



Energy affordability options

Abolish the gas standing charge

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Electricity is too expensive, both in absolute terms and relative to the price of gas (the price ratio). Reducing the electricity-to-gas price ratio is the single most important change the UK government can make to help households switch from gas boilers to more efficient electric heating technologies. This is because it shapes real-world decisions for households and businesses: whether it's cheaper to run a heat pump than a gas boiler, or how attractive electrification looks across different sectors.

There are many ways the UK government could intervene to improve the price ratio, and most previous efforts have focused on moving costs off electricity bills, either onto public taxation or gas bills. But changing the allocation of costs within the energy system involves tradeoffs.

The question we have been asking is: are there any changes that improve the price ratio and keep bills low, especially now, in an era when energy costs remain painfully high for many households?

One option that stands out as unusually promising in this landscape of tradeoffs is to abolish the gas standing charge.



The case for abolishing the gas standing charge

Every dual fuel bill is currently split into a standing charge (a fixed daily fee everyone pays regardless of how much energy they use) and a unit rate (the variable amount charge per kWh of energy consumed). **Abolishing the gas standing charge means moving those fixed costs into the variable unit rate instead.**

Though this simply involves rebalancing the standing charge costs to another part of consumers' bills, doing so has five key qualities that make it an impactful policy change:

- It reduces bills for a majority of people
- It is progressive
- It supports electrification by reducing the electricity-to-gas price ratio
- It should be popular
- It costs the Treasury nothing

1. Lower bills for the majority of people

Our analysis shows that, on its own, abolishing the gas standing charge would save the typical dual fuel household £27 per year, and that 64% of dual fuel households will be better off under this policy.

Because the distribution of gas consumption is skewed by a small number of (predominantly wealthy) households, the average and median household are quite a way apart. The threshold at which this policy would start to increase bills is around 12,400 kWh, but a majority of homes (64%) use less gas than this. This is why the typical household (using only 9,500 kWh of gas) would expect to save around £27 per year under this policy.

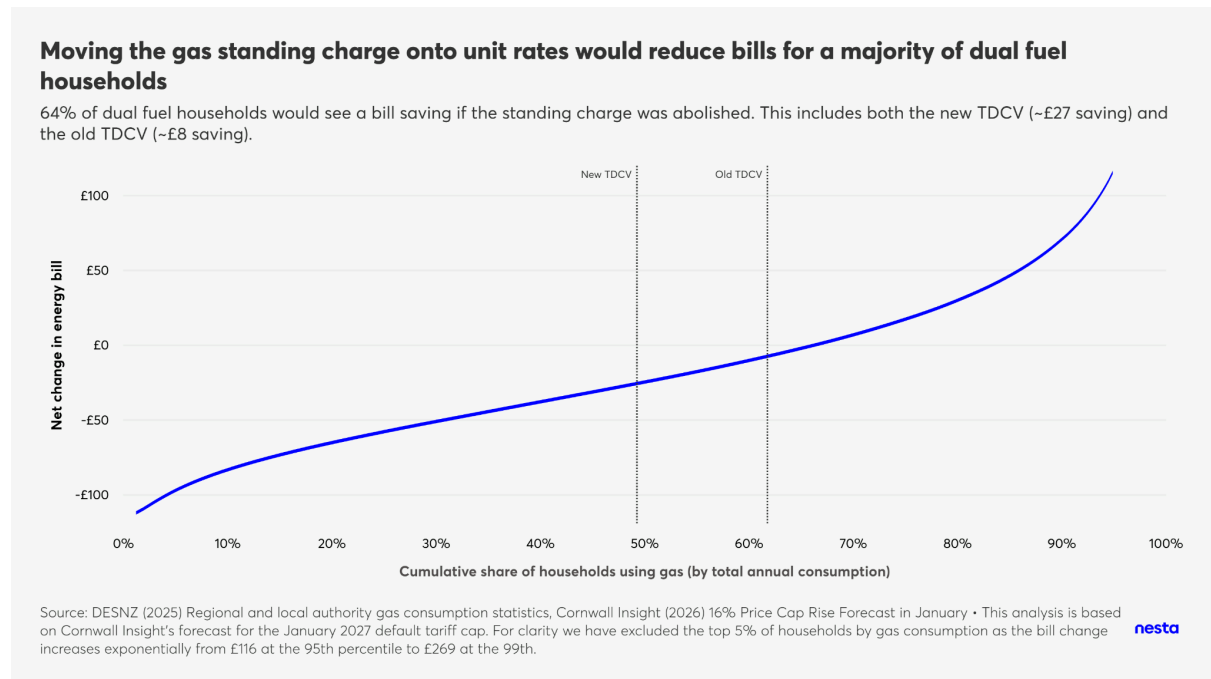


Figure 1: distributional impact of abolishing the gas standing charge

2. It is progressive: poorer households will save more than wealthier ones

Abolishing the gas standing charge is a progressive change that shifts a substantial portion of the costs of gas up the income distribution, as wealthier households use so much more gas than poor ones.

We estimate that 86% of the poorest households would be better off, compared with only 24% of the wealthiest. Because poorer households use less gas the standing charge represents a bigger proportion of their bill. This means that the typical savings from this policy grow as household income falls. We provide more detail on how different households are impacted by this below.

3. An improved price ratio, incentivising electrification

Critically for the government's aim to decarbonise home heating, our analysis shows that under the current price cap, this single change would have a substantial



impact on the electricity-to-gas price ratio, cutting it from 3.10 to 2.84, because it increases the unit rate of gas by 9%.

This move compares incredibly favourably to other similar rebalancing options. This is because gas and electricity bills behave so differently that moving the same amount of money produces vastly different results depending on which lever you pull.

Consider the options of either removing £1 billion from electricity bills, adding £1 billion to gas bills, or moving £1 billion of costs from electricity to gas. Unsurprisingly the latter has the biggest impact on the price ratio. But what is notable is that adding £1 billion to gas bills has a bigger effect than removing £1 billion from electricity bills. This difference arises because £1 billion is 3.9% of the total cost of domestic electricity rates (including VAT), but 4.9% for gas.

Electricity unit rates	Gas unit rates	Price ratio
No change (30.28 p/kWh)	No change (9.76 p/kWh)	3.10
Remove £1 billion of costs	No change	3.00
No change	Add £1 billion of costs	2.99
Remove £1 billion of costs	Add £1 billion of costs	2.89

Table 1: scenarios showing how changing electricity and gas unit rates impacts the electricity-to-gas price ratio

The government has favoured options which take costs off electricity because they are politically easier, even though these have the smallest bang for the buck. Rebalancing from electricity to gas is less directly painful than simply increasing gas prices. But the benefits are spread over all 29.3 million households while the costs are spread over the 24.7 million dual fuel households (the 4.6 million households who do not use gas only see upside). The net effect is that those dual fuel, gas-using households only get about 80% of the net benefit from rebalancing.

This is also an incredibly effective way to rebalance gas costs as it shifts the price ratio down without pushing up average bills for dual fuel households. We can see



this by comparison with raising the rate of VAT on gas. Rebalancing the gas standing charge reduces the price ratio to 2.84, and saves a typical dual fuel household £27.

By comparison, increasing VAT on gas to 20% would reduce the price ratio by a similar amount (to 2.86) but would put the typical dual fuel bill up by £145.

4. People view standing charges as unfair

There is a political case here too. Recent [research for Ofgem](#) has shown that a majority of people (61%) view standing charges as unfair, while only 24% think the same about unit rates.¹ This makes sense in the context of our energy system and how it currently distributes costs between consumers.

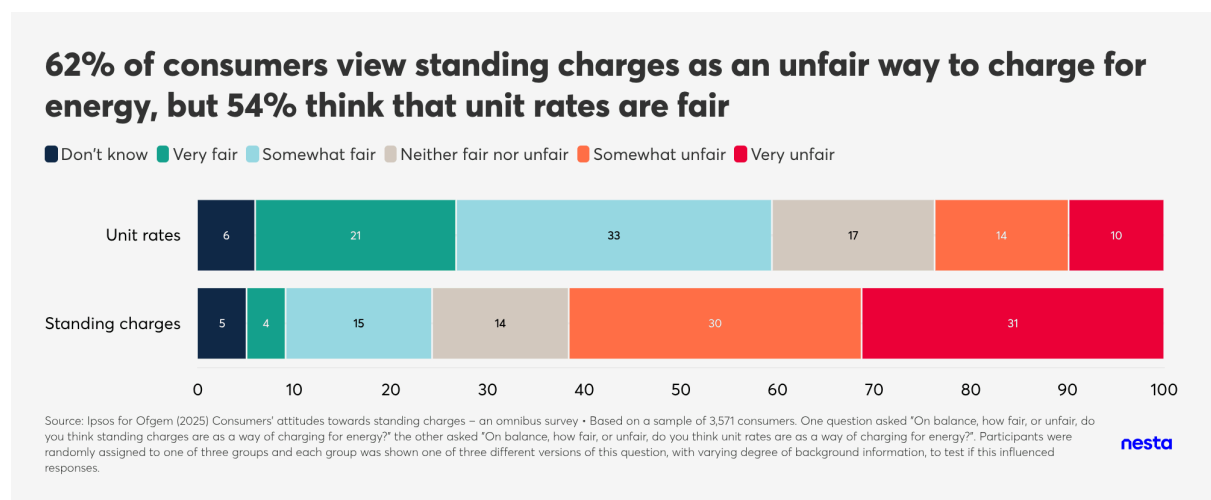


Figure 2: Ofgem research on consumers' attitudes to unit rates and standing charges

Standing charges take peoples' autonomy away, and the standing charge accounts for a larger share of the total bill in poorer households than wealthier ones. These issues came up in the survey, with the top two reasons given for removing or reducing the standing charge being "I prefer charges based on actual energy use" and "I think standing charges penalise low energy use households".

¹ Ofgem (2025) [Domestic customers' views on energy pricing](#)



The research for Ofgem also showed that attitudes to standing charges were consistent, even if the question was asked in different (more or less) favourable ways. And over half of respondents supported increasing unit rates if that meant that the standing charge was either abolished entirely (28%) or otherwise reduced (21%).

How could this rebalancing impact different households?

Every home pays the same standing charge, but the amount of gas used varies a lot, and is skewed by a small number of households with outsized consumption.

- The median dual fuel household uses 9,700 kWh of gas per year, but the average is 11,900 kWh.
- The top five percent use over 25,000 kWh annually, which jumps up to over 42,000 kWh for the top one percent.

The main factor affecting how much gas people use is the size of their home, and the size of the home is largely determined by how wealthy they are. For example, the threshold for the top five percent of households earning less than £15,000 per year is 16,000 kWh of gas. But 69% of households earning over £150,000 per year use at least this much. In general, richer households use a larger share of all the gas than poorer ones.



Wealthier households account for a much larger share of the gas used in homes than poorer ones

In 2024, 57% of dual fuel households in England and Wales earn less than £50,000, but they only use half of all the gas. The disparities become more pronounced at the extremes. The 15% of households earning less than £20,000 per year use less than 11% of all the gas; while the 11% of households earning over £100,000 use almost 16%.

● Share of households ● Share of gas consumption

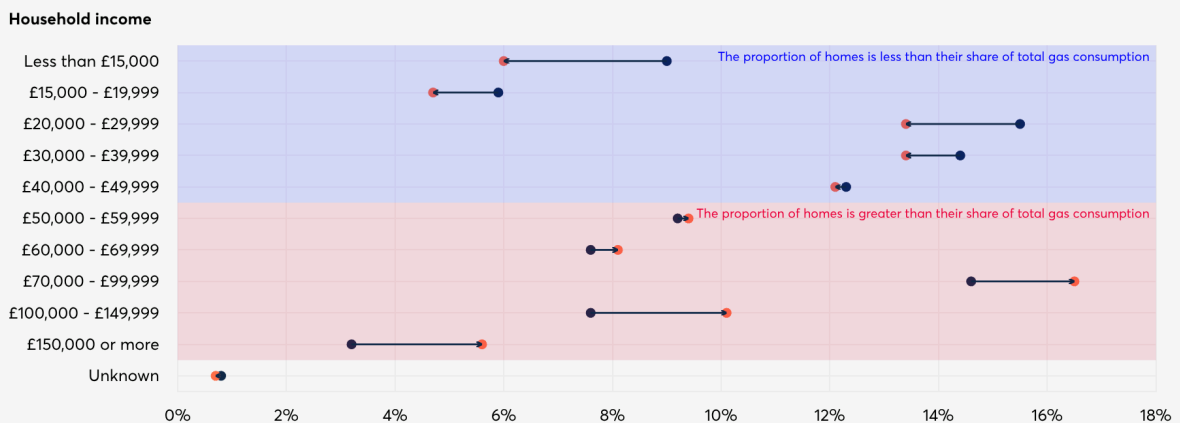


Figure 3: households vs gas consumption by income

Poorer households will save more than wealthier ones

As mentioned, abolishing the gas standing charge efficiently transfers costs from poorer households to wealthier ones. We estimate that 86% of the poorest households would be better off, compared with only 24% of the wealthiest.

Because poorer households use less gas, the standing charge represents a bigger proportion of their bill. This means that the typical savings from this policy grow as household income falls. The median household in the poorest income group would save £51 per year, compared with £38 for the next poorest and £32 for the next after that, and so on.

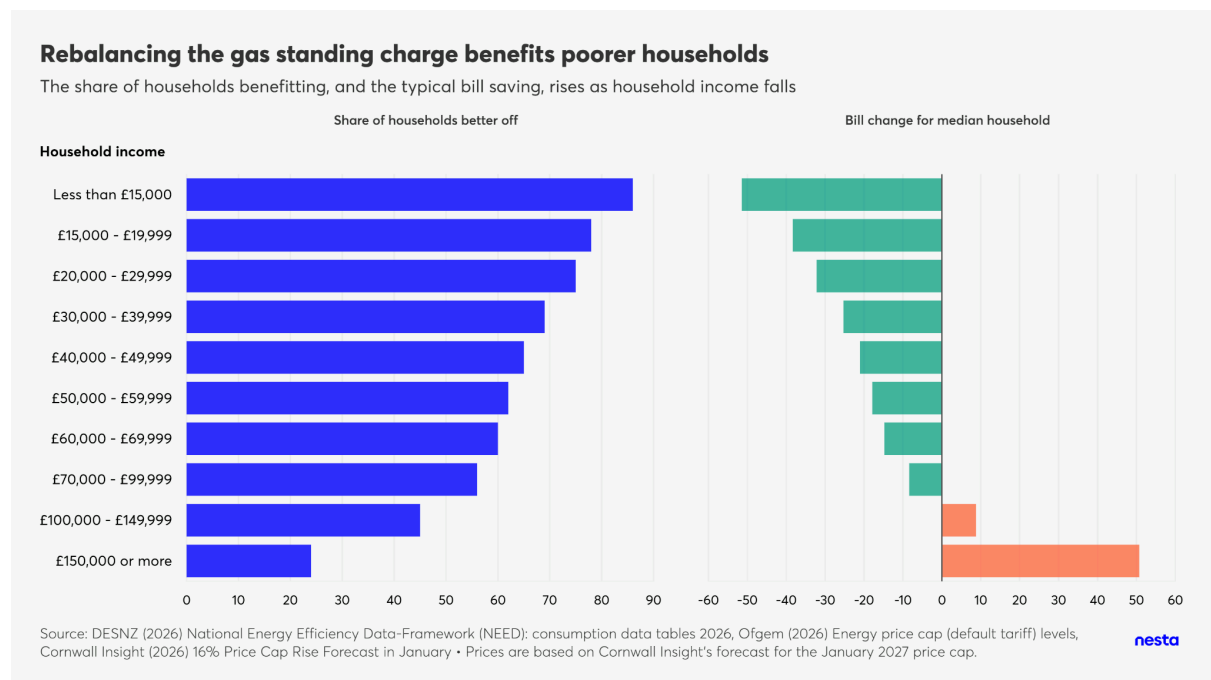


Figure 4: distributional impacts of abolishing the gas standing charge by income

This will particularly help households with gas heating but electric cooking and hot water

Abolishing the gas standing charge would reduce energy stress for many households. But there are a small but significant number of households that have a gas boiler for space heating, but use electricity for cooking and some or all of their hot water. These households only use gas over the winter, but have to pay the standing charge year round. Many of these households also have prepayment meters, and the net effect is an unavoidable cost burden for a service they are not using.

This gives households more autonomy and increases the value of fabric efficiency

The government has invested substantial resources and effort into schemes which improve the quality of British homes, particularly for the poorest and most vulnerable households. While these schemes are increasingly shifting to electrification as the



best route to reduce bills, they will continue to provide fabric upgrades, as they always have. However, the efficiency of a home cannot affect fixed costs like the standing charge. So by shifting those costs onto unit rates they not only give households more control over their energy bills, they increase the value for money of any existing or future fabric efficiency measures.

Implementing the change

Abolishing the gas standing charge is entirely within the government's gift, and aligns well with Ofgem's [ongoing work](#) to improve and streamline how costs are allocated within the energy system. This would take at least a year to fully implement, as customers on fixed energy tariffs would need to gradually roll over. But its benefits for the majority of households on standard variable tariffs could potentially come sooner.

Moving suppliers' operating costs over to unit rates could incur a small risk premium, but we expect this to be a relatively minor factor in the overall net benefit of the change. Removing the gas standing charge may also require Ofgem to change its approach to the levelisation of costs between prepayment and other customers.

Combining this move with other measures means most households benefit

This isn't the only lever available, and the UK government could complement this action on gas bills with measures to reduce the cost of electricity, such as removing the remaining policy costs of the Renewables Obligation and Feed-in Tariffs, or the socialised costs of electricity debt. These are fiscal measures that would need support from the Treasury, which would cut bills for all homes. In combination with rebalancing the gas standing charge these measures would reduce the price ratio to historic levels, below 2.6. And the complementary action on gas and electricity bills ensures a broad and positive distribution of benefits that favours Britain's poorest.

The Government has already taken steps to reduce the cost of electricity, such as the removal of VAT. We recommend two other policies that would, in combination with abolishing the gas standing charge, reduce the price ratio below 2.6 based on



current energy prices, while also cutting the typical dual fuel household bill by around £98 a year:

1. **Remove the remaining Renewables Obligation and Feed-in-Tariff levies to taxation:** this would cost the Exchequer £1.7 billion per year until 2037 (when both schemes end), and would reduce typical dual fuel bills by £43. It would reduce the price ratio in January to 2.93 by itself.
2. **Forgive electricity debt:** undertake an exceptional, one-off intervention to wipe out an unprecedented level of electricity debt that is currently socialised across all consumers' electricity bills. This would cost between £1.2 billion and £2.7 billion to the Exchequer. As a standalone change it would reduce a typical dual fuel bill by £29 and the current price ratio to 3.01. This is not without risk, as forgiving debt at this scale could create a moral hazard, encouraging the expectation that future arrears will also be absorbed. But the bulk of this debt was accrued in the wake of the 2023 energy crisis, when many poor and vulnerable consumers could not avoid the additional costs. We believe that exceptional circumstance justifies an exceptional remedy.

The table below shows the cumulative effect of these changes. It would reduce the price ratio from 3.10 to 2.59, while saving the typical dual fuel household £98 per year.

Option	Description	Price ratio (cumulative)	Typical dual fuel bill on price cap (cumulative)	HMT cost (cumulative)
Status quo	Forecast for January 2027	3.10	-	-
Remove remaining electricity levies	Removing the costs of the remaining Renewables Obligation and Feed-in-Tariff onto taxation would lower bills and lower the price ratio, at an annual cost to the Exchequer (until the 2030s).	2.93	-£43	£1.7 billion per year until 2037
AND Abolish the gas standing charge	Removing the gas standing charge and adding it to unit rates would be progressive, lower the price ratio	2.68	-£69	£3.2 billion per year



	substantially and modestly lower typical bills. <i>Please note, a separate Options paper will be published on this proposal.</i>			
AND Forgive electricity debt	Forgiving electricity debt would lower all electricity bills by removing the costs of bad debt, which are socialised across all bill payers. This would be a one-time cost with a decent impact on the typical bill. This option is not without risk of moral hazard.	2.59	-£98	£3.2 billion per year and £2.7 billion one-off

Table 2: cumulative impact and cost of rebalancing and levy removal options

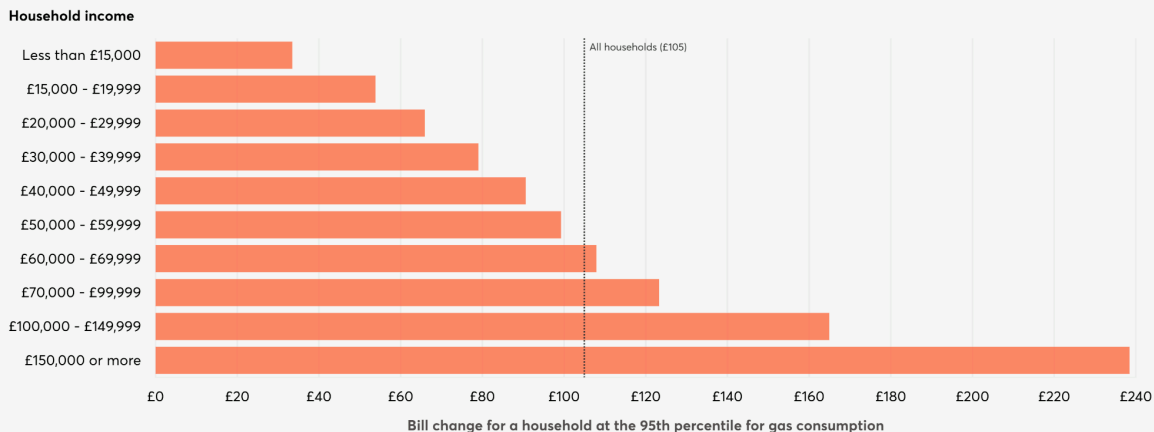
Complementary action on electricity prices can offset any bill increases for poor households

As a rebalancing measure, this policy cannot deliver universal savings. But because it redistributes costs so efficiently, only a small number of poor and vulnerable households are at risk of losing out, and the impact on their bills is relatively small. Even at the extremes of consumption (the 95th percentile for each income group) the increases are small enough to be offset by modest measures which reduce electricity costs. These complementary measures would also drive the price ratio down further.



For the top 5% of households who use the most gas, the bill impact of rebalancing the gas standing charge is much smaller for poorer households than wealthier ones.

Even for the low-income households with the highest consumption any bill increases from abolishing the gas standing charge could be offset by modest measures to reduce electricity costs.



Source: DESNZ (2026) National Energy Efficiency Data-Framework (NEED); consumption data tables 2026, Cornwall Insight (2026) 16% Price Cap Rise Forecast in January

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Figure 5: energy bill changes for the top 5% of gas users

Electricity consumption also scales with income, although the reasons for this are more complex than in the case of gas, where it is mostly about the size of the home. Due to the limitations of data we cannot exactly model the joint effect of these policies on bills. We do not know how much electricity is used by households at the upper-end of the distribution for gas consumption. But we can estimate the minimum amount of electricity that they would need to use to offset the rising costs from rebalancing the gas standing charge, for each of our combinations of measures on the electricity bill.

Households earning less than £15,000, who are at the 95th percentile for gas use, would only need to use 1,964kWh of electricity (58th percentile) to offset the costs through the removal of RO and FiT. And they would only need to use 1,292 kWh of electricity (32nd percentile) to offset these costs if RO, FiT and the socialised costs of electricity debt are all removed.

For similar households earning between £15,000 and £19,999 the electricity consumption thresholds move to 3,158 kWh (75th percentile) and 2,079 kWh (52nd percentile) respectively.



As we move up the income tiers it gets harder to offset the costs of gas standing charge rebalancing for these outlier households through electricity rebalancing measures. But we are confident that our proposed package would project the majority of these households who are earning under £100,000 per year.

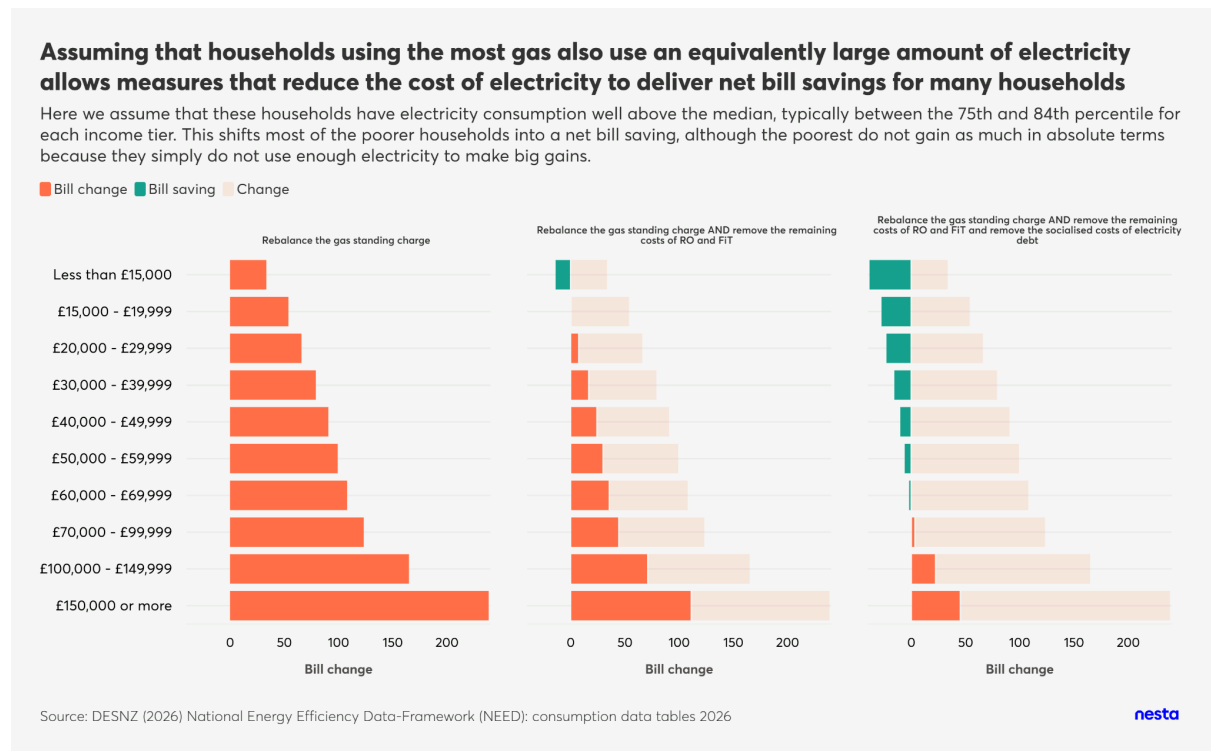


Figure 6: bill changes for households when combining the removal of the gas standing charge with other measures

A caution: keep the electricity standing charge

Our proposal would only abolish the gas standing charge. This would represent a strong, positive move in the direction of public opinion. While we recognise that some of the issues arising from the gas standing charge also apply to electricity, we would caution against making this a symmetrical change, and taking other steps to make electricity bills cheaper.

Firstly, moving the costs of the electricity standing charge onto unit rates would increase the price ratio, undermining a key benefit of rebalancing the gas standing



charge. The net effect of doing both would be an increase in the price ratio, as the electricity standing charge is much larger than the gas one.

Secondly, while most of the gas standing charge covers supplier operating costs, the electricity standing charge recovers a substantial amount of network costs. This arrangement was implemented by Ofgem between 2022 and 2024 as part of its Targeted Charging Review. Ofgem decided (with justification) that the growing use of solar PV and other forms of microgeneration - by households and industry - meant that some homes or businesses were able to reduce their share of contributions towards electricity network costs. This was seen as unfair, as those properties still depended on those network links at peak times (the capacity for which defines the total cost of the system). If these costs reverted back onto unit rates then homes with solar PV (who are disproportionately wealthier than average) would get an outsized share of the benefits.

Conclusion

Abolishing the gas standing charge is that rare policy that has few losers and no Treasury cheque to write. It cuts bills for the typical household, protects the poorest more than the richest, and moves the electricity-to-gas price ratio in exactly the direction needed to make heat pumps an easier choice. And unlike almost every other lever available, it does this without costing the Exchequer a penny.

It won't solve the price ratio on its own. But it's the cheapest, fairest, and most popular first move on the board – and it pairs well with others. Layered with action on RO, FiT, and electricity debt, it can push the price ratio below 2.6, a level not seen in years, while keeping the distributional story overwhelmingly progressive.