Busted – the 9 big myths on energy in the UK

1. Isn't the Energy Price Cap causing these problems?

No, rising energy prices are the result of a global spike in gas prices, which has a number of causes including rebounding global demand as COVID-19 lockdowns ease and a greater liquified natural gas demand in Asia.

In fact the Energy Price Cap continues to protect millions of customers and ensures they pay a fair price for their energy, despite the sudden rise of wholesale energy costs.

But in light of continued cost of living pressures, the government has announced a package of support to help households with rising energy bills, worth £9.1 billion in 2022 to 2023.

This includes:

- a £200 discount on their energy bill this Autumn for domestic electricity customers in Great Britain. This will be paid back automatically over the next 5 years
- a £150 non-repayable rebate in Council Tax bills for all households in Bands A-D in England
- £144 million of discretionary funding for local authorities to support households who need support but are not eligible for the Council Tax rebate

The devolved administrations are also receiving around £715 million funding through the Barnett formula as usual where UK government support doesn't cover Scotland, Wales or Northern Ireland.

2. Will the new schemes not just encourage higher prices, rather than more supply?

No, because the Energy Price Cap remains in place to protect consumers. Energy supply companies will not benefit financially from the new schemes announced today and all the money will be passed through to domestic energy consumers.

3. Isn't this all just a chance for oil and gas companies to make massive profits at our expense?

Neither oil or gas companies or energy supply companies will benefit financially from the new schemes announced today by the Chancellor and all the money will be passed through to domestic energy consumers.

While we are working hard to drive down demand for fossil fuels, we cannot turn off our domestic source of gas overnight and there will continue to be ongoing demand for oil and gas over the coming years as we transition to lower carbon, more secure forms of energy generated in this country.

4. Why are we still exporting gas to other countries rather than boosting our own supply?

As an internationally traded commodity, gas is exported and imported in line with price signals. Broadly, the UK imports more than it exports.

The UK continues to benefit from strong security of gas supply, benefitting from highly diverse sources, including through one of the largest liquified natural gas import infrastructures in Europe.

5. Why do we keep closing down coal power stations? Wouldn’t this help with keeping energy prices down?

Closing coal plants is not increasing energy prices. In line with our net zero target, the government has committed to phasing out unabated coal-fired power generation by 2024. Closure of coal units ahead of this date is a commercial decision for the companies involved.

Through the Capacity Market we have already secured capacity to offset the retirement of our remaining coal-fired power stations.

6. Why haven’t we simply upped our domestic gas production in the North Sea or granted new drilling licences?

Roughly around half the UK’s gas supply comes from domestic sources, and the UK’s gas sector has been maximising production where possible through this winter.

Most imports come from reliable suppliers such as Norway. We also have one of the largest liquefied natural gas (LNG) infrastructures in Europe.

We have also been working with oil and gas operators in the UK to develop additional fields. Three new gas streams came online at the end of last year, with more upcoming. However, the biggest factors influencing gas prices are attributable to international activity extending beyond Great Britain’s domestic production.

Less than 3% of our gas was sourced from Russia in 2020.

7. Aren’t other countries doing more than the UK?

It is important to note that higher wholesale gas prices are being faced internationally due to multiple factors in supply and demand – with some countries in Europe in particular facing much more severe security of energy supply challenges than the UK.

The package of measures announced by the Chancellor today will mean millions of households receiving up to £350 to help with the cost of living. That is broadly in line with the support offered by most of our European neighbours, and in many cases is more generous.

8. Have oil companies been doing share buybacks, rather than investing?

Decisions on the scale of capital investment in production and the way returns are made to investors are commercial decisions for companies. The UK remains an attractive destination for companies to invest in oil and gas production.

9. Has the UK not gone fast enough on green energy?

The government is doubling its efforts to generate more clean, affordable power in this country to meet the target of decarbonising Britain’s electricity system by 2035. Since 2010 we have increased the percentage of power from renewables from 7% to 43% as of 2020, and our latest allocation round of the successful Contracts for Difference scheme is seeking up to 12 GW of additional renewable capacity. This would be more than the previous 3 rounds combined.