

Decisive action to break influence of gas on electricity prices

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- New plans include long-term fixed-price contracts for renewables, protecting families when gas prices spike.
- Immediate action to tax excess profits through the Electricity Generator Levy by raising the rate from 45% to 55%, ensuring an increased proportion of the extraordinary revenue generated when the gas price spikes is available to government to support businesses and households with the cost-of-living.
- Comes as government doubles down on drive for clean, homegrown power with raft of measures to unlock public land, speed up planning and cut bills for families.

Plans to better protect families and businesses by ending the unfair way international gas prices push up electricity prices across Great Britain take a major step forward today.

Instability in the Middle East has shown that Britain's reliance on international fossil fuel markets leaves families and businesses exposed to volatile gas prices, driving the cost-of-living crisis even though much of the country's electricity comes from cheaper renewables and nuclear.

When wars, geopolitical tensions or supply shocks abroad push up global gas prices, electricity bills rise with them, exposing families to crises they have no control over.

Over time, this problem is easing as new clean energy projects are built on fixed price contracts that protect consumers from gas price volatility. But a significant share of renewable generation - about 30% of Britain's power supply - is still exposed to wholesale prices set by gas, leaving families vulnerable when international prices rise.

Therefore, to shield families from future crises, today the government is setting out new measures to 'break the link', reducing the impact that volatile gas prices have on the price of electricity. This will be done by:

- Voluntary long term fixed contracts: offered to existing low-carbon generators not on fixed-price contracts - covering around a third of Britain's power supply. This will help protect families and businesses from higher bills when gas prices spike, with contracts offered only where they deliver clear value for money for consumers.
- An updated Electricity Generators Levy: immediate action to tax excess profits through the Electricity Generator Levy by raising the rate from 45% to 55%, ensuring an increased proportion of the extraordinary revenues generated when the gas price spikes is available to government to support businesses and households with the impacts of the conflict in the Middle East on the cost of living.

Measures announced today will further reduce the share of electricity exposed to gas price shocks

and provide generators the economic incentive to move on to fixed contracts not linked to volatile gas. The government is monitoring the impact of the current crisis on energy bills and will be ready to step in to provide targeted support where necessary.

Britain has already moved from gas setting the price of electricity around 90% of the time in the early 2020s, to around 60% today. Through the government's clean energy mission, it is estimated gas will set the wholesale price around half of the time by 2030.

Prime Minister Keir Starmer said:

We need to get off the fossil fuel rollercoaster - this will make energy bills more stable and take the pressure off family budgets.

When global gas prices spike, people here shouldn't be picking up the tab.

Our focus is simple: easing pressure on household budgets now, while building a homegrown energy system that protects families from global instability in the years ahead.

Energy Secretary Ed Miliband said:

As we face the second fossil fuel shock in less than five years, the lesson for our country is clear: The era of fossil fuel security is over, and the era of clean energy security must come of age. That's why we're doubling down on clean power, to give our country energy security and bring down bills for good.

Chancellor Rachel Reeves said:

Hardworking British families and businesses should not bear the brunt of global gas price shocks while electricity generators are making exceptional profits.

Alongside moving generators onto the competitive pricing assured through wholesale Contracts for Difference, increasing the EGL to 55% will help to break the link between high gas prices and high electricity prices - offering households and businesses stronger protection against future energy shocks.

Speaking today at the Good Growth Foundation, the Energy Secretary set out further measures to help cut bills for families and deliver more clean, homegrown power:

Bigger grants for households on heating oil and LPG

The crisis in the Middle East has impacted those on heating oil and LPG the hardest. The government is today announcing an increase to the Boiler Upgrade Scheme (BUS) grant for properties heated by oil and LPG, taking the total grant to £9,000. This will help those households and small businesses in England and Wales most impacted by rising energy prices, particularly in rural areas, to electrify their heating and provide greater certainty over energy bills.

Further details on Transitional Energy Certificates

Today in advance of legislation, we are publishing further details on Transitional Energy Certificates to provide greater certainty and clarity for industry looking to invest in already-explored areas near existing licensed fields, supporting a fair and managed transition.

Faster upgrades for social housing

The government is already investing £1.2 billion to upgrade 100,000 social homes over the next two years. To accelerate further, the government is today providing an additional £100 million of funding for the Social Housing Fund, subject to final approvals, to support the delivery of up to a total of 57,000 solar installations for households this financial year. Through the Social Housing Fund and social housing regulations in the Warm Homes Plan, this will help households cut bills by hundreds of pounds and support up to a million homes reach EPC C.

Solar panels for schools and colleges

Building on the success of Great British Energy's solar scheme, the government is backing the company to extend support for more rooftop solar installations on a further 100 schools and colleges this year. Up to £40 million of government investment, subject to final approvals, Great British Energy will deliver new rooftop solar and renewable schemes - helping the public sector cut energy costs and reinvest savings.

Public land

Driving forward plans to massively expand renewables across the Public Estate - including using brownfield land, industrial sites and railway sites to host solar panels and wind turbines. This could unlock up to 10GW of capacity, even using only a fraction of government land, powering the equivalent of around 5 million homes.

Planning and land rules

Streamlining outdated rules to unblock the grid and speed up clean, homegrown power, through the biggest overhaul of planning, land access and grid connection processes since the start of the government's clean energy mission — cutting delays for essential grid upgrades and renewables, and exploring new routes for developers to build and connect their projects faster.

EVs, heat pumps and solar

Plans to make it easier for people to switch to cheaper electric transport and heating, by making EV chargers, solar panels and heat pumps easier to install for renters, flat-dwellers and households without a driveway.

The government is exploring ways to ensure that low-income households can benefit from plug-in solar through our Warm Homes Plan this year, and have earmarked up to £25 million with a view to piloting support for plug-in panels in partnership with local authorities and mayors: our vision is a street by street approach where tens of thousands of low-cost solar panels are delivered to those most in need.

Reformed National Pricing

Households and businesses will benefit from a cheaper, more efficient energy system through a new Reformed National Pricing Delivery Plan. The delivery plan shows how smarter planning and faster

delivery of electricity infrastructure could unlock up to £20 billion in benefits between 2030 and 2050.

Notes to editors:

- Fixed contracts, known as 'Wholesale Contracts for Difference' will be introduced voluntarily later this year, with an intention to run an allocation process in 2027.

<https://www.gov.uk/government/news/decisive-action-to-break-influence-of-gas-on-electricity-prices>