

Parliamentary Briefing

Energy social tariff

May 2023

Overview

After almost two years of weathering unaffordable energy prices older people on the lowest incomes are bracing for yet another winter of sky-high bills. A combination of less Government support, exhausted savings accounts, and a mountain of energy debt means for many this winter is looking even tougher than the last. The Government must plan now and introduce an energy social tariff to protect those struggling to heat and power their homes.

While extending the Energy Price Guarantee (EPG) until the end of June is positive, longer term targeted action must be brought in to protect people over the winter. Fuel poverty¹ rates have got worse as prices are double what they were two years ago and the additional £400 the Government delivered has ended. 900,000 more older households are now in fuel poverty compared to October 2022. Bringing the total number of older households in England living in fuel poverty to 3.7million.

To begin helping older people, the Government must undertake a consultation into a new social tariff as soon as possible. This will ensure there is sufficient time to put in place any necessary legislation or regulatory changes to implement the tariff and begin bringing relief to those who need it most. Research by Age UK shows older people strongly support the introduction of an energy social tariff, with three out of four (75%) of those aged 60+ agreeing it should be available for those who need it most².

Age UK's Position

The Government must directly fund a 50% energy bill discount for those in greatest need. This tariff must:

- **include automatic enrolment for eligible households**
- **be universal across suppliers**
- **sit alongside existing consumer protections**
- **be accessible for all customers struggling with their energy bills**

This should be regardless of how energy is paid for, what type of fuel is used to heat the home, and whether a household has access to the welfare benefits system.

¹ We define households experiencing fuel stress as households spending more than 10% of their after-tax income on energy costs, so as to maintain an adequate standard of warmth.

² Age UK, 2023. Keeping the Lights on: The case for an energy social tariff. Age UK. [Online]. Available at: <https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/safe-at-home/age-uk-energy-public-policy-report-march-2023.pdf>. [Accessed 05/04/23]. Pg17.

What is an energy social tariff?

An 'energy social tariff' is a discounted energy deal for those on lower incomes and with specific needs. It represents a crucial element in ensuring that vulnerable households in the UK can afford to keep themselves well – both by keeping their homes warm and powering essential items such as medical equipment. We propose that this tariff should be set at half the cost of the typical energy bill and targeted at households living in poverty and/or in receipt of income related means tested benefits, disability benefits, or Carer's Allowance. This will deliver support to the 9 to 10 million UK households at the greatest risk of fuel poverty.

How to fund an energy social tariff?

We believe a social tariff should be Government funded so that those who are just missing out on support, but are still struggling, are not burdened with the additional cost on their bills. A progressive funding mechanism through tax would avoid some of the challenges associated with the Warm Home Discount (WHD), where many poorer households who do not qualify for WHD struggle with the extra cost on their bill.

The funding should cover a 50% discount on the rate paid per unit of energy consumed and an exemption from standing charge costs for all eligible households.

Why do we need an energy social tariff in the UK?

- Fuel poverty continues to be a blight on people's lives: Estimates suggest a staggering 7 million UK households are presently in fuel poverty.
- A social tariff represents a discount energy deal for the most vulnerable consumers – including those on lower incomes, disabled households, and carers.
- By targeting those most at risk of fuel poverty, the social tariff represents a cost-effective way of delivering support to those in the greatest need
- The Chancellor has already expressed the need to find a more targeted approach to supporting households on energy in the future, "with those most in need receiving a bigger subsidy towards their bills"³. The social tariff fully meets these criteria.
- Belgium has introduced a social tariff in its energy market with around one in five Belgians benefitting. Qualifying households now pay 67% less for gas than the national average, and 29% less for electricity. Beneficiaries last year had their bills slashed by at least €720⁵.

Older people told us

Sandra (average monthly bill £300-400) 'I am elderly, widowed and disabled with severe chronic arthritis, and feel the cold so much. I am currently spending over £10 a day on heating in a 2 bed bungalow, more if it's freezing.'

Paul, pensioner (average monthly bill £300-400) '[It] would mean the world. my partner has COPD we need the heat on 24/7. The bills are crippling us. Please, we need help'

³ <https://www.edie.net/jeremy-hunt-confirms-plans-for-more-targeted-energy-price-support-for-homes/>

⁵ <https://www.theguardian.com/commentisfree/2022/sep/27/fairer-energy-tariff-liz-truss-belgium-fuel-povertypoorest-bills>

Carer (average monthly bill £300-400) It would release funds for better insulation and a new boiler for our old house. We could be warmer for less fuel and help prevent global warming at the same time.

Margaret, receiving pension credit 'A big difference, I have sleep apnoea and have to be connected to a machine in case I stop breathing'

Pensioner 'Currently energy is almost 25% of my income per month. A 50% discount will be incredibly welcome to me'

Liz, disabled pensioner 'It would make a huge difference to my well-being in that I would be able to shop for food items without worrying and hopefully I would be able to renew my car insurance which would enable me to get out and about, socialise etc'

Get in touch

If you have any questions, or would like to meet to discuss an energy social tariff please contact Age UK's Senior Public Affairs Officer, Roshni Mistry, at roshni.mistry@ageuk.org.uk.