HM Treasury

Analysis of the impact of government energy support on household incomes in England

November 2026

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1. This document sets out analysis of the cumulative impact of government energy support provided to households in England in 2026-27.
2. Analysis presented in this document includes the following policies designed to support households with energy bills:
    - Household Energy Payments, with a £100 council tax rebate to households in Council Tax bands A – D in England
    - £100 million for local authorities in England to provide additional support to households most acutely impacted by rising energy bills, with decisions on the distribution of funding to be made by local authorities
    - Support for Energy Bills: Cut to VAT for domestic electricity from 5% to 0% from 1 October 2026 to 1 July 2027
    - Warm Homes Discount
    - Winter Fuel Payments
    - Cold Weather Payments (based on estimated spend in 2025-26)
3. Chart 1.A shows these impacts as a proportion of average net household income, across the household income distribution in England, while Chart 1.B is expressed in annual cash terms.
4. Additionally, Chart 1.C sets our estimate of the average support provided to households by 'fuel stressed' status. A fuel stressed household is defined as one spending over 10% of after-housing-cost income on energy. This enables illustration of the distributional impact of energy support policy through the lens of household energy affordability.
5. The analysis shows that, in 2026-27:
    - Households in England are estimated to benefit from government household energy support by around £160 on average.
    - The lowest income deciles are expected to benefit the most, both in cash terms and as a percentage of net income, with the bottom 20% gaining by around £230 on average – almost 4 times as much as the top 20%.
    - Taken together, government household energy support is also targeted at households in England that are most vulnerable to energy affordability pressures. Fuel stressed households are estimated to receive £230 of energy support on average, compared to £150 for non-fuel stressed households.

Chart 1.A Impact of government energy support on households in England in 2026-27, as a percentage of net income, by income decile

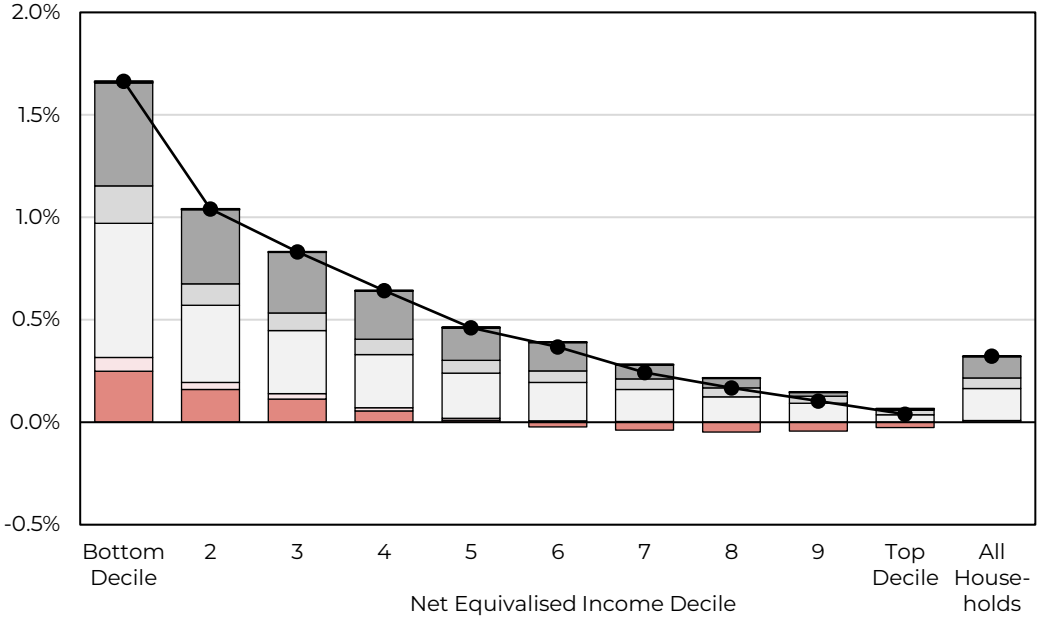
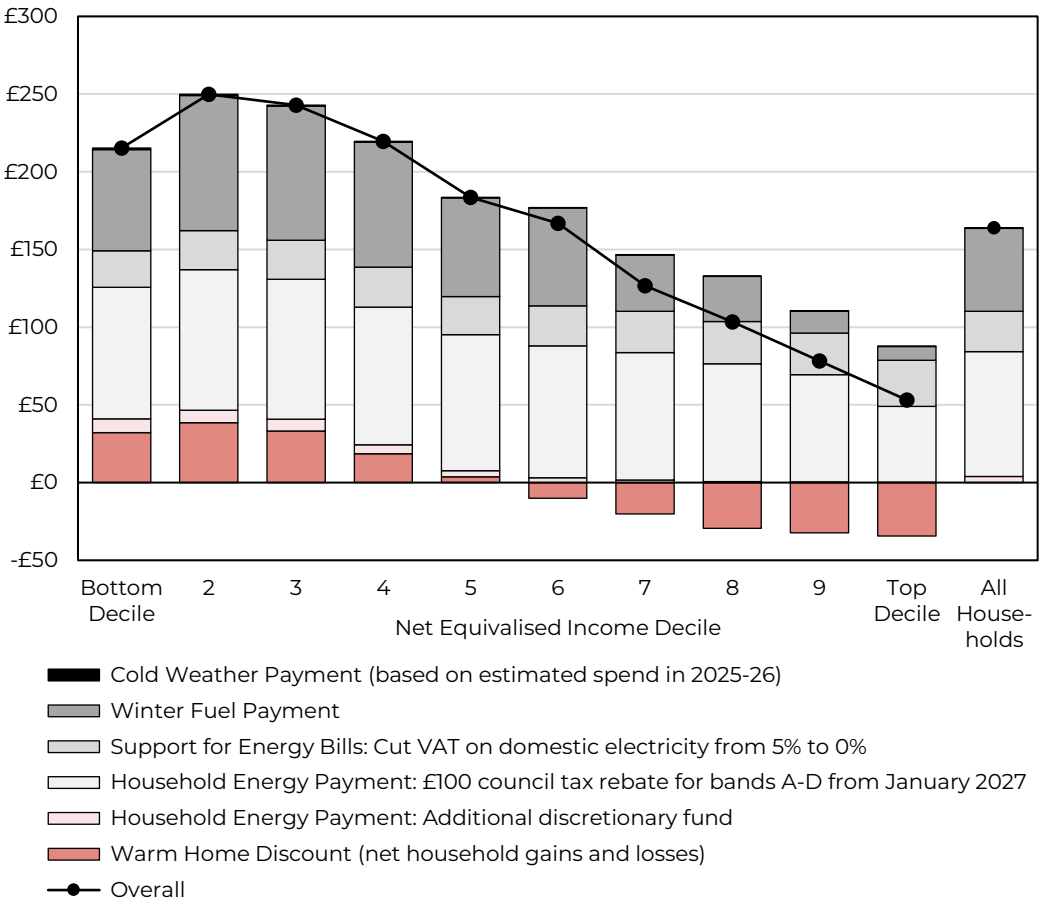


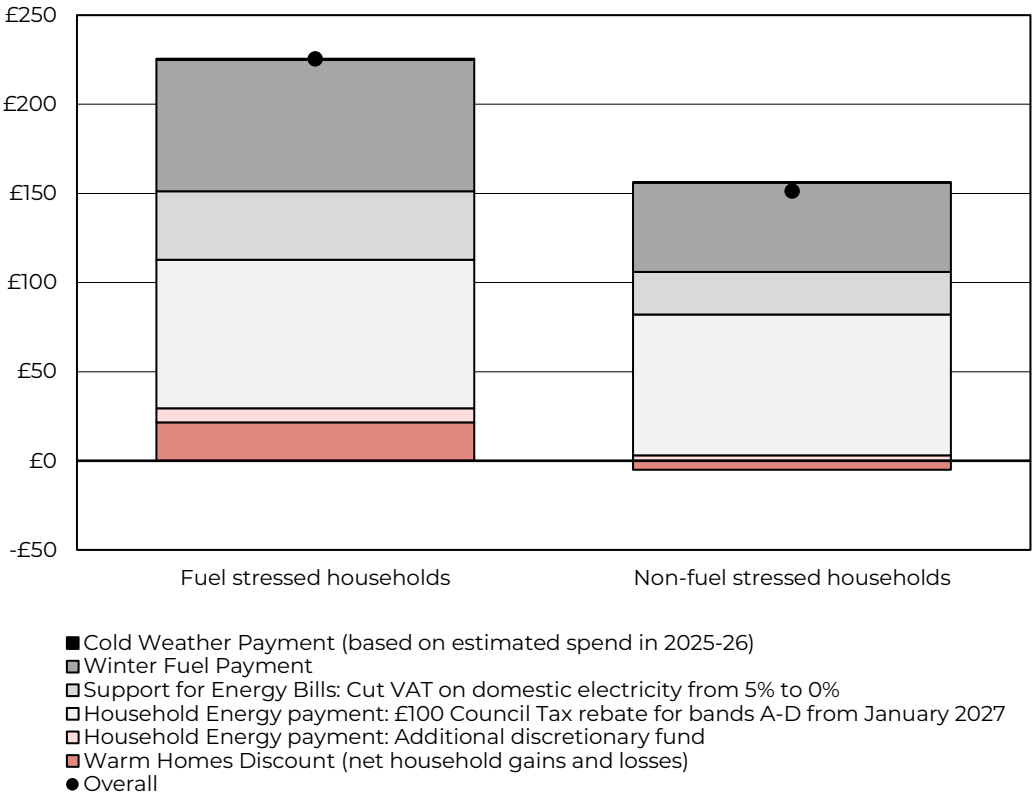
Chart 1.B Impact of government energy support on households in England in 2026-27, in cash terms (£ per year), by income decile



Source: HM Treasury's distributional analysis model

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Chart 1.C Impact of government energy support on households in England in 2026-27, in cash terms (£ per year), by fuel stress status



Source: HM Treasury's distributional analysis model

Methodology

6. The analysis presented here has been derived from HM Treasury's distributional analysis model. For a detailed overview of this model, and the underlying data and definitions used, see Chapter 2 of 'Impact on Households: distributional analysis to accompany Budget 2026'[1].

7. Impacts across the income distribution (Charts 1.A and 1.B) have mainly been estimated using the version of the model based on data from DWP's Family Resources Survey for 2022-23, 2023-24 and 2024-25. This includes estimates of where households in receipt of means-tested benefits sit in the income distribution.

8. Where information about household energy expenditure has been needed to inform the analysis, this has been sourced from the version of the model that uses data from the ONS's Living Costs and Food Survey for 2019-20, 2022-23 and 2023-24. This includes analysis looking at the impacts across fuel stressed households (Chart 1.C).

[1] https://assets.publishing.service.gov.uk/media/6ae1850f16428df53760627d/Impact_on_households.pdf

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9. Where possible, the impact of energy support has been micro-simulated using HM Treasury's distributional analysis model (for example, Winter Fuel Payments). Where this has not been possible, the overall cost of support has been apportioned based on where households who benefit from each type of support sit in the income distribution.
10. This analysis is presented on an England only basis and so does not show the impact on households elsewhere in the UK. Separate decisions may be made about the level of support being provided to households to help with energy costs elsewhere in the UK. In addition, some related benefits (such as the Winter Fuel Allowance) have been devolved.
11. To produce an estimate of the impact of Cold Weather Payments we have used estimated DWP expenditure in 2025-26, and looked at where individuals who would potentially be entitled to it sit in the income distribution. How much that will actually be paid out in 2026-27 will be temperature dependent.