



Energy industry

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Energy crisis stemming from Ukraine war 'cost £1k for every UK adult'

Conflict came on top of our over-reliance on gas, says Energy and Climate Intelligence Unit

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The UK's over-reliance on gas has been blamed for pushing up bills as it emerged that the energy crisis stemming from the war in Ukraine had cost the equivalent of £1,000 for every adult.

A study by the Energy and Climate Intelligence Unit (ECIU) estimated that high wholesale gas prices since Russia's invasion of Ukraine nearly a year ago had cost UK energy suppliers an additional £50bn to 60bn, on top of the £10bn to £20bn spent in a normal year.

The invasion spurred wholesale gas prices, which were already above historical averages, to record highs.

Household energy costs are far higher than the £1,000 extra highlighted by ECIU - which does not account for normal wholesale costs, suppliers' margins and other charges wrapped into bills.

The International Monetary Fund **said last year** that British households have been the worst hit in western Europe because of the high dependence on gas. The UK uses gas for generating about 40% of its electricity and for heating 85% of its homes, which are also among the least energy-efficient in Europe.

The study estimated that, had the UK made better progress towards net zero by improving housing efficiency, producing more wind power and deploying heat pump technology a typical household could have saved up to £1,750 in 2022.

Dr Simon Cran-McGreehin, the head of analysis at ECIU, said: "As the IMF has pointed out, the energy crisis hit UK households harder than those in other western European countries because, as a nation, we're incredibly dependent on gas. The price of gas is largely set by international markets, so the only way to protect yourself is to use less.

"The **onshore wind ban** has been one of the barriers to this. We're also running behind places like Sweden, Poland and Estonia on installing electric heat pumps."

The study estimated that, if a similar crisis happened in 2030 when the UK has more cheap renewables, the annual savings could be about £34bn.

Last week **research estimated** that rising energy prices triggered by the Russia-Ukraine conflict could push up to 141 million more people around the globe into extreme poverty.

Wholesale gas prices reached a record 570p a therm last summer amid fears that Europe would be left with shortages this winter, and were as high as 381p a therm in mid-December.

The price has dropped sharply since to about 125p a therm because of mild winter conditions and stronger-than-expected gas storage levels in Europe. However,

these falls are unlikely to feed through quickly into household bills as energy firms buy their supplies in advance.

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The Investec analyst Martin Young predicted the Ofgem price cap would hit £3,332 in April and then £2,165 in July, before rising slightly to £2,190 from October.

The government's [energy price guarantee](#) is aimed at limiting typical annual bills to £2,500, rising to £3,000 from April.

On Tuesday, Alison Rose, the chief executive of NatWest, was named co-chair of the government's energy efficiency taskforce, alongside the net zero minister, Lord Callanan. The banker will be tasked with helping reduce national energy consumption by 15% over the next seven years and cutting bills in the process.

Switching between energy suppliers [is expected to return later this year](#) after a two-year pause because of lack of competition amid high bills. Young said some energy suppliers may attempt to win new customers by offering fixed-priced deals below the £3,000 guarantee.

The energy consultancy Cornwall Insight said that easing costs later this year would present consumers with the chance to "take back some control" over their bills, as suppliers compete for customers again.

Switching between energy suppliers had become increasingly common over the past decade as the energy regulator attempted to improve competition within the sector. However, the sharp rise in gas prices in 2021 sent 29 suppliers bust and left the remaining firms offering customers fixed deals at or just below the price cap.

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