for all fuel-poor families. The scheme should be expanded in scale with increased funding through public spending rather than solely on energy bills.

This long-term approach is essential to ensuring the Government has the means to protect households that need support from high prices (including some of the transitional costs of the energy transition), without creating unaffordable liabilities for HM Treasury. The Government spent £44 billion supporting households with their energy bills in 2022/2023.[13] Effective targeting would have significantly lowered this

[12] Public First (2025); Closing the fuel poverty gap
[13] National Audit Office (2024): Energy Bill Support Schemes

number, and would help protect the UK against expensive un-targeted universal interventions in future.

Policy ask: HM Treasury to work with other departments to make income and health data available for targeted support, and fund a new enduring support scheme through taxation

Supporting businesses to lower bills

The Government is helping some businesses to reduce electricity policy costs in the eight growth sectors under the new British Industrial Competitiveness (BIC) scheme. The BIC is very welcome, but this will not target electrification, and further support is required to enable a range of businesses across a wider set of sectors to electrify. The industry also needs clarity on when, and how, the costs will fall.

A Government-funded Targeted Electricity Discount (TED) scheme is required to address the capital expenditure (capex) and operating expenditure (opex) gaps that companies face when electrifying processes.

The combination of the BIC scheme and TED would still leave some businesses, particularly smaller companies, without support, at a time when many are struggling with energy bills. Small and medium business (SME) energy debt has risen considerably in recent years, now standing between £1.3 billion and £1.8 billion.[14] The Government should consider options to ease electricity costs for all companies. If fiscal constraints do not allow for moving costs into general taxation, the Treasury could explore mechanisms to spread policy costs for legacy schemes, such as the Renewables Obligation and Feed-in-Tariff, over time.

It is important that the TED also works for operators of low-carbon heat networks that can pass on savings in the cost of electricity to their customers.

Heat networks represent the most cost-effective decarbonisation technology for city-wide densely populated, high-demand buildings like hospitals, museums, universities and large commercial and retail buildings. The sector holds significant growth potential, with Government estimates suggesting that heat networks can meet 20% of space heating demand by 2050, rising from the current share of 2%. The heat networks industry expects to invest £80 billion into the UK by 2050, and this could unlock up to 290,000 skilled jobs.[15]

However, this investment is at risk as networks are facing barriers to offering prices for low-carbon heat to large non-domestic customers that are competitive with the cost of the gas heating systems. This is due in part to high non-domestic electricity prices, and the high cost of capital required to fund developments.

The combination of the TED, and the continuation of the Green Heat Network Fund under the Warm Homes Plan, will help improve the viability of new projects.

[14] BFY (2025), Are we ignoring a £1.8bn debt problem in business energy?
[15] Energy UK (2025); Energy UK Explains: Heat Networks

However, these two support schemes together do not close the gap between the cost of low-carbon heat and gas heat to the end customer. The Government should work with the industry to increase the support it is providing to the heat networks sector over the next crucial few years in its growth, in order to ensure that the Government's plans for heat network zoning remain viable and to help the sector to start building domestic supply chains and economies of scale to get the market moving.

Policy ask: Introduce a Government-funded TED to support businesses and heat networks.

Deliver savings to SMEs through energy efficiency advice and low-cost loans

SMEs are the backbone of the UK economy, driving growth, innovation, and employment, yet they risk being left behind in the transition to an electrified economy. To support them, the provision of low-cost loans and grants for implementing decarbonisation and energy efficiency measures is essential. This could be through an expansion of the Business Energy Scotland scheme to England and Wales, which has already demonstrated a high return on public investment.

This scheme is currently operating in Scotland and is run by the Energy Saving Trust (EST). In 2022/23, it awarded £122 million in loans to householders and businesses to improve their energy efficiency, install renewables or switch to sustainable transport.[16]

If the Government is unable to deliver a new SME support scheme, an alternative approach could be the introduction of support to enable the rollout of heat pumps in SMEs. This would be most efficiently achieved through the expansion of schemes currently aimed at the domestic sector, such as the Boiler Upgrade Scheme, to SMEs. The scheme currently only covers small applications <45kWth and awareness amongst eligible SMEs is low.

Policy ask: Introduce an energy efficiency support scheme for SME

Using the power of public finance to drive capital investment in decarbonisation for homeowners

Middle-income households are falling through the gaps in support to access clean heat and other low-carbon technologies, and risk being left behind in the switch to cleaner, warmer homes. Stretched family finances and the ongoing cost of living crisis mean that households that are not eligible for support under fuel poverty schemes such as the Energy Company Obligation (ECO), do not have the finance available to invest in low-carbon technologies.[17]

While the Boiler Upgrade Scheme has shown some success, analysis by Energy UK finds that if the Government invests £1.5 billion into subsidising a range of green

[16] Energy Saving Trust (2023), Helping people more than ever – our impact 2022/23
[17] Resolution Foundation (2024), Net Zeroing in on investment

home finance products, this would unlock up to £9 billion in private household investment. This would support up to 950,000 households to access a package of low-carbon technologies that they would otherwise not have the means to do so.[18]

Additional modelling by Cotality for Energy UK shows that people living in a range of properties that are typical of middle-income households can benefit from between 44% and 64% reductions in their annual energy bills through a combination of accessing subsidised green finance to install a package of low-carbon technologies, using energy flexibly, and the rebalancing of policy costs on energy bills.[19]

Policy ask: Work with the finance sector to support greater choice of green home loans, leading to significant private capital investment in low-carbon technologies.

Supporting vehicle makers and driving EV demand

Energy UK welcomes the Government's recent funding announcements to accelerate the transition to zero emission vehicles. However, further specific targeted measures are needed to ensure demand for EVs is increased by making the transition more affordable and fairer between consumers.

Currently, charging an EV via a public chargepoint means consumers pay full 20% VAT whereas those who charge at home are subject to 5%. This should be amended to remove the 'no driveway penalty' and reduce VAT at public chargepoints from 20% to 5%, in line with home charging. Zapmap estimates that removing VAT across the UK's ZEV chargepoints would cost Treasury an estimated £85m in 2025, rising to £143m in 2027 and £315m in 2030.[20]

Energy UK would also urge against the Valuation Office Agency's (VOA) plans for sites in England and Wales for electric vehicle charging points (EVCP) to be assessed for business rates. This proposition would add approximately £24 million annually to the electric charging sector, at a time where public charging costs have increased by 38% since 2021.[21] To support the growth of EV infrastructure and to ensure public charging is accessible and affordable, charging bays should be exempt from business rates.

Policy ask: Reduce public VAT on charging points to that of private residencies; exempt public charge points from business rate inclusion.

Positioning the UK as a world-leading destination for infrastructure investment

The Government is right to be ambitious with its energy policy and create the conditions to allow the private sector to invest, develop and power the nation. There

[18] Energy UK (2025), Financing the Transition
[19] Energy UK (2025), Financing the Transition
[20] Zapmap (2025) EV Charging VAT Analysis
[21] ChargeUK (2025) Action on high energy costs needed to keep EV transition on track

is no thriving economy that does not have an abundance of affordable and secure power. This is true now, but will be even more critical in the years to come as the UK economy decarbonises, demand for electricity increases and being able to supply our own energy remains crucial for our national security.

The capital required for this transition is significant, but there is the appetite and amount available. Energy UK wants the UK to be one of the top destinations in the world for this investment.

The utilities sector, including energy, is outperforming many across the economy for investment.[22] Additionally, taken together, the amount currently being invested by Energy UK members alone equates to tens of millions of pounds per day being invested between now and the end of the decade. Additional support from the Government can cost effectively help this investment go further.

Creating the right tax environment, planning regime, resourced regulators and planning authorities, regulatory structure and frameworks, avoiding trade barriers and ensuring the workforce is equipped for the transition are all fundamental factors in the UK's success and the nation remains in a strong position.

An attractive tax environment to unlock private capital

The energy sector appreciates the significant fiscal packages announced in previous budgets for technologies such as nuclear, carbon capture and hydrogen, to name a few.

The permanent full expensing regime is supporting the cost-effective delivery of clean energy investment. However, whilst extremely welcome, some of the details of the technical implementation are adding unnecessary uncertainty and cost to infrastructure investment. To get the greatest value from the commitment and reduce the cost of upcoming clean energy projects – including the AR8 CfD auction for offshore wind next year – the following improvements could be made to the capital allowances regime:

- Increased flexibility around loss relief to enable Joint Ventures to gain benefit from full expensing.
- Removal of the 25-year asset life distinction (for 100% v 50% First Year Allowances) to improve the capital allowances available on large capital projects.
- Allowing earlier claims for capital allowances, not just at first power, as it is currently, but from the start of the project.
- Looking further at the treatment of decommissioning costs.

Additionally, the uncertainty on tax deductions for design and predevelopment costs should be addressed and Energy UK, and its members, would welcome clarity on

[22] CBI analysis of ONS statistics

pre-development expenditure. This delay has caused uncertainty, impacting future infrastructure projects.

Incentivise and streamline investment in skills and training

Public and private investment in clean energy skills and jobs will help boost the global competitiveness of our expanding low-carbon sectors and the domestic supply chain that services it, which will in turn help turbocharge economic growth and deliver for working people across the country.

At the moment, the Government's skills initiatives are funded in a fragmented and inefficient manner through a combination of public and private contributions. Government should clarify the existing range of skills funds and levies, as well as simplify resourcing ownership with the objective of making public spending on skills more strategic and coordinated.

Building a favourable tax environment also has the potential to mobilise significant levels of private investment in skills. Currently, as highlighted in the 2025 Industrial Strategy, employers are entitled to tax relief on training-related expenditure. But there is a lack of data around the uptake of this scheme and the impact it is having.

The Government should explore how many businesses are currently benefitting from training-related tax relief and increase awareness to ensure as many businesses as possible are benefitting. By incentivising training provision through fiscal policy, the Government could see very healthy returns as the clean energy workforce continues to expand.

HM Treasury plays a leading role in ensuring the Apprenticeship Levy is delivering. The levy would also benefit from further enhancements to its flexibility, such as ensuring it can be spent on indirect costs, like travel and accommodation, and expanding its remit to linked qualifications that involve pre-apprenticeship training.

Similarly, the Government could increase the Apprenticeship Incentive Payment for employers from £2,000 to £3,000 and increase the Apprenticeship Rate to make the scheme more attractive to businesses and applicants. The cap should also be reviewed to ensure it can fund the higher cost of vital courses in engineering subjects.

Maximising opportunities through EU alignment for UK business

Securing an exemption to EU CBAM is of primary concern to the sector given the impacts for consumers in UK and across northwestern Europe, as well as particular implications for the Single Electricity Market (SEM) on the island of Ireland.

Maintaining the Carbon Price Support (CPS) at current levels will likely be a condition for an EU CBAM exemption, and Energy UK would be supportive in exchange for an EU CBAM exemption during ETS linking negotiations with the EU. However, once an ETS linking arrangement has been agreed, the Government could

consider phasing out the CPS. Although this would cost HMT around £500m, the savings for consumers would be around three times this amount (£1.5bn). CPS increases the wholesale price of electricity generated from gas by about £7/MWh. The typical dual-fuel household would save around £18.50 per year on its electricity bills.

About Energy UK

Energy UK is the trade association for the energy industry, representing companies investing billions of pounds to secure our country's current and future energy needs. From growing start-ups to major electricity generators, grid and infrastructure developers and energy suppliers, our members are driving change across power, heat, transport and flexibility.

We champion initiatives such as our Vulnerability Commitment, which pushes suppliers to go beyond regulation to support customers with additional needs, and TIDE, the industry's drive for greater inclusion and diversity. Through our Young Energy Professionals Forum, with more than 3,000 members representing 350 organisations, we support the development of future leaders.

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