

# New PM told to 'think the unthinkable' on energy bills – as British Gas announces plan to help

The government must increase its energy bills discount by at least 150% or risk pushing millions of households into financial distress.

That is the warning from consumer group Which? ahead of Friday's announcement of the energy price cap for the three months from October.

It comes as British Gas announced it will donate 10% of its profits to help its poorer customers cope with soaring bills for the "duration of the energy crisis" – putting £12m this autumn into an existing support fund.

The firm, Britain's largest energy supplier, enjoyed [£1.3bn operating profits](#) in the first six months of 2022, five times the amount from the same period last year of £262m.

Its owner Centrica said thousands of households would get grants ranging from between £250 to £750. Customers in fuel poverty and with less than £1,000 in savings are eligible to apply for a grant.

Centrica boss Chris O'Shea said the move will mean "we can target help at those who need it the most... during this difficult time".

In May, the government said that it would give every household a £400 discount on energy bills, with more help available for those deemed vulnerable, such as the disabled or pensioners.

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This was announced when the energy price cap was predicted to reach around £2,800 in October, but more recent forecasts are predicting £3,554 in October, £4,650 in January, and more than £5,300 in April.

Which? said that the government's support should, therefore, increase from £400 to £1,000 – or from £67 to £167 per month from October to March.

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## Donation tells us something about PR as well as scale of crisis



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British Gas's decision to direct an extra £12m to its most vulnerable customers will doubtless be welcomed by the recipients, but the timing of this announcement suggests the energy giant has one eye on its image as well as its clients.

The payments, worth an average of £750 per household, will come from a 10% slice of British Gas profits, declared at £98m for the last six months, rounded up to £12m and paid as a "donation" to the company's charitable arm.

On those figures, around 16,000 of the company's nine million customers could get relief worth half of the anticipated £1,500 increase in annual bills due to be announced by Ofgem on Friday.

It's a significant sum for individuals, but also demonstrates just how vast any scheme to universally cut bills will need to be.

Labour estimates its plans for a six-month freeze at £30bn, while the industry says extending that to two years comes in at £100bn.

Those figures are beyond even the extraordinary profits made by oil and gas generators this year.

Despite that, it's striking that British Gas made no mention of this plan when declaring its profits last month.

That announcement, which saw parent company Centrica declare a five-fold increase from generation to £1.3bn, saw it defend allegations of excess profit by focusing on its declining profits from the British Gas energy supply business.

That Centrica chose to wait four weeks, until the eve of the price cap announcement, and frame its support as an act of benevolence, rather than justify it to shareholders as a wise deployment of revenue, tells us something about PR, as well as the scale of the energy crisis.

But even this would not be enough for those on the lowest incomes, Which? said, adding that they should also be given an extra one-off minimum payment of £150.

Rocio Concha, Which? director of policy and advocacy, added: "While increased support will provide relief for many, it is not a long-term solution.

"The government and regulator must urgently undertake a wide-ranging review of retail energy pricing – including the price cap – to build a fair and affordable system for consumers.

"The government must also develop a programme to urgently improve the insulation of homes – as this will help to reduce people's energy costs for years to come."

Meanwhile, the Resolution Foundation said that, even with the support already announced, the four million people on pre-payment meters – often the most vulnerable – would be spending around 44% of their monthly disposable income on bills.

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Jonny Marshall, a senior economist at the Resolution Foundation, said: “A catastrophe is coming this winter as soaring energy bills risk causing serious physical and financial damage to families across Britain.

“We are on course for thousands to see their energy cut off entirely, while millions will be unable to pay bills and (will) build up unmanageable arrears.

“The new prime minister will need to think the unthinkable in terms of the policies needed to get sufficient support to where it’s needed most.

“Significant additional support should be targeted at those most exposed to rising bills and least able to cope with them, and be watertight so that no-one falls through the cracks.

“But none of the proposals from the leadership candidates or the opposition parties currently do this.”

The foundation also called for a new social energy tariff for low and middle income households, funded by an extra 1% on income tax rates.

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Mr Marshall said that would have been “an unthinkable policy in the context of the leadership debates, but a practical solution to the reality facing families this winter”.

Alison Garnham, Child Poverty Action Group chief executive, added that low-income families will be short on their energy bills by an estimated £1,000 in the year to April 2023.

She said: “Over the next few months families will need extra support that covers their costs and reflects family size, and social security must rise to match inflation from April.

“Four million children are already in poverty with many others now perilously close to it. Leaving their families to sink cannot be an option.”

A Department for Business, Energy and Industrial Strategy spokesman said: “We know the pressures people are facing with rising costs, which is why we are taking direct action to help households with £37bn worth of support.

“In addition to providing eight million of the most vulnerable households with £1,200 extra support this winter, we are also investing £6.6bn in this parliament to improve energy efficiency as part of the government’s ‘Help to Heat’ programme which is helping make households across the country cheaper to heat.”