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Pressure points

Where, and how, to focus Government support for households facing surging energy bills

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Introduction

Last December, we warned that 2022 would be the year of the squeeze, defined by a severe cost of living crunch.[1] That has proved painfully accurate in nature, although we were wrong about the scale of what was to come: this crunch will last longer and go deeper than anyone expected.

That was confirmed by the Chief Executive of Ofgem yesterday, who warned policy makers and the public to expect typical energy bills to rise to £2,800 in the Autumn – more than double the £1,277 level of the energy price cap at the same time last year. This is an energy price surge not experienced by anyone born after the mid-1970s, a catastrophe for household living standards, and a severe test for policy makers in both the Treasury and the Bank of England.

The Chancellor has indicated that a further package of support for households is now imminent. This note discusses the nature of the problem we face, what that tells us about where support should be targeted, and how it can be delivered. It shows that:

- Although this year's cost of living crisis brings bad news for almost everyone, it is those on low to middle incomes for whom it poses a totally unmanageable challenge. Almost 2 million English households are on course to be in severe fuel stress (spending more than £1 in every £5 of their household budget on energy) this winter, up from just 325,000 last winter.
- Targeting support at lower-income households, who do not have the coping strategies available to them that higher-income households use to manage rising energy bills, is therefore the key task for policy makers in the face of an energy price spike. To date policy has failed in this task – and no tax cut can answer this question.
- Putting in place that support at short notice, outside of the normal cycle of benefit upratings, is far from straightforward. But it can be done, with the Chancellor having a range of options for delivering it. It would best be provided via the benefits system, with an emergency uprating of benefit levels or, more likely if all pensioners are to be included, a system of one-off payments this Autumn.

1 T Bell et al, Labour Market Outlook Q4 2021: Wages and the cost of living in 2022, Resolution Foundation, December 2021.

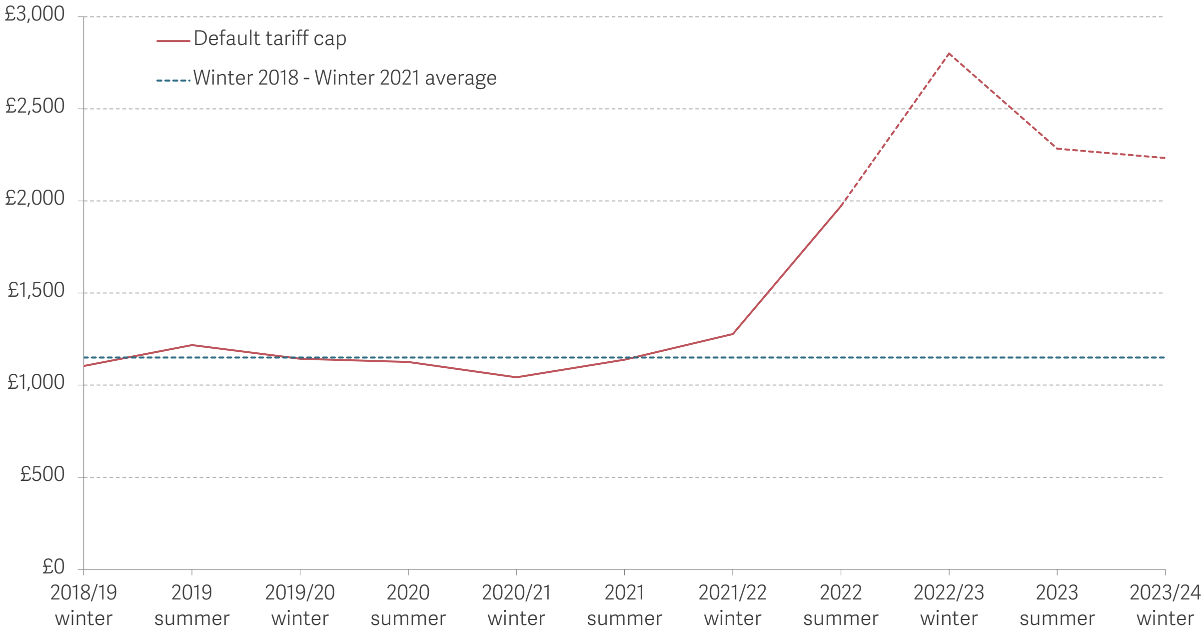
- The unprecedented scale of the crisis to come, and the degree to which support has not been targeted at poorer households to date, means that the Chancellor will need to announce a significant package of £10-15 billion to make a major dent in the increases in destitution and debt that lie ahead of us this winter. This would mean payments averaging up to £1,000 for the 15 million households receiving the state pension or means-tested working age benefits. Reflecting higher energy usage, payments should be higher for those with a disability or large families.

An energy price surge is not the same as any old inflation – it poses severe challenges for poorer households

The starting point for getting the latest package of support right is clarity about the problem it is trying to answer. All price rises are difficult, but they are not all difficult in the same way or for the same people. More generally, governments are not normally in the business of trying to counter them. But surging energy bills, which are at the centre of the inflation the country faces this year, are not any old price rise.

FIGURE 1: **Energy bills show no sign of falling in the near term**

Historical and forecast levels of the Default tariff cap



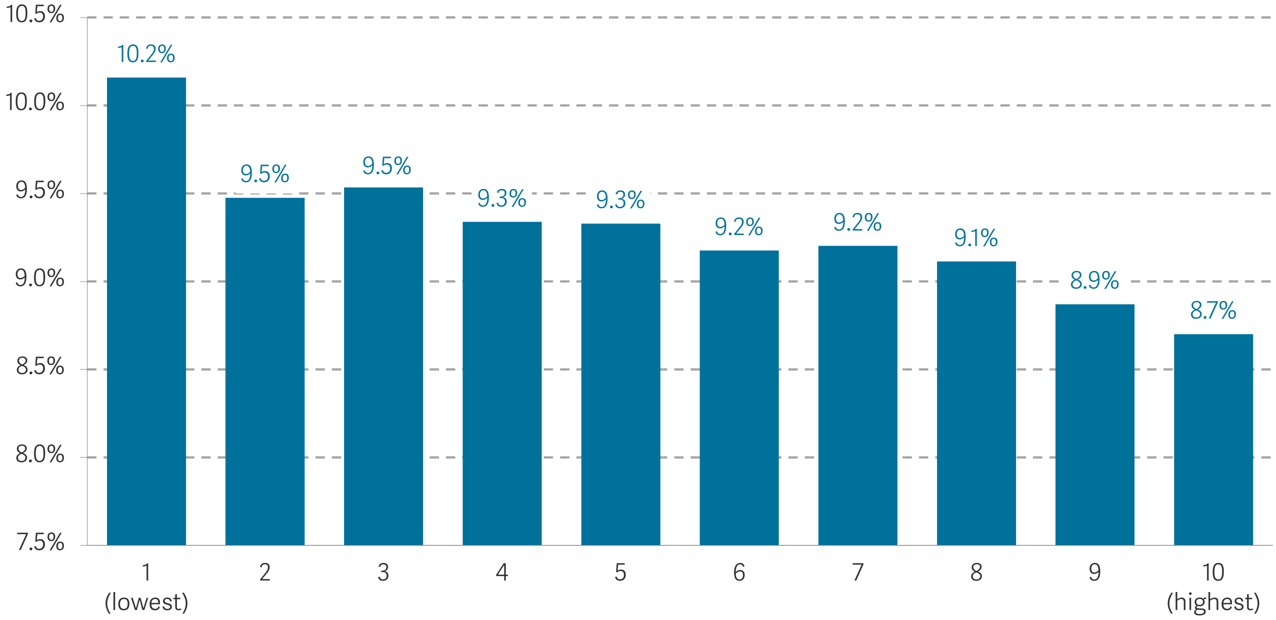
NOTES: Values are for a household with typical annual electricity consumption of 2,900 kWh and gas consumption of 13,000 kWh, and are for six-monthly price cap periods
SOURCE: RF analysis of Ofgem, Cornwall Insight data.

Wholesale energy price rises have prompted Ofgem (somewhat unusually) to warn the Government that typical energy bills could reach £2,800 this winter, a £1,500 increase on the winter of 2021-22.[2] As shown in Figure 1, industry forecasts suggest that this pressure will not swiftly wane, although prices are far more volatile than normal.

It's now generally understood that lower-income households currently face higher inflation, as Figure 2 shows.[3] The poorest tenth of households are currently facing an inflation rate 1.5 percentage points higher than the richest tenth, reflecting the fact that they spend more than twice as much on gas and electricity bills as a share of expenditure.[4] That difference this autumn is likely to be higher still – potentially around 6 percentage points – if Ofgem's prediction is accurate.[5]

FIGURE 2: **Low-income households are experiencing the fastest rise in the cost of living**

Estimated household CPI-consistent inflation rate by equivalised disposable household income decile: April 2022



SOURCE: RF analysis of ONS, Consumer Price Inflation.

But even this does not give us sufficient clarity on the specific nature of the problem we face, wrongly implying that things are only around 10 to 15 per cent worse for those on

2 Business, Energy and Industrial Strategy Committee, Formal meeting (oral evidence session): Energy pricing and the future of the Energy Market, 24 May 2022

3 For a more detailed analysis of inflation trends, see: J Leslie & R Holdsworth, Cap off: Understanding the April 2022 inflation release, Resolution Foundation, May 2022.

4 A Corlett et al, The price is right?: The April 2022 energy price rise and the Government's response, Resolution Foundation, February 2022.

5 The Institute for Fiscal Studies estimate, based on the £2,800 price cap, that the poorest households will experience 14 per cent inflation in October, compared to 8 per cent for the richest households: H Karjalainen & P Levell, Inflation for poorest households likely to increase even faster than for the richest, and could hit 14% in October, IFS, May 2022.

the lowest incomes. In reality, low-income households face challenges from rising energy bills that are qualitatively different from those affecting higher-income households, because energy is an essential good that makes up a large share of overall consumption.

A coming jump in severe fuel stress means unimaginable trade-offs for households highly concentrated amongst the poorest third of the population

Energy bills hitting £2,800 this winter will see 9.6 million households in England (41 per cent) fall into fuel stress, whereby they spend a tenth or more of after housing costs incomes on energy bills. This is a sizeable increase from 5 million now, which in turn was a big jump on 2.5 million (11 per cent of households) last winter.[6]

Even more pressing, and a much newer phenomenon, is the rise in households facing severe fuel stress, spending more than a fifth of incomes on energy bills. Expenditure on this level will be entirely unmanageable. People sometimes refer to a choice between heating and eating, but it's worth spelling this out: prices this high will mean households skipping meals and not heating their houses adequately in the winter. It will mean rising destitution and debt.

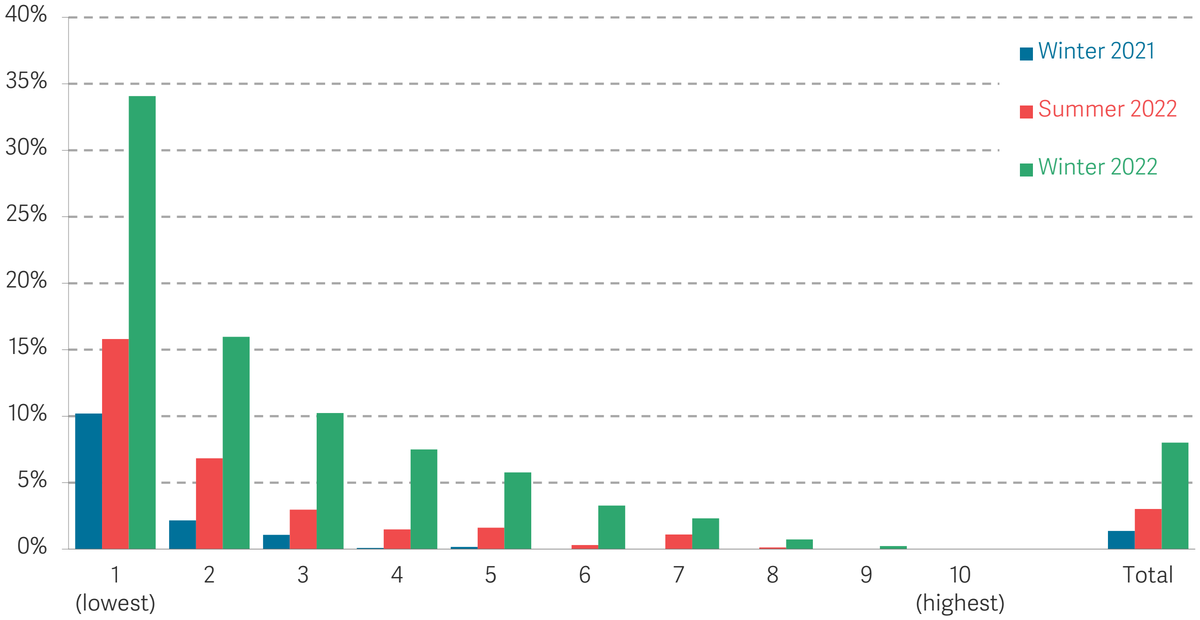
A £2,800 average energy bill would see more than 1.9 million English households (8 per cent) blighted by severe fuel stress, up hugely from 325,000 last winter. While everyone will face high inflation this year, severe fuel stress will be highly concentrated at the bottom of the income spectrum, with more than a third of the poorest households set to be in severe fuel stress, as Figure 3 shows. This bottom heaviness is further evidenced by the fact that, of all households set to fall into severe fuel stress, more than three quarters (76 per cent) are in the bottom three income deciles.

The coping mechanisms that higher-income households adopt in the face of rising energy bills will also not be available to these households. They cannot simply cut back on luxuries, nor do they have savings to be drawn down on in the same way. Two thirds of the poorest 20 per cent of working-age households have savings of less than one month's gross disposable household income.[7] And, although the lockdowns in 2020 and 2021 led to aggregate household savings rising by £180 billion relative to what was expected pre-pandemic, these savings are mostly held by better-off families: in 2021, the highest-income fifth of families were four times as likely to say that had increased savings during the pandemic as the lowest-income fifth.[8]

6 These calculations are based on price cap values for direct debit customers; those paying by standard credit and pre-payment meters face higher costs, at £2,100 and £2,017 under the current cap, set at £1,977 for direct debit customers.
7 M Gustafsson et al, After shocks: Financial resilience before and during the Covid-19 crisis, Resolution Foundation, April 2021.
8 J Leslie & K Shah, (Wealth) gap year: The impact of the coronavirus crisis on UK household wealth, Resolution Foundation, July 2021.

FIGURE 3: **Another substantial rise in energy costs will see many low-income households spending more than a fifth of family budgets on energy bills**

Proportion of English households in or predicted to be in severe fuel stress at various energy price cap levels, by equivalised after housing costs income decile



NOTES: Winter 2021 figures in line with a default tariff cap of £1,277, summer 2022 at £1,971 and winter 2022 based on Ofgem's prediction of £2,800 from May 24 2022. Figures are inclusive of £150 council tax rebates in summer 2022 and £200 bill discount in Winter 2022, both of which are treated as a reduction in the cost of energy bills. Severe fuel stress is defined as spending a fifth or more of disposable (after housing costs) income on domestic energy bills.
SOURCE: RF analysis of English Housing Survey, Ofgem data.

Addressing these acute consequences for low- and middle-income households resulting from a large increase in the price of an essential good is the key task facing fiscal policy makers in the Treasury in 2022.

Support to date has been poorly targeted at the problem the country faces, and further tax cuts would repeat that mistake

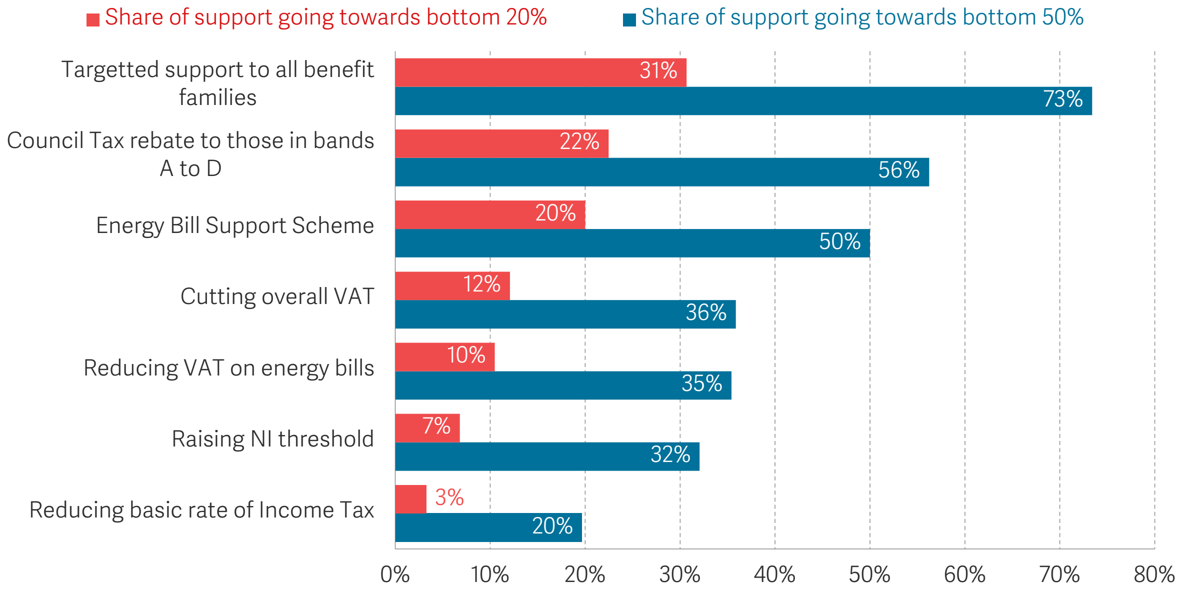
The Government is often, but wrongly, criticised for not having announced significant support for households. The real problem is that the policy response has not reflected the very specific nature of the problem the country faces. Rather than the first priority being to target very significant help to those on lower incomes, the Government has focused on providing less generous help that is either universal (the £200 Energy Bill Support Scheme) or broad-based (the £150 Council Tax rebate for those whose properties are in bands A through D). Further support should not be delivered via the Council Tax system. Despite being broadly progressive, allocating support on the basis of 1990s property values rather than incomes today excludes 640,000 of the poorest families (in the lowest three income deciles), and leads to widespread geographical differences that are hard to justify.[9]

Worse, the imperative to deliver support via a tax cut saw the Spring Statement focus giveaways (principally the increase in the National Insurance threshold) on middle- and higher-income households.[10] Less than one pound in three went to the bottom half of the income distribution, despite the concentration of fuel stress there (88 per cent of households currently in fuel stress are in the bottom half of the income distribution).

Recent calls for the Government to prioritise further tax cuts risk repeating this mistake. Those saying the Chancellor should bring forward the pre-announced Income Tax cut to help households struggling with energy bills don't tend to mention that 80 per cent of the help would go to the top half. The impact of a VAT cut would be more evenly spread, but still would not target support where it is most needed. (There is an entirely separate question about whether moving some inflation from today into next year, which is what a temporary VAT cut does, would make the Bank of England's economic objectives easier to achieve. It is fairly clear it wouldn't help the Chancellor's political ambitions to shift inflation nearer to a 2024 election.)

FIGURE 4: **Approaches to offering support so far – as well as tax cuts being called for – are poorly targeted at those hardest hit by rising energy prices**

Share of different support options directed towards the poorest 20 per cent and poorest 50 per cent of households



NOTES: Calculated as share of additional government spending received by bottom 20 and 50 per cent of households in the equivalised after housing costs income distribution, except for overall VAT cut, which is calculated based on equivalised before housing costs disposable income.
SOURCE: RF analysis using the IPPR tax benefit model; and RF analysis of ONS, The Effects of Taxes and Benefits on Household Income LCFS, and ONS, Living Costs and Food Survey.

9 A Corlett et al, The price is right?: The April 2022 energy price rise and the Government's response, Resolution Foundation, February 2022.
10 T Bell et al, Inflation Nation: Putting Spring Statement 2022 in context, Resolution Foundation, March 2022.

Neither a tax cut, nor a ramping-up of support mechanisms already announced, offer good ways to target support where it is most needed, as Figure 4 sets out.

The Government does have routes to target further support where it is needed most

So the task facing the Government is to get money to low-and-middle income Britain that is hardest hit by the cost of living crisis and not well served by measures announced to date. Ultimately that means using, directly or indirectly, the mechanism built for this purpose: the benefit system, which, as Figure 4 shows, offers far better targeting than the alternatives on offer.

Having missed the opportunity for significantly increasing the usual benefits uprating in April – where benefits were uprated by just 3.1 per cent, reflecting the usual practice of using the inflation rate from the previous autumn – this will now be messier than we might like. But it can, and should, be done.

Assuming he is minded to act, there are two broad decisions facing the Chancellor: first, whether to do so directly via higher benefit income or indirectly via lower energy bills; second, whether to provide flat-rate payments or variable ones that are tied to a measure of need (be that existing benefit entitlement level, or size of energy bill). Table 1 sets out the policy options those two decisions lead to.

TABLE 1: **Different options for supporting low-income families facing higher energy bills**

	Nature of support	
Payment mechanism	*Variable*	*Flat rate*
Direct payments via benefits system	Additional benefit uprating	One-off payments
Indirect payments via energy bills	Social tariffs	Warm Homes Discount

What to do about pensioners is the biggest barrier to an emergency benefit uprating, but lump-sum payments provide a way forward

Benefits were uprated by only 3.1 per cent this April, at a time when we know inflation was running at three times that level. The resulting real-terms fall in the value of benefits that families are experiencing will be partly undone by the likely benefit uprating of 9.5 per cent in April 2023. However, the timing of this Autumn's energy price rise, and the fact that inflation is set to remain elevated in 2023-24, means it could take until April 2024 until benefits return to their previous real value in summer 2021.[11]

Instead of waiting until April, the Government could bring forward the uprating of benefits to this Autumn (and depending on final inflation figures implement a further uprating in April). The advantage of this approach is that it better targets need (with those with higher or longer lasting benefit entitlements receiving more) and avoids cliff edges in entitlement.

Implementing it, however, is not straightforward: although this can be done easily for Universal Credit, as we have seen repeatedly since 2020, there are many other social security benefits. Many working-age benefit recipients still rely on legacy benefits such as Employment Support Allowance, which rely on older IT systems.[12] This doesn't mean an emergency uprating couldn't be delivered, but it would take several months to do so.

The real problem for this approach is the State Pension, where barriers to more than one uprating a year are more severe. The way around that problem is to turn to the alternative mechanism we have in the benefits system for making payments to pensioners: Winter Fuel Payments (WFPs). Importantly, given that WFPs are made once a year at a rate that varies only with age, this takes you down the route of one-off payments.

The Chancellor may prefer using one-off payments anyway, given that it provides a clearer message about the scale of additional support being offered (i.e. a common cash figure rather than a harder-to-understand percentage increase in benefits). And he may believe that any payout done this way is easier to make as a temporary payment compared to changes to the main rates of benefits themselves. If so, then the approach could also be used for working-age benefits without building entirely new payment systems (we have existing flat-rate payment mechanisms, including the Christmas Bonus and the system of Cold Weather Payments).[13] Such an approach would mirror that adopted in the Netherlands, where all those receiving social assistance are entitled to a €800 one-off energy allowance (energietoeslag).[14] A further argument for one-off payments over an uprating of benefits is that it is easier to compensate households for

11 The usual uprating practice of using September CPI inflation for the following April's benefit increases means that, while significant, the April 2023 rise would not take account of the major October 2022 energy price cap increase. The result is that it would not be until April 2024 that benefits fully catch up in real-terms to where they were before the period of high inflation.

12 There are no up-to-date forecasts for the number of families on all legacy benefits and tax credits. However, in March 2021, the OBR forecast that 35 per cent, or 2.4 million families, of the combined UC and legacy cases would still be claiming legacy benefits in 2022-23 (including Jobseeker's Allowance, Employment and Support Allowance, Income Support, Working Tax Credit, Child Tax Credit and Housing Benefit). This proportion is unlikely to have changed significantly in more recent benefit ***expenditure forecasts.***

13 These payments would need to be made more comprehensive so that they went to all families claiming a means-tested benefit, not just selected families and benefits as they are paid at present. For more details see: DWP, Cold Weather Payment; DWP, Christmas Bonus.

14 See: https://www.government.nl/latest/news/2022/03/21/measures-to-cushion-impact-of-rising-energy-prices-and-inflation (accessed 25 May 2022).

the several months this year where benefits failed to keep up with inflation – doing so via uprating would require weekly or monthly payments to actually be higher during the autumn and winter than they are currently expected to be next April.

This approach would be fairly well targeted amongst the population as a whole (i.e. the support would go to those receiving social security payments) even if it is less well targeted within the population receiving social security benefits than an uprating, where entitlements are intended to reflect needs. It would also create a hard cliff edge for families who just miss out on support through the benefit system because of their earnings, or for those just below the state pension age.

Energy companies would be happy to direct support via lower energy bills rather than higher benefits, although their cash flow gain is at the expense of households

The Government has a choice between routing support via reductions in energy bills for those in receipt of benefits, rather than directly via the benefit system. One-off payments could be delivered via a (very) heavily reformed Warm Home Discount scheme that would see those receiving benefits automatically entitled to a bill reduction, with the taxpayer picking up the tab (at present, the cost is effectively met by other bill payers). The data sharing between the DWP and firms required to make this possible is already in place (although this would need extending to a wider range of benefits), but the timelines involved may make this approach sub-optimal (for example, at present you have to be claiming Pension Credit in July to get an automatic discount the following March). Alternatively, discounts that aren't a 'one size fits all' and reflect the size of bills could theoretically be delivered via a social tariff that reduces the unit cost of energy for those on benefits, but such a scheme would need to be created from scratch (and may require new legislation).

Energy companies that are increasingly worried about surges in arrears would be happy to administer a drastically increased and taxpayer-funded Warm Home Discount, given that it would improve their cash flow and reduce the build-up of unpaid bills. But that cash-flow boost to firms is directly at the expense of customers (if the alternative is a flat-rate payment made direct to poorer households), so this approach should only be taken if the Government really feels that direct payments through the benefit system are significantly administratively harder. That is unlikely to be the case.

A package to protect those hardest-hit by the cost of living crisis would cost in the region of £10 to £15 billion

There is no perfect science in calibrating the scale of additional support required. Given the Government's longer-term objective of ensuring that benefits keep pace with rising prices, one approach is to consider the scale of real-terms cut in benefits brought about by the 3.1 per cent uprating in April. With inflation over 2022-23 as a whole forecast by the Bank of England to be 9.5 per cent, benefits will be £15 billion lower than if they had maintained their value in real terms.[15] Taking into account the fact that the majority (but far from all) of benefit recipients will benefit from the £150 Council Tax rebate, the Government should be aiming for a package of support of at least £10 to £15 billion to cover higher energy bills this winter. Because benefits will still be lower in real-terms in 2023-24 (because the April 2023 benefit uprating won't reflect the October 2022 rise in the energy price cap), further support is likely necessary in the future too – although that may be better delivered by increasing the size of the uprating in April 2023.

With around 8.6 million pensioner households in the UK, and 6.6 million working-age families currently claiming an income-related benefit such as Universal Credit, a flat rate payment administered through the benefits system and costing around £15 billion would amount to £1,000 per household.[16]

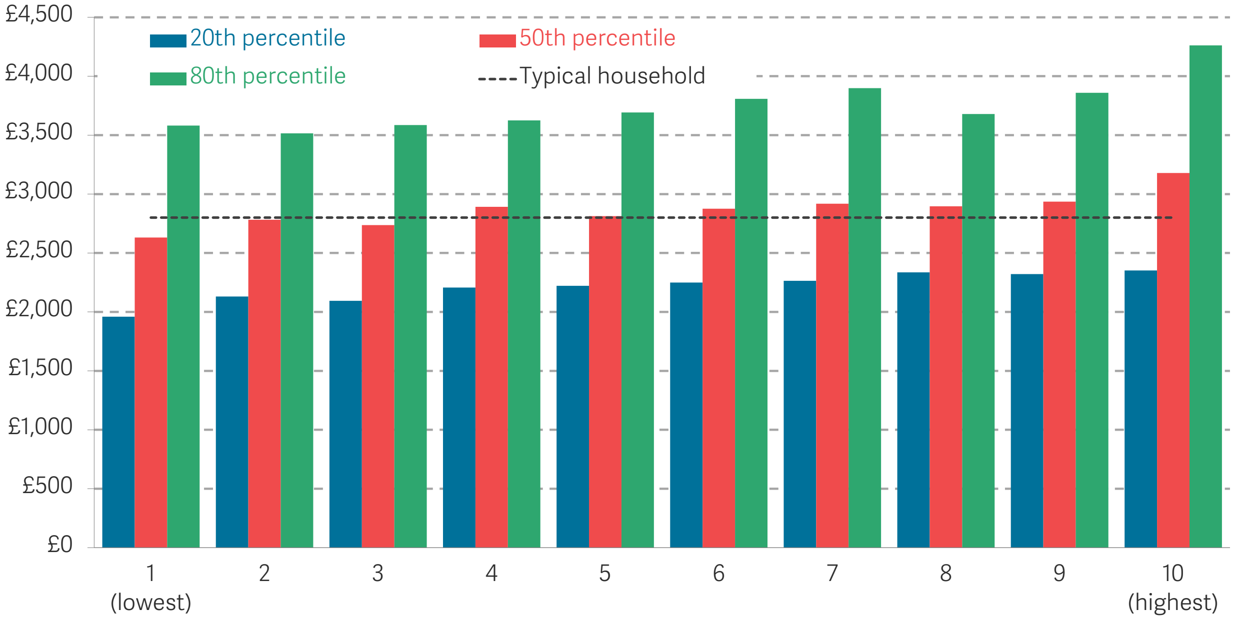
Even a largely flat-rate payment could take some account of the higher energy needs of larger families and the disabled

One of the downsides of using flat-rate payments, rather than a system where help is more directly tied to need (such as a social tariff), is that there is a very large variation in energy usage within each part of the income distribution, as Figure 5 demonstrates. This reflects a wide range of factors about the household (e.g. size, age, or health conditions) and the home (e.g. its energy efficiency). Simply treating all poorer households identically ignores these important differences.

15 RF analysis of OBR, nominal welfare expenditure forecasts, March 2022 and Bank of England, May Monetary Policy Report.
16 Source: OBR, Welfare Trends Report, May 2022; DWP, Stat-Xplore; DWP, HBAI. In chart 1.2 of the Welfare Trends Report, there are 7 million non-pensioner welfare claims for selected benefits. Excluding 400,000 contributory ESA cases leaves 6.6 million.

FIGURE 5: **There is wide variation in energy usage within each part of the income distribution**

Forecast household spending on gas and electricity bills at the 20th, 50th and 80th percentile, by after housing costs income decile



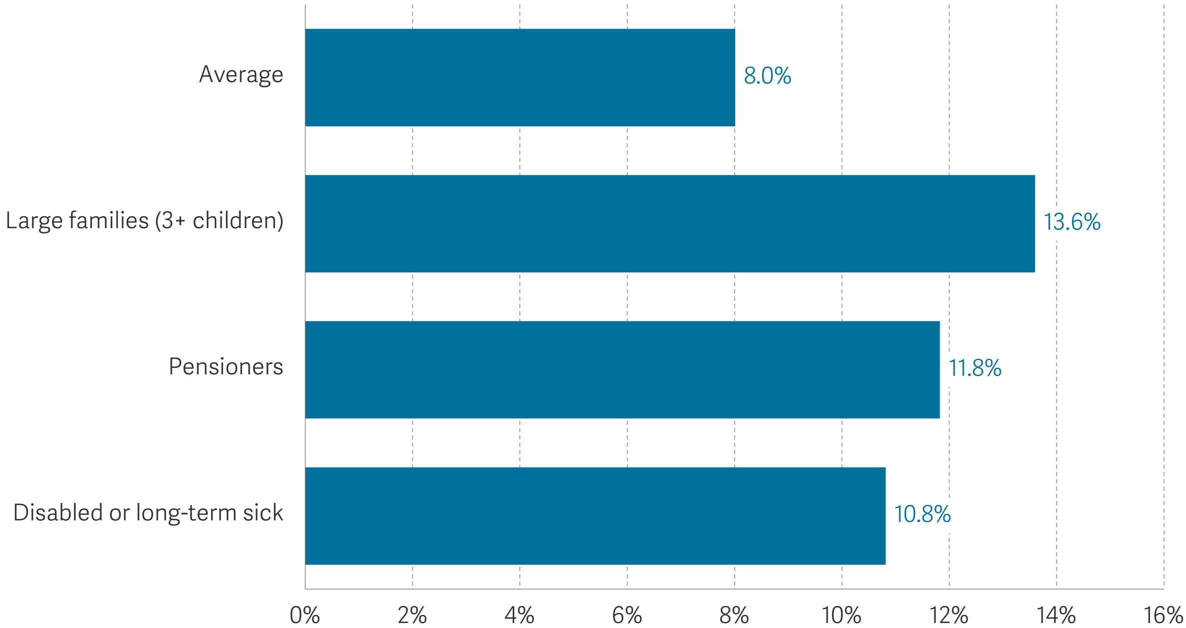
NOTES: Figures in line with a £2,800 price cap level as predicted by Ofgem on May 24 2022.
SOURCE: RF analysis of English Housing Survey, Ofgem data.

Although a perfect matching of support to energy bills is not available to the Government, it could craft a system of one-off payments that reflects some of the more obvious differences between types of households that are related to energy usage. In particular, the benefit system records if a family receiving benefits includes someone with a disability or a child (more than half of the 6.6 million working-age households on benefits have children, and a sizeable proportion (over a quarter) also have an adult with a disability).[17] These households could receive a higher payment than others, reflecting their higher bills (see Figure 6). The case for including all pensioners within a system of one-off payments is two-fold: pensioners energy costs are generally higher, and there is very low take-up of means-tested Pension Credit which would otherwise provide the only means of effectively targeting lower income pensioners.[18] This is defensible, albeit with very significant deadweight of payments to household well above average incomes. Pensioners overall should not receive higher payments than poor working age households, although they could be justified for those on Pension Credit.

17 Source: OBR, Welfare Trends Report, May 2022; DWP, Stat-Xplore; DWP, HBAI. Although it is difficult to ascertain the exact breakdown of how many income-related benefit claimants have a disability, it should possible to work this out using internal Government benefits data.
18 Take-up of Pension Credit is estimated to be 66 per cent in 2019-20 (DWP, Income-related benefits: estimates of take-up: financial year 2019 to 2020, February 2022).

FIGURE 6: **Levels of severe fuel stress are higher in older households, larger households, and those with disabled residents**

Proportion of English households predicted to be in severe fuel stress in winter, by selected household characteristics



NOTES: Figures based on Ofgem's prediction of £2,800 from May 24 2022 and are inclusive of £200 bill discount. Severe fuel stress is defined as spending a fifth or more of disposable (after housing costs) income on domestic energy bills.
SOURCE: RF analysis of English Housing Survey, Ofgem data.

Finally, although the immediate priority must be to provide cash support to those facing higher bills now, the fact remains that the UK's dependence on gas reflects a dramatic slowdown in energy efficiency improvements of our domestic building stock from about 2012. Measure to help those with unaffordable bills must go alongside a renewed effort to improve energy efficiency, particularly for those household who cannot afford the upfront costs. We discuss this more in Box 1.

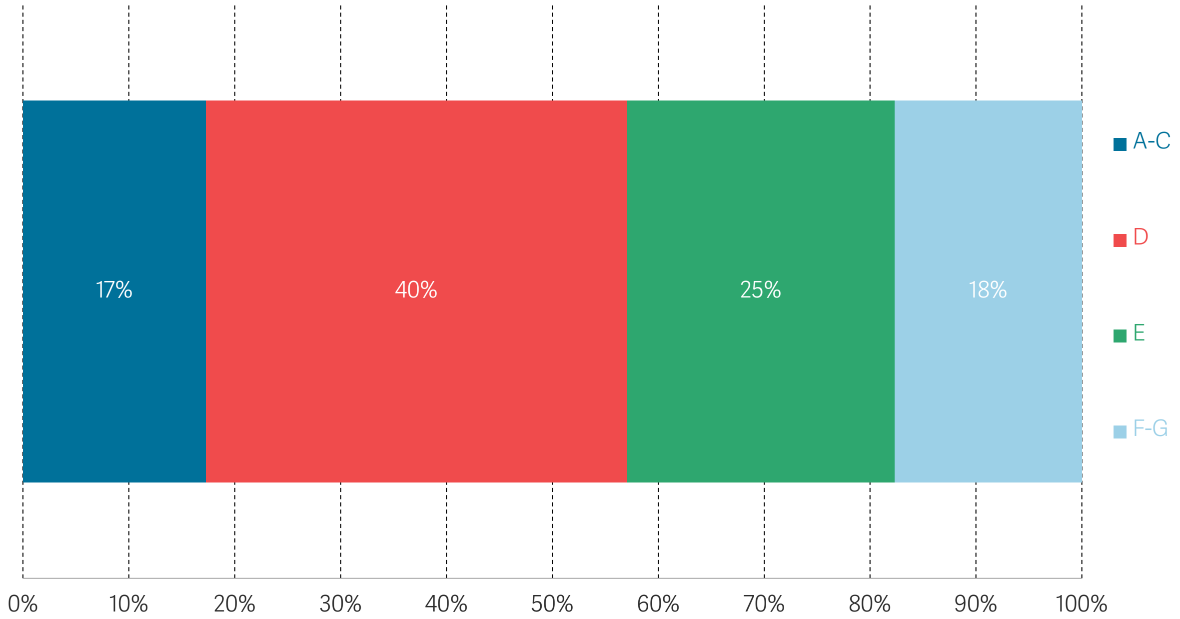
BOX 1: **Longer term, targeted support for insulation and reform of energy levies could support lower bills for households on lower incomes**

Although the Government's focus should be supporting households with high energy costs now, the key to longer-term bill reductions is improving the energy efficiency of homes. A particular focus should be on helping those on lower incomes with upfront costs that would prove otherwise unaffordable.

As Figure 7 shows, more than four-in-five (83 per cent) of families that will be in severe fuel stress this winter live in properties rated D or below on the EPC scale. Heating a typical D-rated home uses 27 per cent more energy than an equivalent C-rated home, while an E rated property consumes 47 per cent more.[19]

FIGURE 7: **Households living in homes that do not meet the Governments 2035 energy efficiency target make up the vast majority of those in severe fuel stress**

Proportion of households in England set to be in severe fuel stress this winter, by EPC band



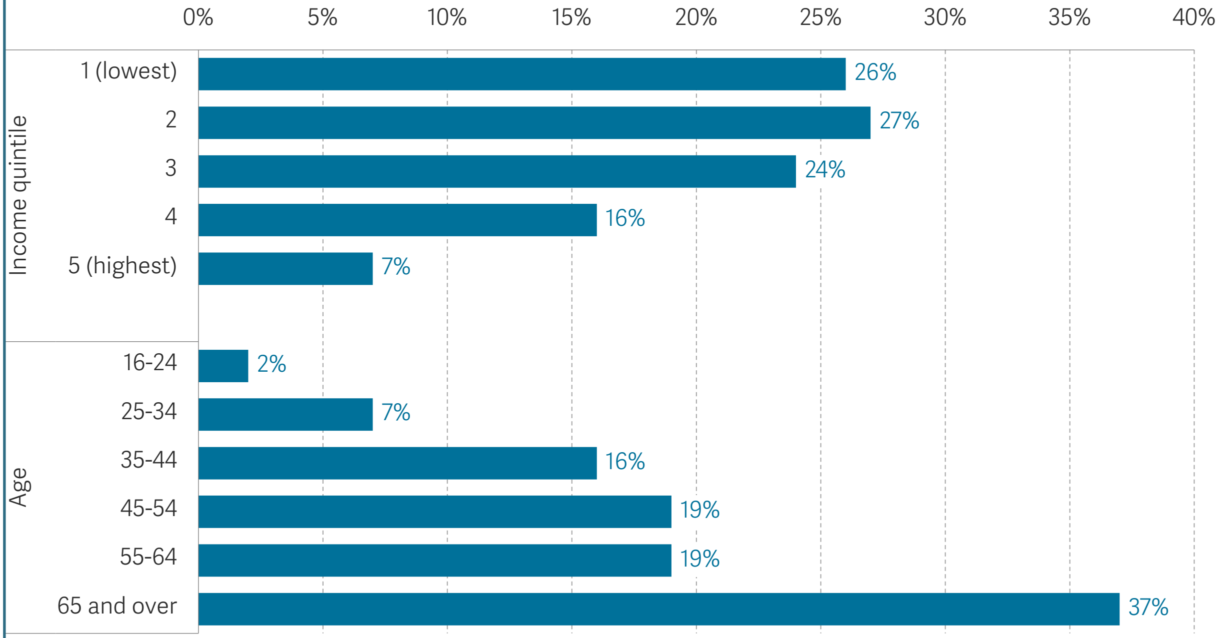
NOTES: Winter 2022 price cap set in line with Ofgem forecast of £2,800. The Government has a target to upgrade 'as many homes as possible' in England to an EPC rating or higher by 2035. There are different, more ambitious, targets in the devolved nations.
SOURCE: RF analysis of English Housing Survey, Ofgem data.

Given that insulating the nation's homes is the key task facing the UK's net zero transition during the 2020s, delays to the new phase of the Energy Company Obligation scheme (now the only widespread policy to help lower-income households with upgrade costs) are of particular concern. As Figure 8 shows, the phase of ECO that was due to start on 1 April is relatively well-targeted at older and poorer households, who are more likely to be facing fuel stress.

19 These figures refer to homes heated by gas only. For more see: National Energy Efficiency Data-Framework: Headline consumption tables, Department for Business, Energy and Industrial Strategy.

FIGURE 8: **Older and poorer households are expected to be the biggest recipients of Energy Company Obligation funding, so will miss out the most as the policy is further delayed**

Estimated ECO4 recipients by after housing costs income quintile and by age: England



NOTES: Figures are for projected uptake over the entirety of the ECO4 scheme.
SOURCE: RF analysis of ECO4 final stage impact assessment, Department for Business, Energy and Industrial Strategy, April 2022.

Additionally, long-pledged reforms to how environment and social policy costs are funded, would also help households with unaffordable energy costs (these are currently mainly levied on electricity bills). Although the scales involved (up to £150 per year – or £92.50 of a typical dual fuel bill if the focus is on Renewable Obligation and Feed-in-tariff costs) are on a different order of magnitude to the problem at hand, levy reform is a vital step to removing market distortions that currently undermine the case for decarbonising domestic heat. Widespread reform is likely to be complex and require legislation (on which the Government is set to consult soon, following further commitment in the Energy Security Strategy), but, if so inclined Government could provide lower-income households with short-term compensation for these costs.[20]

20 Complications around levy reform are likely to arise from multiple pieces of legislation and multiple energy licences that surround each, which could impede attempts to remove costs from bills in time for this winter. Compensating households for these costs in the short term, followed by a comprehensive review and plan to move towards balancing the relative costs of domestic gas and electricity, would better reflective the carbon content of different fuels. The long-awaited Energy Affordability and Fairness Review should carry out a full assessment of how best to rebalance levies, doing so in a way that protects households on lower incomes and influences consumer choice such that it is more aligned to the UK's net zero target.

Conclusion

2022 is not the recovery anyone was hoping for. Far from recovering, household incomes are falling at a rate only normally seen in major recessions. Inflation is at a forty year high as energy bills surge. The Government cannot prevent higher global energy prices making the country poorer, but they do have choices about who bears that pain and when.

Their key task, given this involves a huge price rise of an essential good, is to prevent that translating into catastrophic outcomes for those on lower incomes. The Government's measures to date will be insufficient to achieve this, but the Chancellor and Prime Minister have promised to announce a further round of support in the near future. That might include additional universal measures, most obviously giving up the pretence now that they will be collecting back £40 a year via higher bills from next April. But those should be small, with the overwhelmingly priority being to direct at least £10 to £15 billon of support to low- and middle-income households. That is best done via the benefits system, with one-off lump sum payments offering a way to overcome the administrative challenges of an emergency uprating (particularly for pensioners), and providing some flex to provide additional help for groups that are particularly heavy energy users such as large families or those with a disability. This can be partially, but far from fully, funded by a windfall tax. None of the policy options open to the Chancellor are easy, but nothing about 2022 is. It's time to act.

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