Energy price cap forecast rises as EU sanctions on Russia cause market uncertainty and volatility

The energy price cap in Britain could rise to over £2,900 for the first time in January next year, according to analysts.

Cornwall Insight said the price cap – the mechanism that sets a limit on the amount suppliers can charge for gas and electricity and on the daily standing charge – is forecast to rise to £2,907.43 in the first quarter of 2023.

The energy research specialist also confirmed **Ofgem's forecast in May that the price cap in October could reach about £2,800**, settling on the amount of £2,879.71.

While European sanctions on Russian oil will have little impact on the supply of energy in the UK, they have increased market uncertainty.

They have also raised concerns that future sanctions could include Russian gas and this, along with the news that Russia has cut supplies to some EU nations refusing to pay in roubles, has put further pressure on wholesale prices.

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Cornwall Insight forecast a decline of around 10% for the second and third quarters of next year but warned that market volatility could change this.

The figures do not include the support measures announced by the government.

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Dr Craig Lowrey, principal consultant at Cornwall Insight, said: “Once again, volatility in the energy market has seen default tariff cap predictions rise to unprecedented levels, as players in the energy industry react to instability and fears of widening sanctions.

“While Russia provides only a very small percentage of UK gas supplies, the impact on the cap reflects the UK’s wider import reliance on EU and Norwegian gas flows.

“If sanctions were to be applied by the EU to Russian gas supplies, any Russian shortfall would potentially imply that these nations may be able to export less gas to the UK than would otherwise be the case, which would in turn be reflected in both gas and electricity prices – the latter given the volume of gas-fired generation capacity on the system.

“Reducing the UK’s reliance on foreign energy, through investment in green technologies and homegrown renewables would help secure energy supply, which should be reflected in UK energy bills.”