



E3G

REPORT SEPTEMBER 2023

ASSESSING THE UK GOVERNMENT'S RESPONSE TO THE GAS CRISIS

HOMES LEFT EXPOSED TO FUTURE PRICE SHOCKS

JULIET PHILLIPS





E3G

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.

www.e3g.org

Berlin

Neue Promenade 6
Berlin, 10178
Germany
+49 (0)30 2887 3405

Brussels

Rue du Commerce 124
Brussels, 1000
Belgium
+32 (0)2 5800 737

London

4 Valentine Place
London SE1 8QH
United Kingdom
+44 (0)20 7038 7370

Washington

2101 L St NW
Suite 400
Washington DC, 20037
United States
+1 202 466 0573

© E3G 2023

Copyright

This work is licensed under the Creative Commons Attribution-NonCommercial-ShareAlike 4.0 License.

You are free to:

- > Copy and redistribute this work in any medium or format.
- > Alter, transform, and build upon this work.

Under the following conditions:

- > You must give appropriate credit, provide a link to the license and indicate if changes were made. You may do so in any reasonable manner, but not in any way that suggests E3G endorses you or your use.
- > You may not use this work for commercial purposes.
- > If you alter, transform, or build upon this work, you must distribute your contributions under the same license as this work.
- > For any reuse or distribution, you must make clear to others the license terms of this work.
- > Any of these conditions can be waived if you get permission from the copyright holder.

Your fair use and other rights are in no way affected by the above.



Cover image

Electrical card meter, by stocksolutions on Adobe.



E3G

CONTENTS

About E3G	2
Copyright	2
CONTENTS.....	3
EXECUTIVE SUMMARY	4
Recommendations.....	5
CHAPTER 1 UK HOUSEHOLDS REMAIN EXPOSED TO GAS PRICE VOLATILITY	6
CHAPTER 2 ANALYSING THE UK GOVERNMENT’S RESPONSE TO THE GAS CRISIS..	8
Supporting households with bills	8
Reducing energy-user demand for gas.....	10
Reducing exposure to global fossil fuel price volatility	13
Summarising the UK’s gas crisis response	16
CHAPTER 3 GETTING ON TRACK THIS WINTER.....	18
Recommendations to government.....	18
<i>Supporting households with bills</i>	<i>18</i>
<i>Reducing energy-user demand for gas</i>	<i>18</i>
<i>Decoupling energy supply from fossil fuel markets.....</i>	<i>19</i>
APPENDIX.....	20
Workings for ECO and BUS shortfall.....	20
Workings for lifetime savings	21



E3G

EXECUTIVE SUMMARY

UK households are set to face another winter of high energy costs, amid continued market disruption. Investing in energy efficiency, heat pumps and renewables can permanently lower bills and boost energy security. Governments across the world have taken steps to reduce their citizens' exposure to future price shocks. However, the UK government has largely failed to leverage this opportunity. By rolling back on net zero commitments, it risks further slowing down investment in inflation-busting sectors.

While Ofgem's Energy Price Cap has dropped slightly this autumn to £1,923 per year, bills are still close to double what they were before Russia's invasion of Ukraine. One in three households in England will see higher bills this winter than last. The most vulnerable households are worst positioned to weather another winter of high bills, with energy debt and arrears having increased by over 107% in the last five years.

Our analysis shows the UK has failed to enact many of the long-term solutions to permanently lower exposure to volatile international gas markets, boost energy security and reduce long-term pressures on the public purse.

- > The government has backtracked on promises to consider introducing comprehensive, targeted energy bill support to vulnerable households. A "social tariff", which would provide discounted price plans to those struggling to afford energy costs, is looking unlikely.
- > The Prime Minister's pledge to "never" increase energy efficiency standards could cost households £8bn in higher bills over the next decade, and more if gas prices spike again, according to the Energy and Climate Intelligence Unit.
- > Analysis by RenewableUK suggests that the UK's failure to contract new offshore wind during recent auctions means the UK is missing the opportunity to power 8 million homes and save consumers £2bn a year, compared to the cost of electricity from gas.



E3G

Recommendations

The UK government spent £78.2 billion across 2022–23 and 2023–24 in response to gas price spikes. As a matter of fiscal responsibility, the UK should be prioritising long-term, permanent solutions to protect households – and the public purse – against potential future price spikes. The International Energy Agency has warned that Europe could face a difficult winter if Russia cuts remaining gas supplies, and if the region experiences cold weather.

There remains a strong imperative to focus efforts to support vulnerable households, lower bills and boost energy security. With the right political will, the government can take steps forward – starting with the Autumn Budget:

- > **Support vulnerable households with energy bills.** Provide comprehensive targeted support through introducing a new social tariff starting from next April, with additional financial support for vulnerable households this winter.
- > **Reduce energy-user demand for gas.** Boost delivery under existing retrofit schemes by increasing access, to lower bills. Incentivise landlords to make energy efficiency improvements with a tax offset and long-term regulatory certainty.
- > **Decouple energy supply from volatile fossil fuels.** Provide more support for domestic renewables, ensuring the success of offshore wind projects in the next auction round. Remove planning barriers and address grid capacity and grid access; and progress with market reforms so consumers can benefit from low-cost renewables.

Cross-party political consensus has been the UK's superpower for making sustained progress on key net zero targets. The Prime Minister can put the UK back on the road to international leadership by reacknowledging that net zero-aligned investments and policies are critical to lowering consumer bills and boosting long-term energy security.



E3G

CHAPTER 1

UK HOUSEHOLDS REMAIN EXPOSED TO GAS PRICE VOLATILITY

The Office for Budget Responsibility has highlighted the UK's exposure to international volatile gas markets as a key driver of fiscal instability.¹ The spike in gas prices has already brought considerable costs. UK government support amounts to £78.2 billion across 2022–23 and 2023–24;² with further indirect costs via the impact of high inflation on the cost of inflation-linked debts.

While Ofgem's Energy Price Cap has dropped slightly this autumn compared to the same time last year, bills are still close to double what they were before the war in Ukraine. From October energy unit prices will fall to £1,923 a year for the typical household, a decrease of £151 on the previous Price Cap set at £2,074.³

However, the Resolution Foundation finds that one in three households in England will see higher bills this winter than last – impacting close to half of those in the lowest income decile.⁴ This is due to an increase in standing charges paid daily on all bills regardless of energy use, and removal of the £400 universal support with bill payments which was in place last year. This interplay means many households will not see the benefits of lower energy unit prices. For some, these costs will be substantial: 13% of households face bills rising by over £100 this winter.

Many households are in a worse position to pay their bills this year. Customer energy debt and arrears have increased by over 107% in the last five years, Ofgem's figures show.⁵ The total debt and arrears across electricity and gas existing for more than three months has soared to £2.25 billion in Q1 2023, up from £1.1 billion in the same period in 2018. Citizens Advice finds the number of people whose monthly income is not enough to cover essentials has more than

¹ OBR, 2023, [Fiscal Risks and Sustainability](#)

² OBR, 2023, [An international comparison of the cost of energy support packages](#)

³ Ofgem, 2023, [Energy Prices Fall Again This Winter](#)

⁴ Resolution Foundation, 2023, [Gotta get through this: Energy Bills this Winter](#)

⁵ Ofgem, 2023, [Debt and Arrears Indicators](#).



E3G

doubled in the last two years to one in ten households.⁶ Costs have hit the poorest the hardest, because they spend more of their budget on gas and electricity. Citizens Advice notes that those they help with debt are now spending equivalent of 13% of their income on energy.⁷

This issue is compounded by the cold and leaky nature of the UK's housing stock, combined with declining rates of retrofit seen in recent years under government-backed retrofit schemes. Over the past decade, the number of installations for fuel-poor homes across all available government schemes has fallen steeply – down from around 2.3 million measures installed in 2012, to around 0.1 million in 2022.⁸

There are risks that bills will spike further this winter. The International Energy Agency has warned that Europe could face a very difficult winter if Russia cuts its remaining gas supplies, and if the region experiences cold weather.⁹ The IEA said that even if Europe's gas storage sites are fully filled – the expectation which has lowered prices in recent months – there was “no guarantee” against future market tensions. While the UK relies less on Russia than other countries, it is still exposed to disruption in European energy markets. The Cabinet Office's National Risk Register highlighted disruption of Russian gas supplies to Europe as a potential security threat.¹⁰ Since Ofgem's Price Cap is updated every three months, if these risks materialise, bills could spike again in January.

Thus, there remains a strong imperative for the UK government to remain focused on reducing household exposure to price shocks and volatile fossil fuel markets – addressing the permanent, structural drivers of energy insecurity:

- > a lack of access to affordable, socially progressive energy billing plans
- > leaky, inefficient homes; with the majority of households using fossil heating systems
- > continued high exposure to volatile international fossil fuel markets.

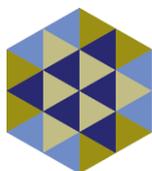
⁶ Citizens Advice, 2023, [Living on Empty: a policy report from Citizens Advice](#)

⁷ Citizens Advice, 2023, [ibid](#)

⁸ Climate Change Committee, 2023, [Progress in Reducing Emissions: Report to Government](#)

⁹ IEA, 2023, [Closer dialogue between producers and consumers needed to ensure gas supply security](#)

¹⁰ Cabinet Office, 2023, [National Risk Register](#)



E3G

CHAPTER 2

ANALYSING THE UK GOVERNMENT'S RESPONSE TO THE GAS CRISIS

The steps that governments can and have taken to reduce exposure to volatile international gas markets, protect citizens from price spikes, and boost energy security, can be categorised as measures to:

- > help vulnerable households with bill payments (i.e., through direct payments or socially progressive tariffs)
- > reduce end-user demand (i.e., through energy efficiency and clean heat)
- > reduce exposure to international fossil fuel markets (including through accelerating deployment of homegrown renewables and market reform to lower the cost of clean electricity).

This chapter considers how the government has fared in each of the above areas. Overall, the UK has spent a large amount on universal support for reducing energy bills, while failing to deliver many of the longer-term measures and reforms that would have reduced bills permanently, reduced reliance on high-cost gas, and provided structural targeted support for the most vulnerable. This failure translates into higher bills, and higher exposure to future price shocks.

Recent political statements which have indicated the government is now looking to row back from net zero commitments could further delay and deter investment from these key green sectors.

Supporting households with bills

The UK has spent a significant sum – £78.2bn across 2022/23 and 2023/24 – to shield households and businesses from rises in energy prices following Putin's invasion of Ukraine, equivalent to 3.1% of 2023 GDP.¹¹ This includes two universal measures to support households. A £400 payment off bills under the Energy Bills Support Scheme ran from October 2022 to March 2023. The Energy Price Guarantee (EPG) was introduced from October 2022 and runs until March

¹¹ OBR, 2023, [An international comparison of the cost of energy support packages](#)



E3G

2024. The EPG limits the amount households can be charged per unit of electricity or gas – with the government compensating energy firms for the difference between the wholesale price they pay, and the amount they charge customers. Between July 2023 to March 2024, it will be applied to bills if prices rise above £3,000 per year.

While the overall package of support was large, the Resolution Foundation notes that “there is a worryingly large minority of families at the sharper end of the cost-of-living crisis”.¹² This concern is reflected by Citizens Advice, which finds a growing number of people living in “negative budgets”, where people have more money going out than coming into their bank accounts.¹³ The £3,000 “safety net” provided by the EPG this winter would still mean millions of households are at risk of being unable to afford their energy bills.

There are growing calls for structural solutions to ensure the affordability of energy bills. The call for targeted, comprehensive support (sometimes referred to as a social tariff) – which would guarantee a certain level of energy for vulnerable households – has been backed by Ofgem,¹⁴ energy companies and consumer groups.¹⁵ There are wider social benefits associated with ensuring that vulnerable households are able to afford energy. The NHS Confederation warns rising fuel poverty will be a “public health emergency”, straining already stretched health and care services.¹⁶ A well-designed, targeted scheme could reduce the overall cost in the case of another energy bill spike, mitigating the need for costly universal support schemes like the EPG.

The government committed to “develop a new approach to consumer protection in energy markets, which will apply from April 2024 onwards”, considering “the best approach, including options such as social tariffs, as part of wider retail market reforms”.¹⁷ In “Powering Up Britain – Energy Security Plan”, the government restated that commitment, setting out an intention to “consult in summer 2023 on options for a new approach to consumer protection in the energy markets from April 2024 onwards”.¹⁸

¹² Resolution Foundation, 2023, [Living Standards Outlook 2023](#)

¹³ Citizens Advice, 2023, [Households are living on empty: Can social tariffs reduce the pressure?](#)

¹⁴ Energy Live News, 2023, [Ofgem boss renews call for social tariff](#)

¹⁵ Energy UK, 2023, [Government must switch on to help vulnerable energy customers this winter](#)

¹⁶ NHS Confederation, 2023, [Could the energy crisis cause a public health emergency?](#)

¹⁷ HM Treasury, 2022, [Autumn Statement 2022](#)

¹⁸ UK government, 2023, [Powering Up Britain](#)



E3G

There is concern that this promise is not being met. The recent policy paper “Delivering a Better Retail Energy Market” contains no mention of a social tariff.¹⁹ Former DESNZ Secretary of State Grant Shapps backed away from the idea in a recent interview.²⁰ New consultation documents also suggest that, rather than introducing a social tariff, government may utilise the existing Warm Home Discount mechanism.

While changes to the Warm Home Discount would be welcome,²¹ this does not provide a substitute for a social tariff which could help ensure energy is affordable for low-income and vulnerable households. Consumer groups and fuel poverty experts are calling for comprehensive, targeted energy bill support to be implemented from April 2024 as promised to ensure that energy is affordable on an ongoing basis from then on. This winter, there is need for more targeted support, particularly for those lacking access to welfare benefits.

Reducing energy-user demand for gas

The Office for Budget Responsibility has recently underscored the important role of permanent measures to reduce household energy demand (and bills) in supporting fiscal stability.²² These measures include energy efficiency improvements and the shift away from dependence on fossil heating systems.

Research for Citizens Advice suggested that a large-scale drive to bring homes up to EPC C by 2030 would cut consumers’ bills by £24 billion.²³ Heat pumps save more than 70% on gas use compared to a gas boiler, once the gas used to produce electricity is accounted for.²⁴ As the electricity grid moves further towards renewable energy this saving will increase even more. If all 23 million gas boilers could be replaced with heat pumps while the price of gas remains this high, the savings would be worth around 1.2% of GDP (£26 billion).²⁵

The government has taken some steps to boost energy efficiency and heat pumps. This included a 50% grant increase to the flagship Boiler Upgrade

¹⁹ UK government, 2023, [Delivering a better retail market](#)

²⁰ Money Saving Expert, 2023, [Martin Lewis Energy Support Winter](#)

²¹ Citizens Advice, 2023, [Fairer, warmer, cheaper: new energy bill support policies to support British households in an age of high prices](#)

²² OBR, 2023, [Fiscal risks and sustainability – July 2023](#)

²³ Citizens Advice, 2023, [Insulating British homes would deliver £39bn boost by 2030](#)

²⁴ Nesta, 2022, [How the energy crisis affects the case for heat pumps](#)

²⁵ Nesta, 2022, [Ibid.](#)



E3G

Scheme (BUS), which offers consumer grants when replacing a fossil fuel boiler with a heat pump, and provision of a further £1 billion for a new energy efficiency scheme.²⁶ Further commitments in March 2023 included promises to reduce the running costs of electricity, and reconfirmation of policies including the market-based mechanism for low-carbon heat.²⁷ The government has launched Local Energy Advice Demonstrator Projects to trial approaches to delivering in-person advice at a local level.²⁸

However, despite these commitments, there have been serious issues with delivery which the government has failed to address. E3G's analysis finds over the first 15 months of operation, this poor delivery and underspend has meant that 75,500 eligible households have missed out on measures under ECO and the BUS. As a result, government has failed to deliver on measures that would have amounted to lifetime energy savings worth a potential £1.7bn (see Annex).

Recently, the BUS has struggled to get off the ground in year one, with a £90 million underspend on the £150 million annual budget.²⁹ Similarly, Local Authorities have struggled to fully deliver funding allocated to the Social Housing Decarbonisation Fund (SHDF) and Homes Upgrade Grant (HUG),³⁰ schemes designed to deliver deep retrofits for those on low incomes. The new Great British Insulation Scheme has only just officially launched, and is unlikely to start delivering at scale before the winter heating season.

Worryingly, the UK's major fuel poverty scheme, the Energy Company Obligation (ECO) has also witnessed a fall in installations (Figure 1, page 12). The previous phase of the ECO scheme was replaced by the ECO 4 in April 2022. Over the 15 months since its launch, around 115,000 homes could have been supported (based on the government's overall target for the scheme), but real performance was just 54,045 – a shortfall of nearly 61,000.

While it is not uncommon for new versions of ECO to take time to get up to speed, installers are warning of a collapse in supply chains required to deliver the UK's schemes. The Installation Assurance Authority estimates there are fewer

²⁶ UK government, 2022, [Government joins with households to help millions reduce their energy bills](#)

²⁷ Electrify Heat, 2023, [Heat pumps the big winner as the dust settles on energy security day](#)

²⁸ UK government, 2023, [Local Energy Advice Demonstrator Projects](#)

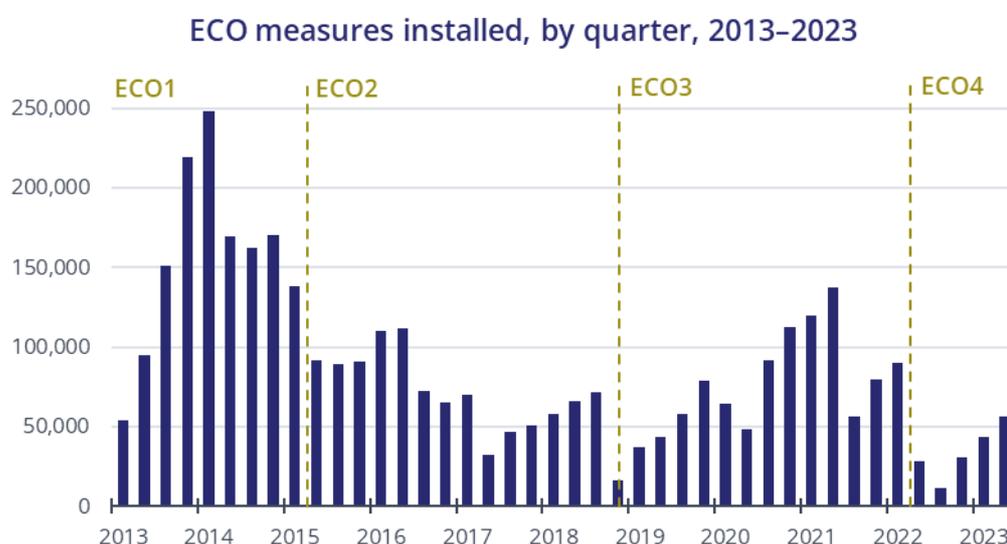
²⁹ The Guardian, 2023, [Boiler Upgrade Scheme Failing to Deliver](#)

³⁰ E3G, 2023, [Enabling locally led retrofit](#)



E3G

than 10,000 people involved in the industry and public-funded schemes, whereas in 2012 there were 54,000.³¹



Source: Department for Energy Security and Net Zero, August 2023, Household Energy Efficiency Statistics, headline release



Figure 1: Measures installed under ECO has failed to maintain initial levels

While the current retrofit programmes are welcome and well-intentioned, delivery challenges have been identified. While these are not insurmountable, further attention and long-term thinking is needed to boost delivery rates:

- > **Short-termism and boom–bust policies:** The key issue hindering delivery is the short-term horizons of schemes and the stop–start nature of policies. This has undermined industry confidence to invest in skills and supply chains.
- > **Poor public awareness and engagement:** Another common challenge faced by schemes is low public awareness of their existence, combined with limited general awareness of retrofit and clean heat.³²
- > **Complicated nature of funding schemes for local authorities:** Local authorities submit bids to programmes that conform to different metrics.

³¹ Energy Efficiency Infrastructure Group, 2023, [ECO Delivery Briefing](#)

³² Social Market Foundation, [Lagging behind: New insights into the barriers to energy efficiency uptake](#)



E3G

-
- > **“Hassle” factors and planning barriers:** Barriers can prevent grants from being utilised include planning regulations, conservation rules, expensive gas grid disconnection fees and a need for electricity grid reinforcements.
 - > **Lack of ancillary capacity within local authorities:** Local authorities have expressed concerns that project management money is too tightly allocated and prevents them from training their own staff.
 - > **Increased cost of delivery:** Increased supply costs, caused by inflation and labour crunches, has undermined the delivery of schemes. Cost assumptions within impact assessments do not reflect current market conditions.

Urgent attention is needed to boost retrofit schemes in the near term, to ensure that households can access the support they are eligible for before the winter. Longer term, a wider package of reform will be needed to boost the efficiency of the UK’s housing stock and get on track for clean, electric heat.

Prime Minister Rishi Sunak’s recent pledge “never” to increase energy efficiency standards for property owners raised concerns about his government’s commitment to energy saving measures. While Sunak has framed this as a step to reduce bills and lower costs of living – the opposite is in fact true. The Energy and Climate Intelligence Unit estimates that changes could cost households £8bn in higher bills over the next decade, and more if gas prices spike again.³³

The pledge to reverse the planned increase in minimum standards in the private rented sector remove any policy incentive for landlords to invest in upgrades to properties. It was followed by the scrapping of the Energy Efficiency Taskforce – which had been only launched in March 2023.³⁴ Industry, civil society and consumer groups have raised concerns that these announcements represent back-peddling from the government on key measures that could help permanently reduce household gas demand.

Reducing exposure to global fossil fuel price volatility

Investing in renewable energy generation, bringing it onto the grid and ensuring that the market conditions allow consumers to benefit from low-cost electricity have been identified as key options for reducing exposure to international gas

³³ ECIU, 2023, [PM’s net zero changes could cost households up to £8bn](#)

³⁴ As reported in the BBC, [Rishi Sunak scraps energy efficiency taskforce](#)

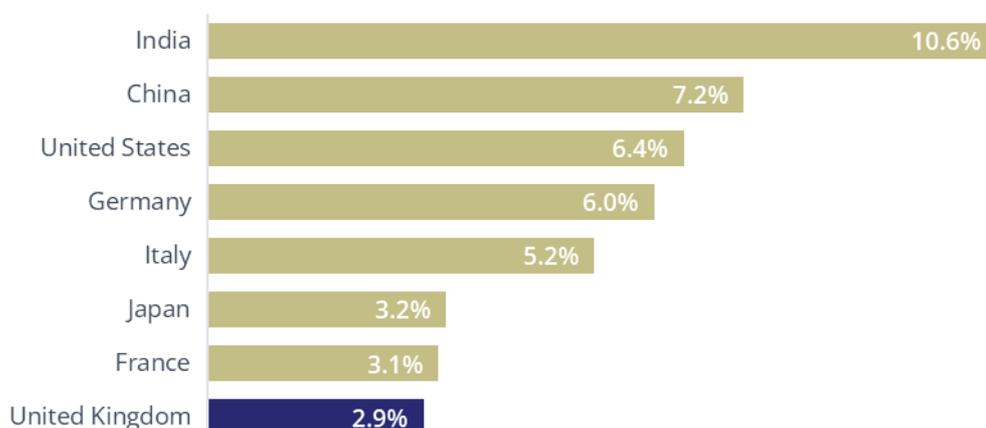


E3G

supply chains and boosting domestic energy security.³⁵ Boosting renewables can help reduce inflationary pressures,³⁶ and help attract private investment and innovation as other countries around the world seek to create favourable operating conditions for clean technology companies.³⁷

Historically, the UK has done well on deployment of offshore wind. However, the UK risks losing its leadership position without further interventions. Energy UK notes that the UK is yet to see new investment incentive regimes that can meet the scale of global competition – compared to the scale of interventions seen in the US, EU and elsewhere (Figure 2).³⁸

Forecast average annual growth in low-carbon electricity output, 2023–2030



Source: Redrawn with permission from Energy UK and Oxford Economics, July 2023, *Funding the Future: The UK's energy transition in a global context*



Figure 2: The UK's growth in low-carbon electricity generation between now and 2030 is forecast to be the lowest among the world's eight biggest economies.

The UK has great offshore wind potential. Despite increasing supply chain costs, renewable energy remains the cheapest way to generate electricity in the UK. Gas prices are still around 100% higher than they were before the gas crisis, and are expected to remain elevated for the foreseeable future.³⁹ There are longer

³⁵ International Energy Agency, 2023, **Renewable Power's Growth is Turbocharging as Countries Seek to Strengthen Energy Security**

³⁶ E3G, 2023, **More renewables, less inflation in the EU**

³⁷ ECIU, 2023, **The UK is sitting out of the global clean tech race**

³⁸ Energy UK, 2023, **Clean Growth Gap Funding for the Future**

³⁹ Carbon Brief, 2023, **UK Renewables Still Cheaper than Gas Despite Auction Setback for Offshore Wind**



E3G

term benefits associated with investment in renewables, which can bolster energy security through reducing exposure to volatile fossil fuel markets.

As with other industries, renewable supply chains have faced cost increases over the past year – pushing the cost of offshore wind up by as much as 40% since last year. It is important to note that the cost of a new gas plant would be higher still, and not translate into bill savings for consumers. The government’s recent Contracts for Difference (CfD) auction secured just 3.7 gigawatts of new renewable capacity – a third of the total last year – and failed to contract any new offshore wind. The 95 projects winning CfDs are expected to generate less than 3% of current UK demand. This is 82% lower than last year’s auction.⁴⁰ According to RenewableUK, the offshore wind projects eligible for this year’s round could have powered nearly 8 million homes a year and saved consumers £2 billion a year, compared to the cost of electricity from gas.⁴¹

Additional challenges are holding back the UK renewables industry. While the government has relaxed planning rules and lifted the restrictions that effectively banned the building of new onshore wind farms in England, experts have noted that “proposals [for new wind farms] seemingly will not be considered solely upon their planning merits” and will still be subject to tougher planning rules than other forms of infrastructure.⁴²

In addition, a lack of foresight to modernise the power network means 200 gigawatts worth of electricity projects are waiting for a grid connection.⁴³ The government has welcomed a recent report from Nick Winser, the UK’s Electricity Networks Commissioner, and will consider the recommendations before presenting an action plan to boost capacity and speed.⁴⁴

Due to energy market structures, cheap renewable energy is not currently reflected in household bills. The government is setting out to reform the electricity market via the review of electricity market arrangements (REMA), which will help lower the price of renewable energy for consumers and transition to a decarbonised, cost effective and secure electricity system.⁴⁵ This is welcome,

⁴⁰ Carbon Brief, 2023, [UK renewables are still cheaper than gas despite auction setback for offshore wind](#)

⁴¹ RenewableUK, 2023, [Industry warns action needed to restore confidence following renewables auction](#)

⁴² As quoted in the FT, 2023, [Changes to de facto ban on onshore wind in England do not go far enough](#)

⁴³ Bloomberg, 2023, [Why bigger, better power grids are needed to achieve climate goals](#)

⁴⁴ UK government, 2023, [Government welcomes report on electricity networks Britain’s energy security](#)

⁴⁵ UK government, 2023, [Review of Electricity Market Arrangements](#).



E3G

although the process is anticipated to be drawn out and unlikely to bring about change in the coming year.

The government has said it will exploit domestic North Sea oil and gas resources in order to boost energy security, reduce energy bills and dependence on dictators. This includes the recent approval of the Rosebank oilfield, which is estimated to contain 500 million barrels of oil.⁴⁶ However, these measures are likely to have no impact on UK energy bills as fossil fuels are sold on international markets, and their price is determined by global market forces. In addition, support for nuclear will not translate into lower energy bills or boosted energy security in the near term.

Summarising the UK’s gas crisis response

The International Energy Agency, Climate Change Committee, E3G, Citizens Advice and many others have set out “good practice” measures that governments can take to lower the exposure of households to volatile fossil fuel markets, and permanently boost domestic, clean energy security.⁴⁷ The table below scores the UK on how it has performed over the past year on each of those areas, ranking them poor, mixed, or good. This assessment has been peer reviewed by industry, academic and consumer group experts.

Good practice measures	UK government response	Ranking
Supporting households with bills		
One-off support to assist households last winter, with additional targeted support for low-income and vulnerable households	£44bn spent supporting bills – including a universal £400 payment, and Energy Price Guarantee (EPG) capping bills. Insufficient additional targeted support provided for vulnerable people. Pre-payment meter users missed out, and many alternative fuel users lacked automatic equivalent EPG support.	MIXED – Universal support welcome, but additional targeted support was lacking to support more vulnerable households. While the support package was unprecedented, it was costly as the government lacked a targeted support mechanism.

⁴⁶ BBC, 2023. [Rosebank oil field given go-ahead by regulator](#)

⁴⁷ E3G, 2022, [E3G’s recommendations in response to the energy bill crisis](#)



E3G

Good practice measures	UK government response	Ranking
Long-term solutions providing comprehensive targeted support	No movement on the social tariff, with focus on more limited Warm Homes Discount reforms, and £3,000 Energy Bill Guarantee cap.	POOR – Backtracking on social tariff, limited support in place this winter.
Reducing energy-user demand for gas		
Engagement and advice on retrofit	“It All Adds Up” campaign to highlight energy saving measures; Simple Energy Advice updated; piloting local retrofit advice. No nationwide campaign or comprehensive national advice scheme.	MIXED – Welcome to see some initiatives, but lacking wider infrastructure
Energy efficiency deployment	£1bn to the Great British Insulation Scheme; Energy Efficiency Taskforce established and 15% demand reduction target set. However, under-delivery of schemes across the board, meaning limited tangible impact.	POOR – New funding commitments welcome, but poor delivery is Achilles heel and prevents benefits on the ground.
Clean heat deployment	Heat pump scheme topped up to 2028, and welcome government commitments. However, UK remains heat pump laggards.	MIXED – New funding commitments welcome, but poor delivery prevents tangible benefits.
Decoupling energy supply from fossil fuels		
Boosting the renewables pipeline	Some limited funding for renewables, but failure to support new offshore wind. High supply chain costs limit economic case.	POOR – UK investment landscape uninviting, restrictions remain in place with onshore wind.
Undertaking market reform	The Review of Electricity Market Arrangements is underway.	MIXED – First consultation concluded, but no outcomes expected in near term.



E3G

CHAPTER 3

GETTING ON TRACK THIS WINTER

Time is running out before we arrive at winter heating season. Urgent action is needed if the government is to support as many people as possible. This needs to start with the Autumn Budget, as part of a longer-term set of reforms to permanently reduce the UK's exposure to volatile international gas markets.

Recommendations to government

Supporting households with bills

- > **Introduce comprehensive, targeted energy bill support (i.e. a via social tariff), implemented from April 2024.** Consider the best approach in the context of wider retail market reforms to introduce an affordable energy deal – as promised.
- > **Provide additional targeted support payouts for vulnerable households this winter.** This should consider citizens lacking access to welfare benefits. Fuel poverty groups are calling for an additional £1,000 for vulnerable households, as well as an “extreme weather payment” and delivery of unspent funds.⁴⁸ Support a dedicated “Help to Repay” scheme to support people struggling to repay energy debt arrears.⁴⁹

Reducing energy-user demand for gas

- > **Get the fuel poverty alleviation scheme on track.** The government should take urgent measures to boost action under the Energy Company Obligation (ECO). This could include adjusting the minimum requirements to enable more homes to be treated under the scheme, as well as boosting local authority capacity to deliver the programme. For more details, please see E3G's recent report on boosting locally led retrofit.⁵⁰

⁴⁸ Warm this Winter, 2023, [What is the government doing to fix Britain's broken energy system.](#)

⁴⁹ End Fuel Poverty Coalition, 2023, [Help to Repay scheme – letter](#)

⁵⁰ E3G, 2023, [Enabling locally led retrofit: Reforms to scale up delivery](#)



E3G

-
- > **Introduce landlord tax incentives for efficiency measures.** Allow energy efficiency improvements to be offset against rental income – and therefore income tax – to make investment more attractive for landlords.⁵¹
 - > **Provide long-term certainty.** Move ahead with setting higher minimum energy efficiency standards in the private rented sector by 2028. Maintain progress on other policies focused on boosting deployment of clean heat and energy efficiency.
 - > **Raise awareness and engagement.** Launch a nationwide awareness raising campaign on the benefits of retrofit and the different schemes available. Roll out a nationwide, independent advice service, building on current local pilot projects to support a network of one-stop-shops.

Decoupling energy supply from fossil fuel markets

- > **Provide additional support for UK renewables.** Ensure the success of the next Contracts for Difference auction round in Spring by taking a broader approach to defining value, considering the economic environment, international competition and broader economic benefits associated with offshore wind. The Bank of England could also consider providing preferential interest rates to renewable companies, in the same way they do for SMEs.
- > **Remove blockers to renewables.** Level the playing field for onshore wind and solar compared to other infrastructure projects, and take forward recommendations set out by the energy networks commissioner to accelerate progress to boost grid capacity and connections.⁵²
- > **Move forward with the review of electricity reform arrangements.** Include consideration of near-term measures that could help customers access low-cost renewable electricity. In the near term, for example, this might include the introduction of a heat pump tariff to ensure clean heat users can benefit from lower running costs.

⁵¹ E3G, 2023, [Incentivising energy efficiency improvements for private renters](#)

⁵² Electricity Networks Commissioner, 2023, [Letter to the Secretary of State](#)



E3G

APPENDIX

Workings for ECO and BUS shortfall

E3G’s analysis suggests over the first 15 months (April 2022 to June 2023) of operation, ECO and BUS have a shortfall of around 75,500 eligible households. The measures that could have been installed in these houses would have amounted to lifetime energy savings worth a potential £1.7bn.

To calculate the number of homes which have missed out on improvements, real performance was subtracted from the ECO and BUS targets. ECO aims to treat 450,000 homes, and BUS 90,000 homes. Real performance data for ECO and BUS is available online up to June 2023.^{53,54}

Across energy efficiency schemes, the schemes ramp up their implementation from their first to final year. Therefore, the analysis assumes fewer measures are undertaken in the first year, and more in later years. See “15-month target” in Table 2 below for the estimated number of homes that should have been treated after the first 15 months in operation. Real performance is taken from UK government statistics. The shortfall is the difference between the target and the real performance.

Table 2: Estimated shortfall in number of homes treated

Scheme	15-month target	15-month real performance	Shortfall
ECO 4	115,000	54,045	60,955
BUS	32,500	17,954	14,546
Total	147,500	71,999	75,501

⁵³ UK government, August 2023, [Household Energy Efficiency Statistics, headline release August 2023](#)

⁵⁴ UK government, August 2023, [Boiler Upgrade Scheme statistics](#)



E3G

Workings for lifetime savings

Lifetime bill savings is the money saved on energy consumption or fuel switching through a measure's entire expected lifespan.

UK government Household Energy Efficiency (HEE) statistics include lifetime bill savings for past ECO schemes. To estimate the lifetime bill savings per measure installed, the average lifetime savings per measure from ECO 3 measures were calculated (£6,747).

HEE statistics also show that four measures were installed per household on average. Therefore, each household treated under ECO 4 should receive measures worth around £27,612 in lifetime bill savings. One disadvantage with this measure is it does not account for a potential change in average savings per measure between ECO 3 and ECO 4.

Lifetime savings for the BUS were calculated by estimating bill savings from a heat pump. According to Octopus Energy, a medium sized heat pump saves the user around £29 a year compared to a gas boiler.⁵⁵ Modern heat pumps are expected to last around 20 years.⁵⁶ Therefore, each heat pump installed under the BUS should amount to around £580 in average bill savings. Savings could increase if the ratio between electricity and gas prices closes to make electricity consumption more affordable.

Both BUS and ECO lifetime savings per home are multiplied by the shortfall in measures to produce the total lifetime savings. See Table 3 for this calculation.

Table 3: Lifetime bill savings calculation

Scheme	Lifetime savings per home (£)	Shortfall (homes, see Table 2)	Lifetime savings missed (£bn)
ECO	£27,612	60,955	1.7
BUS	£580	14,546	0.01
Total	–	75,501	1.7

⁵⁵ Octopus, August 2023, [How much does a heat pump cost to run?](#)

⁵⁶ Evergreen Energy, [How long does a heat pump last?](#)
