

Briefing

Delivering security in the spring statement

March 2022



The war in Ukraine has accelerated a steep rise in household costs. Inflationary pressures, from the reopening of the global economy and climbing energy prices, have been supercharged as goods and energy supply chains are further disrupted. Essential sanctions will have secondary effects, slowing global economic growth. The crisis will grow and requires an urgent response.

This crisis has exposed UK households' vulnerability to economic and energy disruption. At a time of limited resources, the government must prioritise policies which maximise security and returns on investment.

The chancellor has a choice. He can continue to rely on out of date technologies that leave the UK vulnerable to geopolitical risks and volatile costs, or he can deliver economic and energy security with cheaper low carbon technology that will drive future economic growth.

To deliver immediate and long term security at the spring statement the chancellor should:

Shield households from devastating price rises

In April 2022, Ofgem will raise the price cap to nearly £2,000. Both gas and oil prices have surged since this was announced in February 2022. It is feasible that Ofgem may use these extraordinary circumstances to reopen the cap and raise it further, prior to the next rise in October 2022.

Immediate action possible:

- **Move green levies into general taxation.** At a cost to the taxpayer of £4.8 billion, this would immediately take £153 off everyone's bills. General taxation is a fairer way to distribute these costs, as low income households spend a higher percentage of their income on energy bills. Under this approach, the lowest income group would save £98 a year and the highest income group would pay an additional £468.
- **Expand the Warm Home Discount scheme (WHD).** The eligibility criteria of the WHD should be expanded to allow more of the poorest households to access the £140 rebate. Less than 69 per cent of lowest income households and 47 per cent of households in the second income decile are eligible for WHD. Expanding the WHD to all Universal Credit claimants, funded by government not billpayers, would mitigate the impact of accelerating fuel poverty.

- **Fund policies with a windfall tax on unexpected oil and gas profits.** There is cross party support for an extraordinary increase in the [supplementary charge](#) to help households with soaring costs. Since bp and Shell announced 2021 profits of [£9.45 billion](#) and [14.3 billion](#) respectively, the price of oil has risen over 20 per cent and the price of gas by over 50 per cent. This unexpected windfall is being used to [expand share buybacks](#) that boost share prices, rather than being invested in clean energy generation. A proportion of these profits should be used to help households cope with rising energy costs.

Tackle energy waste to respond to the crisis

The immediate option to deprive Vladimir Putin's regime of income is to reduce energy waste. Using less gas and oil will save households money now. While Russian fuel imports meet only a small part of UK energy demand, at three per cent, reducing use beyond that level will help allies by allowing the UK to export more energy to Europe.

Immediate action possible:

- **Reduce domestic gas consumption.** The government's energy efficiency [target](#) is for as many homes as possible to achieve EPC band C by 2035, where practical, and affordable. Upgrading [one million homes](#) each year from EPC band D to C, through basic energy efficiency measures, would cut gas demand by 20 per cent per home. This could reduce UK net gas imports by around [15 per cent](#). Installing [1.8 million heat pumps](#) for two consecutive years could eliminate Russian gas imports for home heating as they are 300 per cent more efficient than gas boilers. The UK Infrastructure Bank can help to mobilise private investment in energy efficiency and low carbon heat, by prioritising the built environment in its initial investments.
- **Launch a national campaign on energy waste.** The 'Get ready for Brexit' campaign cost the Cabinet Office [£49 million](#), while Covid communications were [£184 million](#) in 2020. A campaign should highlight the opportunities to reduce energy wastage in support of Ukraine and to save households money. Turning the thermostat down by just one degree can save around [ten per cent](#) on energy bills, while lowering boiler flow temperatures can save around [seven per cent](#). Switching appliances off, rather than leaving them on standby, could save a further [£86 a year](#).
- **Cut food waste.** Households face the [fastest rate](#) of food price inflation in a decade. The war on Ukraine will make this worse. The [UN Food and Agriculture Organization](#) projects that food and animal feed prices could rise by up to 20 per cent. The government should provide incentives for the sharing of unsold, edible food from manufacturers, retailers and caterers, in partnership with the third sector, to alleviate food poverty. Support for efficient farming can also cut costs. The average UK farmer wastes 40 per cent of their fertiliser but the best farmers waste just ten per cent.

- **Don't waste petrol.** Petrol prices are at a [record high](#), with a [£400](#) rise in annual costs to households. Despite its lower energy usage, public transport costs have also risen, while its use is below [2019 levels](#). Rail fares [have risen](#) by 3.8 per cent, the biggest jump since 2013, while [Transport for London](#) fares will rise by 4.8 per cent. Higher oil and gas tax receipts, or redirecting the [£26 billion](#) road funding, could be used to provide an incentive for public transport use by expanding and restoring rail and bus connections or cutting bus fares as [New Zealand](#) has done.

Increase low carbon technology

Autocrats do not control the wind or the sun. Renewable energy is central to releasing their long term grip on our economy and providing security for UK citizens. If built, the [410 solar projects and 239 onshore wind projects](#) awaiting construction would provide enough electricity to replace Russian fuel imports. Instead of dated costly technology, green energy will reduce UK vulnerability by accelerating economic growth through [higher productivity](#) than fossil fuels.

Immediate action possible:

- **Swap combustion vehicles for electric.** Rapidly moving away from petrol and diesel vehicles will slash the UK's fossil fuel dependency. Electric vehicles require no motor oil at all, and are more efficient than fossil fuel cars, converting 77 per cent of electricity into motion, while petrol cars convert only 12-30 per cent. To accelerate electric vehicle use, the government should ensure its [zero emission vehicle mandate](#) for cars and vans is ambitious, with interim targets in the 2020s. VAT on public charging points should also be cut from 20 to five per cent, in line with private charging points to level the playing field for those without off-street parking.
- **Roll out onshore wind.** Over 12GW of onshore wind generates power for over [7.25 million homes](#) a year, but growth in capacity has stalled since 2015. Additional capacity has [fallen](#) from 1.8GW in 2017 to 0.3GW in 2021. Immediately easing planning restrictions could bring new capacity online in under [two years](#), a similar timescale to fracking.
- **Supercharge solar uptake.** The UK added 730MW of new solar generation in 2021 to bring the total photovoltaic (PV) capacity in the UK to [14.6GW](#). Further growth in [solar capacity](#) could be supported on a residential scale, by applying zero rate VAT to solar energy and energy storage assets, and on a utility scale by guaranteeing solar plant access to annual renewable energy auctions until 2030, beginning from Allocation Round 5.

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