

Truss plans 'skew support' to richest households, warns Resolution Foundation

Richer households will benefit more than poorer ones from Liz Truss' energy bills freeze and "winter will still be tough for many" despite the policy, experts have warned.

Analysis by the [Resolution Foundation](#) think tank, which focuses on raising living standards, said because higher-income households typically use more energy, the richest fifth may gain an average of about £1,300 this winter compared to £1,100 for the poorest 20%.

The report concluded the first major policy intervention by the new [Prime Minister](#) was "all-but-inevitable" given the colossal increases in energy prices.

The energy price guarantee (EPG) will restrict average domestic bills in England, [Scotland](#) and [Wales](#) to no more than £2,500 for two years from October – around £500 higher than they are now, but £1,000 lower than they would have been from next month under Ofgem's price cap.

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Around 11% of households with the highest electricity and gas use will gain more than £2,000 from the policy while 13% will gain less than £500.

The Resolution Foundation said the lack of targeting across both the EPG and previous interventions meant that support was not necessarily going where it was most needed.

Together with the universal £400 energy bill discount and the £150 council tax rebate to homes in bands A-D, support is being felt “broadly equally across the income distribution”, with an average gain of around £2,200.

The report said Ms Truss’ plans to provide further cost-of-living support by scrapping the rise in national insurance “will skew support towards the very highest-income households”.

The combination of the EPG and the national insurance cut could leave the 10% with the highest incomes benefiting by £4,700 on average while the poorest tenth receive £2,200 in 2023/24.

The cost of the EPG, which will be funded by borrowing, “could eclipse the £137 billion worth of bailouts for banks during the financial crisis”.

The report noted “the [Government](#) is now bearing all the financial risk related to future movements in gas prices”.

The think tank said there is a “strong case” for extending windfall taxes on oil and gas producers but also an argument for implementing a “solidarity tax” of some form on the rich to help cover the cost.

A 1% increase in income tax would raise £9.5 billion, with 60%

paid by the top fifth of households “who may benefit by over £13 billion a year from the EPG”.