Rt Hon Claire Coutinho MP
Shadow Secretary of State for Energy Security and Net Zero
House of Commons
London SW1A 0AA
By email

8 October 2025

Dear Rt Hon Claire Coutinho MP,

Clarifying the figures behind the "Cheap Power Plan"

We welcome your focus on reducing energy bills. After reviewing the figures accompanying this week's announcement, we have concerns about the claimed impact on household bills and how these numbers will translate for consumers in practice. We would value a meeting to discuss your proposals and explore practical ways to reduce energy costs for those most at risk.

Headline savings

- The claimed £165 reduction relies on simplified assumptions and full, immediate pass-through to retail bills. In practice, hedging, standing charges, network costs and supplier cost recovery mean any wholesale or policy-cost change feeds through with lags and variations by tariff and region. We worry that presenting a uniform saving risks misleading consumers and would ask for more detail on what you are proposing. [1]

Carbon pricing

- "Around a third of wholesale price" being carbon costs can only be true for certain price levels and periods. It is not a fixed share. The Government does not set the carbon price, which is determined by supply and demand in the market. Are you able to clarify the assumptions?
- The public backs the polluter-pays principle so that those creating emissions pay for them, but there is also a strong case to reform market design so gas does not routinely set the price for all electricity. Cheap renewables should be reflected more directly in bills. [2]

EU ETS alignment

- The claim that linkage has raised the UK carbon price by 70% depends on the baseline date and does not establish causation. Using a single percentage to imply a direct, continuing impact on family bills risks overstating a complex, volatile market. [3]
- The Treasury currently collects the revenue from the UK ETS to fund public services and the linkage is supported by the energy industry. What is your proposal for a replacement for this?

Renewables Obligation (RO)

- Quoting a cumulative RO burden of "over £67bn" appears to aggregate across years without clear methodology or official sourcing. Could you clarify this? RO is a legacy scheme closed to new entrants and it worked to lower costs of renewables significantly, while contracts will soon be coming to an end anyway. Newer projects are on Contracts for Difference which pay back when market prices are high, reducing bills. Therefore, we understand that it would not be correct to imply that all low-carbon support "pushes up profits at the expense of consumers."
- Wind and solar running on free resources, some built as a result of the RO, are already cutting the wholesale price by a quarter or £25/MWh by pushing expensive gas-fired power off the system. Independent analysis shows that when wind output is high, wholesale prices can be markedly lower than during low-wind periods, with overall savings building as renewables expand.
- But, crucially, if what is being proposed is to **terminate existing RO contracts** without an alternative in place, this policy instability could deter investors not only in renewables but across UK infrastructure. That uncertainty raises financing risk and the cost of capital, which ultimately makes everything more expensive for consumers. Dismantling RO without a credible replacement would slow grid and generation deployment and risk higher bills. Terminating contracts may also trigger legal challenges. Could you explain further your thinking on these challenges?

Additional concerns from conference

- We are worried by indications at Conservative Conference that funding for the Warm Homes Plan may be reduced and that support for boiler upgrades could be axed. These programmes are popular because they cut bills, improve health and reduce demand. Pulling support now will keep more households trapped in cold, damp homes, with higher NHS and social costs later.

- We are also concerned by renewed claims that granting more North Sea licences will make Britain's energy cheaper or more secure. As Energy Secretary you acknowledged that more drilling would not bring down bills. The geological reality is stark: the North Sea is running out of gas. By 2027 it will not produce enough to heat our homes, even if new fields are approved, and only around 14% of its original reserves remain commercially viable. Doubling down on a declining basin exposes households to volatile global prices rather than insulating them from risk.

Constructive next steps

We would welcome the chance to discuss a package that delivers cheaper bill cuts while protecting those most exposed:

- **Targeted financial support** for households in cold, damp homes.
- **Area-based energy efficiency and insulation upgrades** starting with those in fuel poverty.
- **Reform of energy pricing, tariffs and market structure** to reduce bills.
- **Investment in homegrown renewables and enabling the grid** to lock in lower, more stable wholesale costs.

We propose a meeting with you and your team to discuss practical steps that lower bills fast, protect those most at risk and improve the country's energy security and credibility with investors.

Yours sincerely,

Simon Francis,
End Fuel Poverty Coalition coordinator

[1] While we can see how your headline saving of £165 per household is plausible on simplified assumptions, it is not a guaranteed cut on bills. Specially, we would ask you to clarify:

- The carbon price that feeds into **marginal wholesale** electricity costs comes from the UK ETS plus Carbon Price Support. This assumes gas often sets the market price and near-full pass-through to consumers, which we understand does not happen.
- For the **Renewables Obligation** savings, we understand that cost recovery varies by tariff and is decreasing year on year, so we struggle to understand how you can guarantee a saving on this element of bills?
- **Retail bills** include standing charges, network and balancing costs, VAT, supplier costs and margins. Suppliers hedge wholesale purchases months ahead. Changes in policy or wholesale inputs feed through with lags and differ by region and contract. Many low-carbon projects are on Contracts for Difference, which pay back to consumers when market prices are high. For these reasons, a uniform, instant saving risks overstating what households will actually see.
- The related claim that axing the carbon tax would cut bills "instantly" by almost **£8bn a year** appears to be a gross system-wide estimate, not an immediate, household saving. A significant share would accrue to business users rather than domestic customers.

[2] We wrote to you about this while you were Secretary of State [pdf], sadly you did not respond.

[3] You've stated that aligning with the EU scheme has raised the UK carbon price by 70% since January. UK Allowance prices did rise from the low £30s per tonne in January to the mid-£50s more recently, but three clarifications are important:

1. **Causation vs correlation:** Price movements reflect many factors: fuel prices, expectations of future policy, cross-market sentiment and liquidity. Linkage prospects were one influence, not the sole driver.
2. **From carbon price to bills:** The pathway runs carbon price → marginal wholesale price (often set by gas plant) → supplier hedges → retail tariffs. Hedging means today's carbon price affects bills with a lag. The pass-through is not one-for-one and varies by supplier.
3. **Policy choices that protect consumers:** If alignment is pursued, the impact on households can be mitigated by predictable carbon-price trajectories, recycling ETS and CPS proceeds to lower bills for vulnerable households, strengthening CfD routes that return value when prices are high, and tackling standing charges and network cost allocation so the burden is fair. We strongly caution against simply removing

carbon pricing, which would raise risk premiums, deter investment and can increase long-term costs.

About the End Fuel Poverty Coalition

The End Fuel Poverty Coalition is a broad coalition of more than 100 anti-poverty, health, housing and environmental campaigners, charities, local authorities, trade unions and consumer organisations. It is also supported by academics, social enterprises and those working on the front line of fighting fuel poverty.

We believe that everybody has the right to a warm, dry home that they can afford to heat and power.