The Rt Hon Rachel Reeves MP Chancellor of the Exchequer HM Treasury 1 Horse Guards Road, Westminster London, SW1A 2HQ

Dear Chancellor,

## Prioritising the reduction of levies on electricity

We welcome reports the government is considering options to reduce taxes and levies on domestic energy bills. Energy bills remain over a third higher than they were before the gas crisis [1]. Household energy debt has reached a new record high of £4.4bn [2], and energy now accounts for nearly 5% of average household spending [3]. The government urgently needs to act to address the cost of living crisis and lower household energy bills [4].

Energy price increases since 2022 have been predominantly driven by increases in gas prices. However, taxation and levies also artificially inflate electricity bills by around 25% [5]. As well as increasing bills, this deters investment in electrifying our economy. Electrification is crucial to lowering energy bills, and is the only option for keeping energy bills stable and low in the long-term [6, 7].

Removing a portion of levies from electricity bills, without reducing investment in energy efficiency, would deliver an immediate, universal energy bill reduction for all UK households, as well as addressing a distortion which poses a barrier to electrification. If it is not possible to reduce both VAT and other energy levies in the same budget, we urge you to prioritise reducing the levy burden on electricity bills, rather than delivering a VAT reduction split more thinly across electricity and gas.

Prioritising electricity bill reductions, rather than reductions divided between electricity and gas, would:

- Deliver greater benefits for a larger number of households (as 100% of households use electricity whereas only ~70% of households use mains gas)
- Deliver greater benefits to electrically-heated households, who are twice as likely as other households to experience fuel poverty, and
- Have a greater impact on economic growth, decarbonisation and energy security by incentivising electrification.

Levies on electricity are a handbrake on electrification, and an unfair burden disproportionately felt by households least able to bear them. We urge the government to prioritise the reduction of levies from electricity bills as a critical step in reducing energy bills, fighting fuel poverty and delivering greater economic growth.

## Yours sincerely,

Nick Mabey, CEO, E3G

Adam Berman, Director of Policy and Advocacy, Energy UK

Ben Westerman, Director of Policy and Advocacy, Electrify Britain

Shaun Spiers, Executive Director, Green Alliance

Gillian Cooper, Director of Energy, Citizens Advice

Caroline Abrahams, Charity Director, AgeUK

Rocio Concha, Director of Policy and Advocacy and Chief Economist, Which?

Jack Richardson, Head of Policy, Octopus Energy

Kit Dixon, Head of Policy and Regulation, Good Energy

Scott Somerville, Director of External Affairs, E.ON UK

Mary Starks, Vice-President of Regulation, Risk and Policy, OVO Energy

Mark Wilkins, Technology and Solutions Portfolio Director, Vaillant Group

Spencer Clark, Commercial Managing Director, Dimplex

Angela Francis, Director of Policy Solutions, WWF

Mike Childs, Head of Policy & Science, Friends of the Earth (England, Wales and Northern Ireland)

Areeba Hamid, Co-Executive Director, Greenpeace

Kyle Lischak, Head of UK, Client Earth

Ben Twomey, Chief Executive, Generation Rent

Rachel Solomon Williams, Executive Director, Aldersgate Group

Bev Cornaby, Director, UK Corporate Leaders Group

Christopher Hammond, Chief Executive, UK100

Jane Cooper, Deputy CEO, RenewableUK

Chris Hewett, Chief Executive, Solar Energy UK

Joanne Wheeler, Co-head of Policy and Places, UK Green Building Council

Rachael Williamson, Director of Policy, Communications and External Affairs, Chartered Institute of Housing

David Lawrence, Co-founder, Centre for British Progress

Madeleine Gabriel, Mission Director, Nesta

Johnny Gowdy, Director, Regen

Janine Michael, CEO, Centre for Sustainable Energy

Richard Black, Director of Policy and Strategy, Ember

Simon Francies, Coordinator, End Fuel Poverty Coalition

Stew Horne, Head of Sector Intelligence and External Relations, Energy Saving Trust

Andrew Eldred, Deputy CEO, Electrical Contractors Association

Dave Sowden, Chief Executive, Sustainable Energy Association

Yselka Farmer, CEO, BEAMA

Griff Thomas, Executive Director of Energy Transition and External Affairs, United Infrastructure

Charlotte Lee, Chief Executive, Heat Pump Association

Bean Beanland, Director for Growth & External Affairs, Heat Pump Federation

Laura Bishop, Chair, Ground Source Heat Pump Association

David Cowdrey, Director of External Affairs, MCS Foundation

Chris Whitelock, Founding Director, Pure Renewables
Aadil Qureshi, CEO, Heat Geek
Johan du Plessis, CEO, Tepeo
George Drennan-Lang, Development Director, Changeworks
James Sommerville, Director, Green Rose CIC
Dr Ashok Sinha, CEO, Ashden
Ivan Horoshenkov, Strategy Director, Rendesco
Chris Davidson, Chief Technical Officer, Genius Energy Lab
Mike Kellett, Director, COP Angel
Ben Marks, Managing Director, Electrify Research
Irene Omaswa, Chair, Ambient
Giovanna Speciale, South East London Community Energy
Andrew Nicolson, Chair, Wiltshire Climate Alliance

## References

- [1] EnergyUK (2025). Energy UK explains: October 2025 price cap: Energy UK Explains: October 2025 price cap Energy UK
- [2] Ofgem (2025). Debt and arrears indicators: Debt and arrears indicators | Ofgem
- [3] ONS (2025). Family spending in the UK: April 2021 to March 2022 <u>Family spending in the UK Office for National Statistics</u>
- [4] House of Commons Energy Security & Net Zero Committee (2025). Tackling the energy cost crisis: <u>Tackling the cost of the energy crisis</u>
- [5] E3G based on analysis by Baringa.
- [6] E3G (2025). The UK's clean power mission: Delivering the prize: The UK's clean power mission: Delivering the prize E3G
- [7] E3G (2025). Heat pumps have the potential to halve UK heating bills: <u>Heat pumps have the potential to halve UK heating bills E3G</u>