

A better approach to energy bill support

March 2026

Key Points

- **The ongoing conflict in the Middle East has caused substantial volatility in international energy markets.** If the conflict is protracted, the impact on UK energy bills is likely to be significant.
- In the 2022-2023 energy crisis, the UK's inability to target support meant that universal energy bill schemes cost over £35 billion. **Energy UK analysis shows that if support had been directed only at low and lower middle-income households, it would have cost around £12.5 billion.**
- While the situation is evolving quickly, there are still options available to rapidly improve our targeting capabilities.
- The Government should immediately convene a vaccine-style Taskforce with industry and civil society experts as part of a 'sprint' to urgently explore targeting options.
- **If the Government pursues a limited universal measure alongside targeting, the fairest solution would be to lower electricity bills.** 100% of households consume electricity whereas only around 70% use mains gas.
- Incentivising electrified technologies through lowering electricity costs would insulate millions of households from future energy price shocks.

Volatility in international energy markets

It is still too early to tell how significant an impact the conflict in the Middle East will have on British energy bills. Current predictions from a selection of energy suppliers suggest that in the final quarter of the year, annualised energy costs for a typical household would be around £250 higher than during April to June 2026.¹ While this would create substantial affordability challenges for many households, prices would still be considerably lower than they were during the 2022 energy crisis.

However, other analysts have predicted that a protracted conflict could cause a typical household's annual energy bill to rise to £2,500, a higher level than the threshold for Government intervention in 2022 and around £750 above the average level of the price cap since the end of the crisis.²

Given the risk of dramatic increases in energy bills, it is essential the Government rapidly develops robust plans to provide effective support to households and businesses. This briefing focuses on household energy bills.

¹ [British Gas \(2026\), Price Cap Predictions and Changes](#); [EDF \(2026\), Energy Price Cap Predictions & Forecast - How Will Prices Change](#); [E.ON \(2026\), Energy Price Cap Predictions and Insights](#); [Octopus Energy \(2026\), Energy price cap predictions](#)

² [The Telegraph \(2026\), Gas price surge threatens to send household bills soaring](#); [Ofgem \(2026\), Energy price cap \(default tariff\) levels](#)

Targeting support more effectively through better data sharing

The 2022-2023 energy crisis cost the Treasury around £35 billion in household energy bill support alone.³ The UK's inability to target support effectively forced the Government to adopt universal mechanisms, which meant that some of the poorest households received the least help, while some of the wealthiest benefitted the most. It was necessary to move quickly to ensure no one that needed help missed out. However, **if the same level of support had been directed only at low and lower middle-income households, it would have cost around £12.5 billion, effectively freeing up over £20 billion that could have been spent on other priorities.**⁴

Whilst incremental improvements were initially made by the Data Sharing Working Group that was led by the Department for Energy Security and Net Zero (DESNZ), progress has slowed and **the Government is still unable to effectively target those in need of support.** Even today, the Warm Home Discount (WHD) – the primary energy bill support mechanism for low-income households – excludes 2.5 million homes in need of help, including those who are low-incomes, disabled or older.⁵ This figure will rise if gas prices remain elevated for a prolonged period.

If the Government moves quickly, however, there are still options available to rapidly improve targeting so that universal support is not a necessity. The Covid pandemic and the most recent energy crisis show that the state can move quickly when it wants to. **The Government should immediately bring together a Taskforce with Ministers and senior officials from relevant departments, energy industry data experts, and other key stakeholders** as part of a 'sprint' to urgently explore options to adequately support those in need of help, while avoiding inefficient public spending.

The group should assess, as a matter of urgency, whether the Department for Science, Innovation and Technology's recently launched Kickstarter programme could be significantly accelerated.⁶ The project to make income data available for energy bill support could form the basis of a highly effective targeting system. However, at its current pace, it would not drive change until at least winter 2027/28. Delivering the programme over the next five months would be necessary to help in winter 2026/27.

If the Kickstarter project cannot be accelerated sufficiently, DESNZ should adopt alternative methods to expand energy bill support eligibility in the near-term. First, DESNZ should work with the Department for Work and Pensions and the Department for Health and Social Care to enable households receiving Personal Independence Payment or Disability Living Allowance, or with serious medical conditions, to automatically receive targeted support in winter 2026/27. Second, the Government should set up an application route for households that do not receive relevant benefits. This could allow any household below a certain income threshold to receive targeted support and could extend to middle-income households depending on the scale of price rise.

³ National Audit Office (2024), [Energy bills support: an update](#)

⁴ Energy UK analysis. It assumes the same level of support was applied to 10 million households, based on around [20 million individuals in the first 30th percentile of the after housing cost household income distribution](#).

⁵ [Public First \(2026\), Closing the fuel poverty gap: A plan for targeted energy support](#)

⁶ UK Government (2026), [Targeted energy bill support and simpler access to legal guidance among plans to put data to work to improve lives](#)

Regardless of data sharing improvements that can be achieved ahead of winter 2026/27, the Government must pass legislation to allow the use of household income, non-means tested benefits, and health data for targeted energy bill support and broader vulnerability identification. Some of this will be possible through amendments to the Digital Economy Act, while other developments may require primary legislation.

Cut electricity prices for all households to enhance long-term energy security

Targeting is an effective route to ensuring help is available for the households that most need support. **But, depending on the scale of increases in energy bills, the Government may wish to do this alongside a more limited universal measure. This combination would provide a boost to all households, while ensuring public spending is efficient and those who need the greatest support benefit the most. The fairest and most effective solution would be to lower electricity bills:**

- 100% of households consume electricity, even those who use alternative forms of heating, whereas only around 70% of households use mains gas.
- It would provide extra support for customers with electric storage heaters, which are twice as likely as other households to experience fuel poverty.
- It would incentivise electrification, which will have substantial co-benefits for energy security by reducing the UK's reliance on gas.

The long-term solution to the current volatility in international energy markets is clear; a rapid transition to clean, homegrown power, and the electrification of heating and transport across the country. But high electricity costs are slowing down this transition. Lowering electricity costs would lead to much higher demand for heat pumps as the economic case would be significantly bolstered, while it would also support EV adoption. **Cutting electricity costs could have a transformative impact on the uptake of electrified technologies, shielding millions of buildings across the UK from future energy price shocks.**

In the last energy crisis, the Government spent £44 billion supporting both homes and businesses.⁷ **This support, while crucial, missed an opportunity to incentivise accelerated adoption of the electrified technologies that will minimise exposure to future price volatility.**

Learning the lessons of the last crisis means directing any universal interventions towards reducing electricity prices. This could be done by moving some policy costs from electricity bills to Government spending. For example, removing the Feed-in-Tariff and the remaining 25% of the Renewables Obligation from household electricity bills would save a typical customer £43 and cost around £1.5 billion in 2026/27.⁸

⁷ National Audit Office (2024), [Energy bills support: an update](#)

⁸ Energy UK analysis using [scheme allowances set by price cap \(Ofgem \(2026\), Energy price cap \(default tariff\) levels: Annex 4\)](#) for typical domestic consumer and, using [94.4TWh as total domestic electricity consumption](#) (DUKES, 2024).