

Social Market Foundation, Citizens Advice and Public First workshop

The future of energy price support policies after the price cap: Workshop 1

This workshop was the first of a series as part of a joint SMF, Citizens Advice and Public First project on the future of energy price support policies after the price cap. The workshop was hosted on Tuesday 19 July and attended by energy stakeholders, including suppliers, charities and academics. This note summarises key findings and observations from the discussion, which was held under the Chatham House rule.

The aim of the first workshop was to set out the principles that would underpin support policies. We discussed: **who** should receive support: should price support be universal or targeted? ; **where** support should be delivered (directly to consumers on the demand side of the market or via suppliers on the supply side); and **how** support be funded (on bills, by suppliers or through general taxation?).

Points of discussion and agreement:

The existing framework of support requires reform. There was a broad consensus among roundtable participants that current schemes are insufficient in supporting households to afford their energy bills. The need for reform has become even more pertinent given the rise in wholesale gas prices.

Targeted support was favoured, in principle. It was recognised that in an unequal society, such as the UK, there will always be consumers who the market works less well for and are less able to protect themselves. As a result, a first principles approach to energy justice should target support at those most in need.

But poor delivery means targeting often misses those in need. In practice, vulnerable households often miss out on targeted support as defining eligibility is complex, resulting in too narrow of a scope and/or high administration costs. Participants also noted how policies that put a burden of responsibility on recipients to seek out help and identify themselves as needing help are prone to miss many eligible people, not least because stigma deters uptake. Accordingly, **some participants suggested a universal backstop may be necessary.**

It's unclear whether the recent gas price crisis will generate more buy-in for targeted support from higher earning households. Global crises such as the pandemic or wholesale gas prices can give rise to collective narratives (e.g. “we’re all in this together”), when the impact is far more severe for vulnerable households. Some roundtable participants raised concerns that the collective crisis may lead to a short-term universal approach to support, such as the £400 rebate, which reduces the amount of funding available to help vulnerable households and address long-term energy poverty.

Focus groups ran by Public First as part of this project revealed that higher-income participants favoured targeted support. Lower-income focus group participants were more wary of means-testing and other targeting, partly on the basis of their own direct experience of means-testing. Polling by Public First for this project also found that 52% of the public would support the Government providing direct financial support to help

poorer households with their energy bills - even if this meant taxes rise as a result. Only 22% said they opposed this approach.

Support was most commonly spoken about in terms of simple, consumer-side fiscal policy. Discussions about support largely focused on payments or discounts for energy bills given directly to the consumer. Participants views on how this should be delivered differed between a direct discount vs through the existing tax and benefits system. In contrast, one participant made the case for supply-side intervention by way of mandatory social tariffs for all suppliers. Irrespective of the mode of delivery, participants agreed that support schemes should avoid unnecessary complexity.

Funding through on-bill levies raised issues of complexity and transparency. As with delivery, participants favoured funding support through uncomplicated and transparent mechanisms. Any price support mechanisms delivered through bills should also consider how to reach consumers using unregulated heating fuels which are prevalent in off-gas areas and heat networks. Some participants agreed that funding through general taxation would likely be the most fair mechanism.

Wider points on Net Zero, energy efficiency and utility regulation were raised for further discussion in subsequent workshops.

- Decarbonisation is outside of the scope of our project, but some participants felt it was impossible to design a durable regime of price support that does not take full account of the transition to a Net Zero economy.
- Should support for energy efficiency also be included in a long-term strategy? How would this approach differ to fiscal support in terms of targeting, delivery and funding?
- Do we need to consider how utilities are regulated more broadly? Does the energy market differ from water and telecoms enough to justify a different approach to regulation?

Our following workshops will focus on more detailed discussions of what sort of policy regime might command broad support, and how that policy could be targeted, implemented and delivered.

To learn more about this project, submit evidence or participate in future events, contact us at energy.bills@smf.co.uk.