

# Government announces Energy Price Guarantee for families and businesses while urgently taking action to reform broken energy market

## **Energy Price Guarantee**

From 1st October, a new 'Energy Price Guarantee' will mean a typical UK household will now pay up to an average £2,500 a year on their energy bill for the next two years. This is automatic and applies to all households.

This will save the average household at least £1,000 a year based on current energy prices from October and is in addition to the £400 energy bills discount for all households.

This applies to all households in Great Britain, with the same level of support made available to households in Northern Ireland.

See what [Help for Households is available](#)

- Typical household will save an average of £1,000 a year on their energy bills, under a new two-year Energy Price Guarantee
- Businesses and public sector organisations will see equivalent support over the winter
- New plans will tackle the root causes of problems in the energy market by boosting domestic energy supply
- Package will boost growth and curb inflation rises

Prime Minister Liz Truss sets out decisive action to support people and businesses with their energy bills and tackle the root causes of the issues in the UK energy market through increased supply – ensuring the country is not left in the same position again.

Under new plans, a typical UK household will pay no more than £2,500 a year on their energy bill for the next two years from 1st October, through a new 'Energy Price Guarantee' which limits the price suppliers can charge customers for units of gas. This takes account of temporarily removing green levies, worth around £150, from household bills. The guarantee will supersede the existing energy price cap.

This will save the average household £1,000 a year based on current energy prices from October. It comes in addition to the announced £400 energy bills discount for all households and together they will bring costs close to where the energy price cap stands today.

The new guarantee will apply to households in Great Britain, with the same level of support made available to households in Northern Ireland.

Those households who do not pay direct for mains gas and electricity – such as those living in park homes or on heat networks – will be no worse off and receive support through a new fund.

Today's action will deliver substantial benefits to the economy – boosting growth and curbing inflation by 4-5 points, reducing the cost of servicing the national debt.

The historic intervention comes after a failure to invest in home-grown energy and drive reform in the energy market. Putin's weaponisation of energy supply has exposed the UK's vulnerability to the volatility of global markets, coupled with a regulatory framework which is no longer fit for purpose, which is driving up bills and holding back economic growth.

Prime Minister Liz Truss said:

Decades of short-term thinking on energy has failed to focus enough on securing supply – with Russia's war in Ukraine exposing the flaws in our energy security and driving bills higher. I'm ending this once and for all.

I'm acting immediately so people and businesses are supported over the next two years, with a new Energy Price Guarantee, and tackling the root cause of the issues by boosting domestic energy supply.

Extraordinary challenges call for extraordinary measures, ensuring that the United Kingdom is never in this situation again.

As businesses have not benefited from an energy price cap and are not always able to fix their energy price through fixed deals, many are reporting projected increases in energy costs of more than 500%.

A new six-month scheme for businesses and other non-domestic energy users (including charities and public sector organisations like schools) will offer equivalent support as is being provided for consumers. This will protect them from soaring energy costs and provide them with the certainty they need to plan their business.

After this initial six-month scheme, the Government will provide ongoing, focused support for vulnerable industries. There will be a review in 3 months' time to consider where this should be targeted to make sure those most in need get support.

The Government will provide energy suppliers with the difference between this new lower price, and what energy retailers would charge their customers were this not in place. Schemes previously funded by green levies will also continue to be funded by the Government during this two year period to ensure the UK's investment in home-grown, secure renewable technologies continues.

Whilst the intervention will be funded by the Government, action is being taken to significantly reduce the cost over time, including:

- A new Energy Supply Taskforce – led by Madelaine McTernan who headed up the UK's successful Vaccine Taskforce – has begun negotiations with domestic and international suppliers to agree long-term contracts that reduce the price they charge for energy and increase the security of its supply. The Taskforce and Department for Business, Energy and Industrial Strategy will negotiate with renewable producers to reduce the prices they charge as well.
- HM Treasury are announcing a joint scheme, working with the Bank of England, to address the extraordinary liquidity requirements faced by energy firms operating in UK wholesale gas and electricity markets. The Energy Markets Financing Scheme will enable stability to both energy and financial markets, and the economy, and reduce the eventual cost for businesses and consumers. The scheme will provide short term financial support and will be designed to be used as a last resort.

Learning from the mistakes of the past, the Government is taking action to accelerate domestic energy supply, increase our energy resilience and achieve our ambition to make the UK an energy exporter by 2040:

- Launch a new oil and gas licensing round as early as next week, expected to lead to over 100 new licences.
- Lift the moratorium on UK shale gas production. This will enable developers to seek planning permission where there is local support, which could get gas flowing in as soon as six months.
- Drive forward the acceleration of new sources of energy supply from North Sea oil and gas to clean energy like nuclear, wind and solar.
- Continue progressing up to 24GW of nuclear by 2050, with Great British Nuclear helping to set direction of getting new nuclear projects online in the UK.
- Undertake fundamental reforms to the structure and regulation of energy market through recommendations from a new review of the UK Energy Regulation.
- Launch a review to ensure we are meeting our Net Zero 2050 target in an economically-efficient way, given the altered economic landscape. Chaired by Chris Skidmore MP and reporting by the end of this year, it will ensure delivering the target is not placing undue burdens on businesses or consumers.

Chancellor Kwasi Kwarteng said:

Millions of families and businesses across the country can now breathe a massive sigh of relief, safe in the knowledge that the government is standing behind them this winter and the next.

The price of inaction would have been far greater than the cost of this intervention. Not only can we provide urgent support now, but the beauty of our scheme is that it will also bring down inflation, helping tackle wider cost of living pressures.

Business and Energy Secretary Jacob Rees-Mogg said:

The global headwinds caused by Russia's war in Ukraine, Putin's weaponisation of energy and the aftermath of Covid, have exposed the need to strengthen Britain's energy security for the good of the nation and the millions of households and businesses who will struggle to meet the cost of bills this winter.

The action we are taking today will reduce that worrying burden in the short term and will invigorate the long term reforms we need to complete, to resolve the underlying problems in the energy market and ensure the British people enjoy affordable and plentiful energy in future.