

Parliamentary Briefing

Energy social tariff

January 2023

Overview

The increases in the energy price cap highlight how quickly an essential commodity such as energy can become unaffordable. We believe that to protect vulnerable households and avoid the costly short term interventions seen over the last year, the Government must invest in long-term solutions like an energy social tariff. New research by Age UK **shows there is strong support for an energy social tariff among the over-60s, with 71% agreeing it should be available for those who need it most¹.**

From April 2023, the Government's Energy Bills Support Scheme will come to an end and the support provided by the Energy Price Guarantee will be reduced. Without continued financial support, it is predicted that the numbers of fuel poor households will jump to 8.4 million across the UK².

Age UK's Position

Age UK would like to see the introduction of a social tariff into the energy market which discounts energy bills for those most in need, automatically enrolls eligible households and is mandatory for all suppliers. This tariff must sit alongside, rather than replace, existing support like the Warm Home Discount and energy price cap.

What is an energy social tariff?

A social tariff is a discounted bill for an essential service. While the costs of providing water and communication services are generally fixed, the same is not true of energy which suppliers purchase on an open market.

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 warm their homes through the colder months. We propose that this tariff should be set at half the cost of the typical price, and targeted at households living in poverty and/or in receipt of income-related means tested benefits, disability benefits or Carer's Allowance.

A new tariff should be funded by the Government and mandated across all energy suppliers by April 2024, delivering a discount of 50% on the typical energy bill for the 10 million most vulnerable UK households.

¹ Online survey conducted by Opinium on behalf of Age UK between 2nd and 9th January 2023. Sample of 1,010 adults aged 60+ living in Great Britain. Weighted to be nationally representative of this group

² National Energy Action and Energy Action Scotland Fuel Poverty Monitor 2021-22. It is informed by a Call for Evidence (CfE), which received responses from 119 respondents covering the breadth of the UK <https://www.nea.org.uk/publications/uk-fuel-poverty-monitor-2022-23/>

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 poverty³.
- 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 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”⁴. 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.

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.

³ <https://www.endfuelpoverty.org.uk/public-demand-more-government-action-on-energy-crisis/>

⁴ <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-poverty-poorest-bills>