

After the freeze: supporting the most vulnerable



citizens
advice

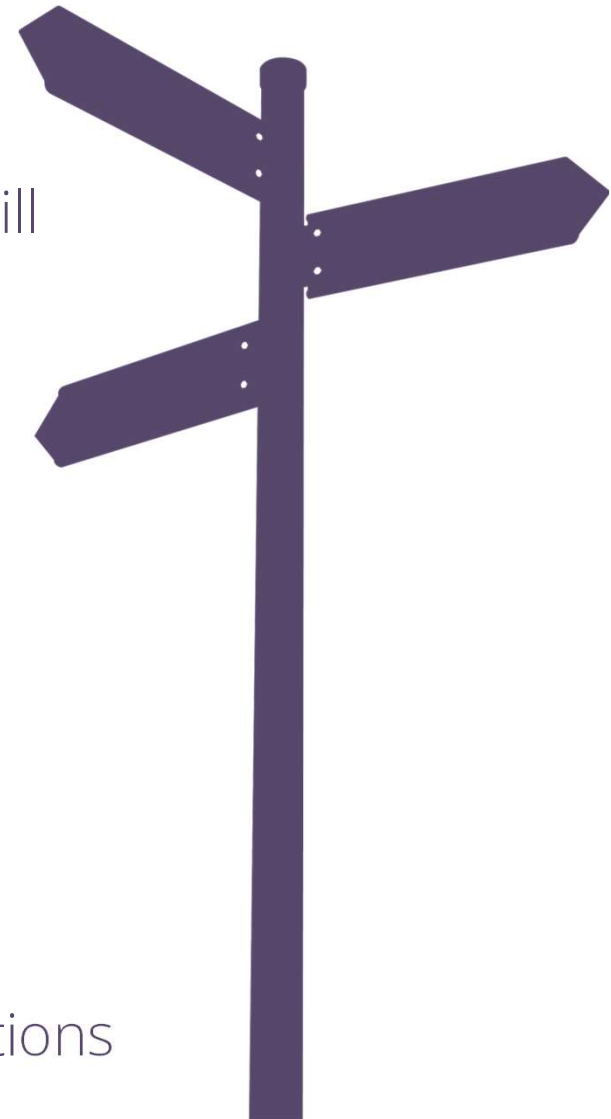
Future of energy price support review

Our focus: How to provide longer term support for people - beyond the immediate cost of living crisis and throughout the net zero transition

Our aim: Reach shared consensus amongst civil society, industry and political parties on what groups of people will need price protection after the price cap ends (or alongside the price cap) and what form that support should take

Major milestones

- June 22: Social Market Foundation and Public First **project launch**
- July to Nov: roundtables, polling, focus groups & number crunching
- Dec: **Interim report published**
- 20 Jan: Consultation on interim findings closed
- March: Publication of the final report & recommendations



Interim findings

The positives

Some consensus on first principles amongst stakeholders and the public including

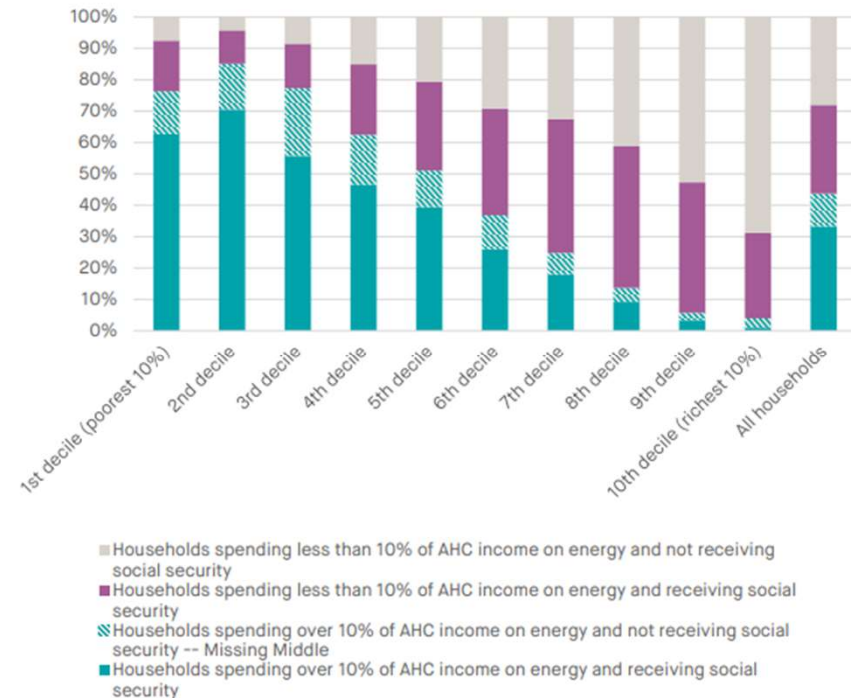
- Energy bill support policy
- Energy efficiency policy
- Market reform policy

Voters are increasingly prepared to accept higher taxation to fund bill support

More work needed

The state needs better mechanisms for identifying people in need of help and getting it to them

Figure 6: Households spending over 10% of AHC income on energy, by social security eligibility and income decile



Source: SMF analysis of Living Costs and Food Survey. Assumes an average annual energy bill of £3,000.

SMF modelled four types of bill support policies

Fixed payment discount

- A fixed value bill discount
- Akin to Warm Home Discount
- Similar to unit rate discount, although a slightly greater proportion of the funding pot goes to lower income households

51% net public support

Unit rate discount

- Discount applied to unit rates, making each unit of energy used cheaper
- Most commonly associated with "social tariff"
- Mechanism of % discount reduces household incentives to reduce demand

72% net public support

Rising block tariff

- Unit price paid for energy increases with each 'block'
- Often supported on environmental grounds to reduce consumption
- Variation in consumption means low-income 'losers' even with mitigation

32% net public support

Real bill cap

- An absolute limit is put on the amount a household can pay for energy
- Akin to WaterSure Scheme in the water market
- Most expensive option and blunts incentive to reduce energy usage

19% net public support

Tackling the energy efficiency gap

The key challenge

- The relationship between efficiency and income is not straightforward.
- How should support be targeted?

And...

- Belief in the need for insulation and willingness to pay for it is low among home-owning public

Fuel poverty

- On a whole house basis – upgrade **3.2 million homes** at a cost of **£27bn** and delivering **annual savings of £3bn (12 years simple payback)**
- Insulating lofts of fuel-poor homes would cost **£576 million** and deliver savings that would match the cost in **3 years**

Demand reduction

- On a whole house basis – upgrade **3.1 million homes** at a cost of **£46bn** and delivering **annual savings of £5.6bn (8 years simple payback)**
- Insulating lofts of these homes would cost **£494 million** and could deliver savings that would almost pay for itself in a **single year**

Citizens Advice helps people find a way forward.

We provide free, confidential and independent advice to help people overcome their problems. We're a voice for our clients and consumers on the issues that matter to them.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.

citizensadvice.org.uk



© Citizens Advice

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux. Registered charity number 279057.