

The Rt Hon Boris Johnson MP
The Prime Minister
10 Downing Street
London SW1A 2AA

The Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

The Rt Hon Kwasi Kwarteng MP
Secretary of State
Department of Business, Energy and Industrial Strategy
1 Victoria Street
London SW1H 0ET

13th January 2022

Dear Prime Minister, Chancellor of the Exchequer and Secretary of State,

Re: Responding to the gas crisis with a green, fair and resilient response

We are writing as a group of 27 civil society and mission-led organisations to urge the government to respond to the ongoing gas crisis with measures to create a green, fair and affordable energy future for all – rather than entrenching our reliance on expensive and polluting fossil gas.

Following a record rise in the cost of gas on the global market, households face an enormous increase in their energy bills, fuelling a cost-of-living crisis. The surge in gas prices could increase fuel poverty by 50%, from 4 to 6 million households. It could lead to millions of vulnerable households rationing their energy, increasing unnecessary loss of life during winter and the burden on the NHS when it is already under extreme strain due to the pandemic. Emergency support is needed immediately for the most vulnerable households.

The root cause of the cost-of-living crisis is the UK's heavy reliance on fossil gas for heating and power. Over 85% of UK homes currently depend on fossil gas heating, and exposure to volatile international gas markets is exacerbated by our cold and leaky housing stock. The government must address these underlying drivers of the crisis by investing in a greener, fairer and healthier future. The path to long-term resilience and to tackle the climate crisis is to ensure all UK homes are well insulated, to shift off gas and to homegrown, sustainable, renewable energy.ⁱ

When energy bills surged in 2013, the Warm Front programme to insulate low-income homes was abolished and the Energy Company Obligation (ECO) was cut in half. This was damaging and counterproductive, leading to a 90% cut in loft and cavity wall insulation measures and loss of over half of insulation industry jobs. Today, it would be equally damaging to reduce or suspend climate investment. Improving the efficiency of the worst performing homes, including off-gas grid and older rural properties, could provide bill savings of over £500 every year per household, an aggregate saving of around £8bn.ⁱⁱ Investing in UK green energy and technologies like heat pumps will help end our reliance on fossil gas. Indeed, renewables have helped to keep electricity prices from soaring as much as gas prices, as cheaper wind and solar cushion the increased expense of using gas to generate electricity.

We recommend the following measures to provide emergency support for vulnerable households, and longer-term steps to create a green, fair and affordable energy future for all:

1. **Provide emergency support for the most vulnerable**, funded in part by a windfall tax on the fossil fuel industry (as seen in 2011), who are due to make significant profits due to the surge in wholesale prices. Emergency measures must ensure the majority of the expected £600 increase in bills is covered for vulnerable households. This could include extending and expanding the Warm Home Discount, for example to include all on universal credit and other low-income households and increasing the scale of support to reflect the April uplift in prices. The government can also provide a one-off payment for those eligible for the Cold Weather Payment and should offer consumer advice and support.
2. **Shift legacy levies from electricity bills into general taxation and protect funding mechanisms for tackling fuel poverty.** Levies on energy bills include support for 'live' schemes to support those in fuel poverty, including ECO, as well as 'legacy' policy costs that helped ignite the UK's globally competitive renewables industry. This has delivered valuable bill savings and major improvements to comfort, health and wellbeing. Switching 'legacy' policy costs onto general taxation has been suggested by many to be fairer and more progressive, reducing bills by around £100 and paving the way for affordable electric heat. The ECO levy should remain on energy bills, kept at the level already planned for 2022 to 2026 (£1bn per year), as a reliable funding mechanism for tackling fuel poverty. Shifting ECO into general taxation could risk the programme being cut or underfunded in the future. Any move to suspend ECO funding would be damaging for households and industry, stalling rates of action for making fuel poor homes more efficient and putting skilled jobs at risk. An invigorated programme can build economy-wide and household resilience against future fossil fuel price shocks.
3. **Increase public capital investment in home insulation, clean heat and renewables.** Only through investing in green, fair and resilient energy and housing can the UK position itself to avoid future gas price shocks and to address the climate crisis. The government should fulfil Conservative manifesto commitments, plugging the recent gap left after the Spending Review of including £1.4bn for the Home Upgrade Grant and £0.2bn for the Social Housing Decarbonisation Scheme. The Government should also provide £3.6bn funding for a new grant programme to insulate homes open to every household. The pot of money available to provide grants for heat pumps should also be increased from £400m to £4.15bn by 2025 to accelerate the transition away from gas heating. These longer-term measures could be supported through the £16bn green gilt and UK Infrastructure Bank.

These measures would help to provide immediate support to the most vulnerable, while building up the UK's long-term resilience and reducing our exposure to future crises.

We would like to request a meeting to discuss these proposals with you further. Please contact Juliet.Phillips@e3g.org to provide a response.

Yours sincerely,


38 Degrees


Age UK


End Fuel
Poverty
Coalition

 The
countryside
charity
CPRE, The
countryside
charity


E3G
E3G


Ember



ⁱ As well as complementary measures like electrification, flexibility, storage, green skills investments etc.

ⁱⁱ <https://www.e3g.org/publications/responding-to-uk-gas-crisis/>