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Futureproof social tariffs

**TUC proposal for a crisis-proof,
targeted, flexible approach to
domestic energy support in 2026**

Summary

Global conflict risks exacerbating the UK's ongoing cost-of-living crisis and working people are worried as they look towards another winter of high bills and rising prices.

This report sets out actions that the government can take to protect household incomes and stabilise the economy both during energy crises and over the long term.

First, the government should immediately introduce a permanent, flexible, multi-level social tariff to provide a percentage reduction to energy bills to all those on lower incomes. This should be established as an ongoing social tariff for all lower-income households while including a built-in trigger for additional temporary support uplifts during acute energy cost crises, as at the present.

- This should be designed to provide support based on household income and need. The greatest support should be provided to households with the least income available to cover their requirements, but support should be available to others who need help. Our proposal covers up to two-thirds of households during oil crises
- This will require rapid completion of the government's ongoing efforts to accurately identify household-level income. This will allow energy cost interventions to take a targeted, needs-based approach, because blanket support or proxy eligibility tactics do not meet the needs of the moment
- This intervention should be funded through a combination of new bank taxes, moving large estates (for which the protection of the Price Cap is inappropriate) onto commercial energy rates, and through general taxation

Second, the government should urgently plan to further front-load delivery of the Warm Homes Plan with a fast-paced, proactive fuel poverty intervention this summer, permanently reducing the running costs of homes. This should be accompanied by an urgent training programme to equip existing gas heating engineers (whose skills are desperately needed to support with the largescale rollout of electrified clean heating) with the skills needed for the future, equipping the country with the tools to move faster.

Third, the government must go further to de-link UK energy prices from international wholesale gas prices by not paying gas prices for renewable energy and regulating the profits of fossil fuel generators. This would permanently cut costs and profiteering and support the modernisation of our economy.

A futureproof social tariff

Average energy prices are expected to rise by hundreds of pounds from July, putting household budgets under further strain after years of pressure on living standards. Clear and bold action is needed now to stabilise energy bills and the cost of living for UK households.

Ahead of this coming winter, when energy use will shoot upwards, the government should announce its commitment to a **permanent but flexible, multi-level social tariff**, providing new protection for the majority of UK energy consumers from being forced to pay for Trump's illegal wars.

The TUC has devised a model which protects all households on low and average income as standard, reducing bills for those who need it most while continuing to support the majority with the existing Price Cap mechanism.

The model proposes both a **standard social tariff**, designed to be applied as an ongoing norm for low-income households, and an **energy crisis social tariff** that kicks in during periods of crisis (for example, when oil prices average above \$90/barrel for a month or more) to temporarily extend support with amended percentage reductions and increased eligibility criteria, protecting middle-income households during these periods as well. This ensures fair and flexible protections for all who need it, while providing ongoing certainty and stability in the market, and removing the need for bespoke solutions to crises that will continue periodically for as long as large parts of our economy are dependent on fossil fuels.

It works by cutting a percentage from total energy bills for eligible households and showing the saving on bills, with different percentage reductions being applied according to different levels of equivalised household income.

Our model would give an immediate 30% reduction to total household bills to 17% of households whose combined annual income (adjusted for household size and composition) falls below the relative poverty line, a 20% reduction to a further 33% of households whose combined annual income falls below the level of median household income, and a 10% reduction to an additional 15% of households whose combined annual income falls below the average level of income. This results in material protections for 65% of UK households.

For those covered by the new Jul-Sep Price Cap, the energy crisis social tariff would cut an average of £559 per annum from the bills of the lowest-income households, £373 from below-average-income households, and £186 from average-income households, protecting two-thirds of households from punishing rises out of the control of the UK markets.

This approach would cost **£3.4-5.9bn** per annum, with the variance depending on variations in the wholesale cost of energy and the duration of the current energy crisis. We propose the costs of these measures are met by a combination of new increases to the bank surcharge, a new approach that takes the very large estates out of the Price Cap, and allocating existing government income from general taxation.

How does it work?

The model bases eligibility for reductions on '**equivalised household income**' (before housing costs), which is not the income of an individual nor a simple addition of all incomes in a household, but a true measure of affordability. This is already a measure

used extensively (by government and others) to assess household purchasing power and affordability, and one which is appropriate here for four main reasons:

1. Energy bills are (appropriately) charged at a household level. This requires any direct intervention which is aimed at meaningfully addressing the cost of living to also be made at that level
2. Energy usage is highly contingent on the composition of a household, with the number of people and their age profiles (which are taken account of in the government's method of calculating 'equivalised household income') being primary factors in understanding the energy demand of a household
3. Additional circumstances, like disabilities which require a household to use additional energy, are already accommodated for by existing government policies
4. Using blunt proxies, such as Universal Credit qualification or actual total income, will certainly lead to people falling through the gaps, while a fully universalised provision is both wastefully expensive for the public purse and deeply inappropriate when there are many households with ample capacity to accommodate higher bills

Real world data on equivalised household income is not currently held by energy retailers which bill energy customers. So, to put this policy in place, it will be necessary for the government to swiftly and accurately identify the household-level income of all energy consumers. This will allow their household income to be equivalised and the appropriate support to be made available on bills.

The plan set out in the King's Speech to legislate to enable direct inter-departmental sharing of income data from HMRC will be hugely beneficial to this process, but we urge government that there is no need to wait for primary legislation to achieve this aim. It is possible now for the government to create an accurate dataset that will allow the relative, contingent total incomes of households to be graded and support offered based on these grades along the lines set out above.

We would expect the government might operationalise this in a similar way to how HMRC assigns Tax Codes, with Social Tariff Codes being automatically provided to all energy consumers based on available data but a route made available to correct any misapplied codes.

Our model does not lower front-end tariffs (which would reduce the money available to service and maintain our energy system) and is based upon the **Price Cap being maintained** for the majority of households. It does however mean that many households will have a proportion of their bill paid for by the social tariff mechanism. The Price Cap ought to be retained because it provides stability to the market, guarantees necessary income for things like transmission networks, and protects our national energy market from excessive profiteering.

However, we do recommend that Price Cap protections be disappplied in rare cases of clear inappropriateness, as detailed below. This is for the practical reasons that certain households have incomes so large that no justification can be made for them to be

protected from wholesale costs, and that the disapplication cases would be infrequent enough to not risk any destabilisation of the market.

Additional measures

The government should also look to **bolster measures to ensure that energy consumers reduce their energy usage as much as is appropriate within their circumstances.**

Our model reduces total bills by a certain percentage given the circumstances of the household. It removes the need for involuntary energy frugality in the vast majority of households (by lowering liability) while still incentivising energy usage awareness because all cuts to usage will still result in lower bills.

While not everyone will be covered by our proposed social tariff, we also recommend that energy efficiency measures be promoted and energy sovereignty be maximised by the establishment of a new **Smart Meter Upgrade Programme** to fix, replace, or upgrade the large numbers of faulty and outdated Smart Meters.

While most households now have a Smart Meter, some estimates suggest that most of them do not perform as designed—not providing data sufficiently accurately or frequently or not providing data in a usable way to householders. The government should introduce a programme to systematically replace or fix them, allowing all consumers to benefit from time-of-day tariffs and to see their energy usage in real time. This work should not require a trigger, such as a change of tariff or energy provider, but should be available to all households. To get the best and most consistent results and support good employment, this work should be carried out exclusively by qualified electricians, employed directly within unionised workplaces.

Who would be covered?

In our proposal, the Price Cap would be maintained for the vast majority of households, and the new Smart Meter Upgrade Programme would be available universally. However, the social tariffs would apply based on eligibility criteria automatically calculated by the government.

Under our proposed **standard social tariff**¹ (applying at all times for eligible households, except when the extended energy crisis social tariff is in place), households with a before-housing-costs equivalised household income² of less than the relative poverty line of 60% of median income (which is 17% of households, some 4.9m) would receive a **25% reduction** to their energy bills, and those with between the relative poverty line and the median income (33% of households, some 9.5m) would receive a

¹ All savings and cost calculations are based on actual Apr-Jun and Jul-Sep Price Cap data (from [Ofgem](#)), government income distribution data (from the [HBAI](#)), and (in the case of percentage of income spent on energy) Ofgem's 2024 [domestic energy user archetypes](#)

² All income figures in this report refer to 'before-housing-costs equivalised household income'. We have used this measure of income for our thresholds as the most accurate way of assessing the level of need for individual families

15% reduction to their bills.³ This model thus supports around half of households at two different rates, and, annualised, would cost the Treasury between **£3.4bn** and **£3.8bn**.⁴

- This would save the **lowest income households** £466 per annum at the Jul-Sep Price Cap (or £244 compared with Apr-Jun rates) and reduce energy expenditure from between 7.5 and 11.1% of income to between 5.6 and 8.3% of income
- This would save **low-income households** £279 per annum at the Jul-Sep Price Cap (or £58 compared with Apr-Jun rates) and reduce energy expenditure from between 4.7 and 8.5% of income to between 4 and 7.2% of income

Standard social tariff summary table	Lowest income group	Low-income group	Average-income group
Portion of households	17%/4.9m	33%/9.5m	15%/4.3m
Percentage bills reduction	25%	15%	0%
Average annual saving (based on Apr-Jun Price Cap average) ⁵	£410	£246	£0
Average annual saving (based on Jul-Sep Price Cap average)	£466	£279	£0
Percentage of income spent on energy (compared with no action) (based on Apr-Jun Price Cap average)	5.4-7.3% (otherwise 7.2-9.8%)	3.5-6.8% (otherwise 4.2-8%)	4.4-5.8%
Percentage of income spent on energy compared with no action (based on Jul-Sep Price Cap average)	5.6-8.3% (otherwise 7.5-11.1%)	4-7.2% (otherwise 4.7-8.5%)	4.7-7.5%

Under our **energy crisis social tariff** (which would apply only to eligible households during periods when energy prices are high, for example, when crude oil is trading at \$90/barrel or more for a period of a month or more), all households with a before-

³ The relative poverty line is a widely used cut-off point to identify significant hardship and is therefore used here as the point from which the greatest support is provided. Median income is too already used extensively as a measure of relative purchasing power and affordability. A government model could use different but similar cut offs, shaped by government data on household incomes

⁴ The range reflecting whether the Price Cap stays at high Jul-Sep rates or falls to the more normal Apr-Jun rates more quickly

⁵ Figures are given based both on the Apr-Jun Price Cap and the Jul-Sep Price Cap to illustrate the impact of the policy proposal at both times of high costs (such as were represented by the Jul-Sep rates) and more normal rates (such as were represented by the Apr-Jun rates)

housing-costs equivalised household income of less than the relative poverty line of 60% of median income (4.9m or 17% of households) receive a **30% reduction** to their energy bills; those with between the relative poverty line and the median income (9.5m or 33% of households) receive a **20% reduction** to their bills; and those with between the median income and mean income (4.3m or 15% of households) receive a **10% reduction** to their bills. This model supports around two-thirds of households on three distinct rates. Annualised, it would cost the Treasury between **£5.2bn** and **£5.9bn**.⁶

- This would save the **lowest income households** £559 per annum at the Jul-Sep Price Cap (or £337 compared with Apr-Jun rates) and reduce energy expenditure from between 7.5 and 11.1% of income to between 5.3 and 7.7% of income
- This would save the **low-income households** £373 per annum at the Jul-Sep Price Cap (or £151 compared with Apr-Jun rates) and reduce energy expenditure from between 4.7 and 8.5% of income to between 3.7 and 6.8% of income
- This would save **average-income households** £186 per annum at the Jul-Sep Price Cap (or, because the Jul-Sep Price Cap will, unabated, raise the average bill by £221 compared with Apr-Jun rates, increase bills by only an average of £35) and reduce energy expenditure from between 4.7 and 7.5% of income to between 4.2 and 6.7% of income

Energy crisis social tariff summary table	Lowest income group	Low-income group	Average-income group
Portion of households	17%/4.9m	33%/9.5m	15%/4.3m
Percentage bills reduction	30%	20%	10%
Average annual saving (based on Apr-Jun Price Cap average) ⁷	£492	£328	£164
Average annual saving (based on Jul-Sep Price Cap average)	£559	£373	£186
Percentage of income spent on energy (compared with no action) (based on Apr-Jun Price Cap average)	5-6.8% (otherwise 7.2-9.8%)	3.3-6.4% (otherwise 4.2-8%)	4-5.9% (otherwise 4.4-6.6%)
Percentage of income spent on energy compared with no action (based on Jul-Sep Price Cap average)	5.3-7.7% (otherwise 7.5-11.1%)	3.7-6.8% (otherwise 4.7-8.5%)	4.2-6.7% (otherwise 4.7-7.5%)

⁶ See note 4

⁷ See note 5

Funding the social tariff

Our social tariff recommendations have been developed in line with the following principles:

- Low-income families need the greatest protection, but support for middle earners is also necessary to protect living standards and our economy from a sustained shock and to keep inflation stable
- Working people must not be made to carry the cost of Trump's illegal war, nor of price volatility in an international fossil fuel market over which they have no control
- It is fair to ask those with the deepest pockets and who accrue unearned windfalls to cover costs, and thus the government should urgently be developing all methods available to assess household income (as well as signposts of clear excess energy use) in order to best target interventions
- Any energy cost support scheme should be designed to be able to clearly demonstrate the benefit of government support—to build awareness and confidence that working peoples' living standards are being protected
- Alongside bill support, the government should aim for an energy policy that is sustainable, reducing energy use, and moving the UK off the rollercoaster of global gas prices so that we can better weather international fluctuations in energy prices in the future
- The government should learn the lessons from the pandemic, and develop policy through joint partnership with government, unions and businesses

Consistent with these principles, we propose that our social tariff should be funded through a combination of new bank taxes, moving large estates for which the protection of the Price Cap is inappropriate onto commercial energy rates, and through the proceeds of progressive taxation.

- The TUC has [previously](#) called for increases to the **bank surcharge tax**, which we calculate could raise up to £60bn over four years. With bank windfall profits currently sky-high due to cuts to the existing surcharge tax and held or rising inflation rates, the argument for this unearned profit being repurposed to support lower-income families is straightforward and popular with the public: Recent TUC polling shows that two in three people (66%) back our approach on bank taxes, including 83% of Conservative to Labour switchers and 73% of Reform-leaning Labour voters.⁸ Even just reversing the Tory cuts and setting rates back to 8% (which the TUC sees as the bare minimum) would raise £9bn over four years, paying for the vast majority of the cost of our approach
- The Price Cap was introduced to make domestic energy consistently affordable, to protect households from price gauging by energy giants, and to create a stable

⁸ [Public overwhelmingly back wealth tax package](#), TUC (September 2025)

energy market. For these reasons, it already does not apply to holiday lets and commercial buildings. We propose that it also be **disapplied to large domestic estates** because these clearly do not require support and in order that a new revenue stream be created to support the scheme. This will require the government to develop a metric to identify large estates that are inappropriately benefiting from the Price Cap

- The remainder of the cost of social tariffs should be made up of proceeds from **general taxation** rather than by a new tax or further borrowing. Tax is broadly progressive and the figures needed are not so excessive as to come close to breaching the Chancellor's fiscal headroom, most recently assessed by the Office of Budget Responsibility to be around £24bn.⁹

A wider package of support

In addition to introducing a futureproof social tariff, the government should accelerate the roll-out of the Warm Homes Fund and run a fast-paced, proactive fuel poverty intervention this summer. This should seek to upgrade the homes of those on the lowest incomes and in the very worst-performing homes, and equip existing heating engineers with the skills needed to seize the opportunities of the Warm Homes Plan.

Warm Homes acceleration

This summer, the government should carry out a **short-term, government-led upgrade sprint to upgrade thousands of homes** that are both the worst performing and lived in by people least able to weather rising bills. This should be in addition to the previously announced interventions.¹⁰

This emergency programme should be paid for with the unallocated £1.5bn earmarked for fuel poverty alleviation in the Warm Homes Plan. We estimate that this sum could support 50,000-100,000 full-house energy efficiency retrofits or 100,000-300,000 additional domestic solar arrays. We recommend that DESNZ uses fuel poverty data to identify badly performing homes (with EPCs of F or G) with residents least able to afford upgrades (those in the lowest deciles of household income) and invites them to participate in a fully funded upgrade on an emergency basis.

Because work and job quality have been unreliable in recent fabric fuel poverty alleviation schemes, DESNZ should pledge to work with existing partners only (principally those consortia currently delivering the Warm Homes Social Housing Fund or Warm Homes Local Grant, and those elements of the ECO4 supply chain which have shown good quality work and to be good employers) and to the best standards

⁹ See [Budget increases tax, spending, and headroom](#), Office for Budget Responsibility (November 2025) and [Economic and fiscal outlook](#), Office for Budget Responsibility (March 2026), 5.2

¹⁰ Including extending the Boiler Upgrade Scheme for those currently on heating oil or LNG; supporting the creation of a plug-in solar market; permitting cross-pavement EV charging; providing an additional £100m to the Social Housing Fund to deliver up additional rooftop solar installations; and adding more schools to GBE's solar programme

(PAS2030, rather than general competency accreditations), working with the Warm Homes Plan Workforce Taskforce (a government-TUC partnership) to support delivery design.

Warm Homes skills

This summer, the government should also carry out a **largescale, emergency training programme** to ready more workers to take on Warm Homes work over the coming years. This could either come in the form of an accelerated decision on funding for Phase 2 of the Warm Homes Skills Programme or be a standalone scheme but, in either case, should be targeted principally at upskilling workers in firms which remain highly leveraged towards installing or servicing fossil fuel systems in order to ready them for the diversification of their firms into clean heat which government ought to be enabling.

Reducing the power of gas to set pricing

The price of the energy that UK households face is significantly inflated because even electricity which comes from cheap-to-run renewable energy sources, like domestic wind and solar, is more often sold to energy consumers not at the true cost of generation but as if it cost as much as gas-generated power, which is more expensive because it often needs more expensive plant and because the international wholesale gas market is highly volatile.

So, in addition to the measures outlined above, the government should go further than they already have to permanently de-link UK energy prices from international wholesale gas prices, to stop paying gas prices for renewable energy, and to better regulate the profits of fossil fuel generators.

The UK should move from being a price-taker to a price-maker to shield households and firms from global price shocks. The current trajectory for decoupling electricity prices and gas prices through ramping up renewables looks set to reduce bills over the long term but will be too slow to solve the issues in the next few years (and potentially not strong enough without additional support).

The government should therefore reform the energy market to thoroughly de-link electricity prices from gas, and various ways of doing that exist, many of which more impactful than the Wholesale Contracts for Difference auctions so far pledged.