***\*\* UNDER EMBARGO UNTIL 22.30 31 March 2022\*\****

Energy Price Cap – Fact Sheet

1. **What is the Energy Price Cap?**

The energy price cap is a legal mechanism that sets a maximum amount that energy suppliers can charge customers for their energy. The price is set per unit of energy, so the cost to consumers varies depending on how much energy they use. The price cap is intended to ensure long standing customers are not unfairly penalised for not switching suppliers, so that those who are on standard or variable tariffs don’t pay an inflated price for their energy to subsidise cheaper tariffs to attract new customers.

1. **What did the Energy Price Cap rise to this year?**
Industry regulator, Ofgem, announced in February 2022 that the Energy Price Cap will see an increase of £693 from £1,277 to £1,971 from today (01 April), due to last until October 2022. The increase is driven by a record rise in global gas prices over the last 6 months, with wholesale prices quadrupling in the last year. These figures are for a typical bill, and exactly how much any consumer pays will depend on their usage.
2. **How is the Energy Price Cap protecting consumers?**

The price cap will continue to protect 22 million households, ensuring they pay a fair price for their electricity and gas. The price cap is intended to ensure long standing customers are not unfairly penalised for not switching suppliers.

This is estimated to have, since it was established in 2019, saved those households an average of £75-100. The government is also providing a package of targeted support with energy bills worth £9.1 billion in 2022/23, with the majority of households set to receive £350 off their bills.

1. **Why did the Energy Price Cap rise?**

Energy bills are rising because it is more expensive for the companies who supply our energy to buy oil, coal, and gas. The reasons gas prices are soaring are global – both in global demand for energy from a long cold winter last year and increased demands during the Covid pandemic. More recently this is due to global supply of energy with the world seeking to end its dependence on Russia oil and gas following their illegal invasion of Ukraine. Over the last year, the price of gas alone has quadrupled. The energy price cap increased in April to take account of these increased prices.

It would not be in consumers interests for the cap to be set below the level at which efficient suppliers can operate, as that would lead to market instability and more supplier failures.

1. **Who sets the Energy Price Cap?**

Legislation sets out that Ofgem, in their role as independent regulator, must review the level of the cap at least once every 6 months to ensure the cap level appropriately reflects the underlying costs of energy, and the need to ensure that energy suppliers who operate efficiently are able to finance their activities. They have been clear that the increase in the cap is driven by a record rise in global gas prices over the last 6 months, with wholesale prices quadrupling in the last year.

1. **Does the Energy Price Cap impact all households?**

The price cap sets an upper limit on the amount regulated suppliers can charge consumers for a unit of energy. Not all households will be covered by the price cap. For example, some energy suppliers are exempted from the price cap, and it only applies to domestic gas heating suppliers.

Prices have reached historic highs in recent months, and the price cap has risen as a result. Customers who took out fixed-rate deals when energy prices were lower, and who are still with their original suppliers, will pay prices below the current price cap. Customers on variable rate tariffs will in most cases be charged the maximum allowed under the price cap.

1. **How is the government supporting households struggling with the pressures of rising energy bills?**

With the global cost of energy increasing the government recognises that many households need support to help deal with rising energy bills. We are providing a package of targeted support with energy bills worth £9.1 billion in 2022/23. This includes:

* **Council Tax Rebate**: A £150 non-repayable Council Tax rebate for households in Council Tax bands A-D, with payments starting today (01 April 2022). This covers approximately 80% of households in England.
* **Local authorities:** £144 million will go to local authorities to provide discretionary support to those who need it but don’t qualify for the Council Tax rebate.
* **Devolved Administrations**: £564 million will go to DAs using the usual Barnett scales, to give similar support to households in Wales, Scotland and Northern Ireland.
* **Energy Bills Support Scheme**: Domestic electricity customers in Great Britain will receive a £200 reduction in their electricity costs from this October, a universal measure to help all households to smooth out the costs of increased energy bills.

This is one of many government support measures adding up to £22 billion in 2022-23 to help households with the cost of living. This includes reducing the Universal Credit taper rate, cutting fuel duty, doubling **Household Support Fund** to £1 billion, raising the National Living Wage, freezing alcohol duty and providing targeted help with energy bills for the most vulnerable households.

1. **How is the government investing in improving energy efficiency of UK homes?**

**Improving the energy efficiency** of our homes and buildings is vital to keeping household energy costs down and reducing carbon emissions, which is why we are investing £6 billion into making homes more energy efficient over the next ten years. More information on this can be found here: <https://www.gov.uk/improve-energy-efficiency>

We are extending the **Energy Company Obligation** from 2022 to 2026, boosting its value from £640 million to £1 billion a year. This will help an extra 450,000 families with green measures such as insulation, with average energy bill savings of around £300 a year.

The government is expanding eligibility for the **Warm Home Discount** by almost a third and increasing the rebate value to £150 each year (from £140). Around 3 million vulnerable households will now benefit from the £150 supplier rebate.

The Government’s **Heat and Buildings Strategy** set out a comprehensive package of measures to retrofit the nations buildings. Alongside this the Government has announced more than £3.9 billion of new funding for decarbonising heat and buildings. This will fund the next 3 years of investment through the **Social Housing Decarbonisation Fund, the Home Upgrade Grant scheme, the Boiler Upgrade Scheme and the Heat Networks Transformation Programme.**