



Rt Hon Rishi Sunak MP
House of Commons
London SW1A 0AA

Rt Hon Liz Truss MP
House of Commons
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16 August 2022

Dear Rishi Sunak and Liz Truss

As organisations who have long called for action on Environmental and Social 'green' levies, we welcome the light shone on this issue by the Conservative Party leadership election. We ask the next PM to bring forward the review of Environmental and Social levies on fuel bills at the earliest opportunity.

Changing the way different energy sources are taxed, by amending the green levies, 70% of households could immediately save up to £100 a year. What's more, this incentive to increase UK electrification will bolster the UK's energy security and decarbonisation efforts in the longer term.

Fair levies equal energy security

We ask the next PM to shift the balance of levies from electricity to gas, thereby encouraging a switch to electricity. In 2020 43% of UK electricity was produced by renewable sources and the percentage is accelerating at pace. By further incentivizing the switch to clean electricity we are reducing our reliance on imported gas from Russia or elsewhere. In our view, the best way to achieve this is to rebalance levies between electricity and gas, creating parity. We want green levies charged fairly – in the same way, and at the same rate and frequency as gas.

Move green levies to general taxation

We recognise there is pressure to remove levies completely. In our view, a moratorium on levies would be the wrong approach. Ultimately, we agree that in the longer term, levies should be stripped from domestic energy bills and funded through general taxation. If you acted quickly to remove levies from consumer bills, this approach could happen earlier. But the government must continue to support renewable energy through general taxation. Increasing the supply of UK-produced clean electricity is the single most important factor in achieving energy resilience and therefore a secure energy supply.

Existing blueprint

This is nothing new for government. In April this year, the Climate Change Levy, a commercial tax on business electricity use, rebalanced levy rates on electricity and gas. This saw a move from a ratio of 2.5:1 electricity: gas, to a 1:1 ratio. The changes to the Climate Change Levy are expected to increase funds going to the Treasury by over £150 million in two years.

Alleviating fuel poverty

Electricity prices are currently four times higher than gas, meaning renewable energy is more heavily taxed than gas. According to the ONS, households using electricity as the main fuel for heating were the most likely to experience fuel poverty. By addressing this historic tax anomaly, the new leader will reach those who are hardest hit by rising fuel bills.

Energy levies are complicated and play a critical role in driving energy independence in the UK. Simply scrapping them will have significant unintended consequences. In our view there are better alternatives, ideally achieving parity between electricity and gas, but if not, moving them immediately into general taxation.

We see a real opportunity for the next PM by acting quickly on this. It will reduce energy bills and bring immediate relief to households. We are keen to work with you to achieve a practical solution to bring green levies into general taxation, which will reduce our dependency on gas and increase energy security.

Yours sincerely



Steve Bratt
Group CEO, Electrical Contractors' Association (ECA)

David Frise, Chief Executive, Building Engineering Services Association (BESA)

Julia Evans, Chief Executive, Building Services Research and Information Association (BSRIA)

Chris Yates, Chief Executive, Federation of Environmental Trade Associations (FETA)

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