



POUNDS IN POCKETS: CLIMATE POLICIES THAT CUT COSTS FOR HOUSEHOLDS AND FARMERS

SHORT REPORT

THE GOVERNMENT CAME INTO POWER ON A MANIFESTO DEFINED BY ITS GREEN AMBITION AND ACTION QUICKLY FOLLOWED, WITH BARRIERS TO RENEWABLES LIFTED AND THE LAUNCH OF GREAT BRITISH ENERGY AND THE NATIONAL WEALTH FUND.



THIS REPORT SETS OUT A RANGE OF POLICIES THAT BENEFIT CLIMATE AND NATURE, WHILE UNLOCKING ECONOMIC BENEFITS FOR HOUSEHOLDS AND FARMERS BEFORE THE NEXT ELECTION

Today's governing environment, though, is challenging - sluggish economic growth and high borrowing costs have necessitated difficult trade-offs to keep spending within the Government's fiscal rules. The cost-of-living crisis continues to bite, exacerbating long-term economic pressures on households. Real wages have flatlined since 2008, inequality is higher in the UK than in many other European countries, and inflation in food and energy prices has left many families struggling to pay their bills. Elections in the coming years will largely be determined by whether governments have delivered meaningful improvements in voters' everyday lives.

At the same time, the political consensus on net zero is at risk of fracturing, while the type of change needed will increasingly be felt in people's daily lives. The growing impacts of climate change, together with the UK's continued dependence on volatile fossil fuels, pose serious risks to the economy and to household budgets.

All credible analyses reach the same conclusion – the economic benefits of the transition will greatly outweigh the costs, delivering growth and economic resilience while reducing household costs. As political polarisation drives an increased focus on costs, though, **it is vital that the benefits of the transition are felt in people's everyday lives as quickly as possible.**

Taking this approach can cut through the increasingly polarised debate around net zero and demonstrate that the low-carbon transition can deliver benefits to voters, despite the challenging economic and fiscal context. This report focuses on three sectors: **power, home heating, and agriculture and land use.** The following policies could be quickly implemented and deliver concrete benefits to households and farmers within this Parliamentary cycle.

POWER

POLICY	BENEFITS	COST AND HOW TO FUND IT
<p>Rebalance policy costs between electricity and gas through introduction of a Levy Control.</p> <p>Government would outline policy goals and expectations, such as accelerating decarbonisation of heat and cushioning low-income households from volatile energy prices, while Ofgem would set the p/KWh rates for electricity and gas for the following five years required to fund energy policy schemes while meeting these expectations.</p>	<p>Approximately £70 annual saving on electricity bills per household (assuming a 40:60 policy cost allocation ratio between electricity and gas).</p> <p>Encourages shift to clean heating and transport and ensures British industry can benefit from cheap, clean power.</p>	<p>No cost.</p> <p>Moving all policy costs off electricity bills into general taxation, which should be the lead option for an enduring approach, would have costs attached but greater equity and, potentially, political benefits.</p>

Estimated impacts of the recommended policies in this and the following sections are based on independent analysis commissioned by WWF-UK.

POLICY	BENEFITS	COST AND HOW TO FUND IT
<p>Introduce a Social Tariff for households on means-tested benefits.</p> <p>As a percentage discount on the energy unit rate, paired with a cap on the standing charge.</p> <p>It should be an auto-enrolment scheme, integrated with current billing systems, and targeted using existing data for benefit receipts. It could be funded in various ways, including via a modest levy on other billpayers</p>	<p>Estimated annual saving of around £500 (£258 on electricity and £253 on gas) for eligible households.</p>	<p>No cost, if funded by spreading costs across non-eligible billpayers.</p> <p>Note that this would result in an average annual increase for a 'Typical Ofgem' household not on means-tested benefits of £77 and £79 for electricity and gas. If this funding approach were chosen, careful design to ensure different sets of consumers were protected would be essential.</p>

POLICY	BENEFITS	COST AND HOW TO FUND IT
<p>Provide low-interest loans to install solar panels and battery storage on social housing via the National Wealth Fund.</p> <p>Access to loans would be available to all registered social housing providers, with technical assistance to ensure project feasibility, a streamlined application process, a requirement that the work be carried out by certified installers, and a robust monitoring and evaluation framework.</p>	<p>Could reduce energy bills for tenants by around £100 per household per year.</p>	<p>£1 billion (subsidy element of the loan), spread over the 20-year loan period.</p>
<p>Create a GB Energy-backed PPA scheme to unlock community solar and battery for tenants of low-income blocks of flats.</p> <p>A third-party developer would install, own and maintain the solar panels and batteries, part-financing the installation using GB Energy subsidies. Tenants would purchase the electricity at a reduced rate compared to the standard grid tariff, benefiting from bill savings without facing upfront costs.</p>	<p>Could save low-income households an average of £130 annually.</p> <p>Solar installations can also increase property values and appeal, benefiting residents and housing providers.</p>	<p>Approximately £0.2 billion in aggregate - if spread over 3 years, this would reflect an annual cost of £60 million per year to GB Energy's budget. This covers the GB Energy subsidies element of the policy, which is the only public fiscal cost.</p>

HEAT AND BUILDINGS

POLICY	BENEFITS	COST AND HOW TO FUND IT
<p>Offer a stamp duty rebate for energy improvements made within two years of house purchase.</p> <p>Eligibility could be restricted to purchases of less than £750,000 and the rebate capped at £3,750 to focus support on low and middle-income groups.</p> <p>Homeowners would need to provide proof of upgrade which could be cross-checked in a government database to deter fraud. HMRC would be responsible for administering and validating the rebate, using data already available to the department (via the EPC Database).</p>	<p>Could cover full cost of some types of energy efficiency upgrades or cut cost of a heat pump installation by 31% (based on an assumed installation cost of £12,000), or 92% when combined with support from schemes like the Boiler Upgrade Scheme.</p> <p>The policy could result in around 93,000 additional retrofits each year.</p>	<p>Average yearly fiscal cost to government is £400 million, accounting for potential losses due to fraud, and excluding the increase in tax revenues the Exchequer would receive from a more active energy efficiency market.</p>

POLICY	BENEFITS	COST AND HOW TO FUND IT
<p>Offer government-issued guarantees to reduce cost of heat-as-a-service (HaaS) subscriptions.</p> <p>HaaS enables households to pay for home upgrades through a subscription model, helping remove upfront costs and ensure predictable heating bills.</p> <p>Perceived customer credit risks mean that HaaS providers face high financing costs, so have to charge customers a premium. Government-issued guarantees would de-risk the model, enabling lower prices, making HaaS a viable option to drive heat pump adoption among low and middle-income households.</p>	<p>Could reduce heat-as-a-service subscription costs by around £230 per household per year, depending on the extent of retrofit, plus unlock bill savings resulting from improved energy efficiency for a wider range of households.</p>	<p>Aggregate fiscal cost over 15-year contract period is £0.9 billion, reflecting a yearly cost of £60 million.</p> <p>This reflects the guarantee modelled from an initial take up of half a million households, but does not include the potential upside economic benefits resulting from this increased uptake.</p>

AGRICULTURE AND LAND USE

POLICY	BENEFITS	COST AND HOW TO FUND IT
<p>Link Environmental Land Management (ELM) schemes with supply-chain finance to de-risk and scale action for climate and nature.</p> <p>Defra would enable Value-Chain Insetting Partnerships, allowing farmers to blend ELM payments with private insetting finance from food retailers, processors and brands.</p> <p>Corporates would pay farmers for incremental carbon and biodiversity landscape outcomes from practices already encouraged under ELM, provided they go beyond the public baseline (e.g. greater scale, duration or ambition).</p>	<p>Could mobilise £480 million per year for sustainable agriculture, on top of ELM payments.</p>	<p>No additional cost – policy is based on an assumption of continuous ELM funding, including sufficient investment in the landscape recovery tier over the 20-year period proposed, and all private contributions being additional.</p>

POLICY	BENEFITS	COST AND HOW TO FUND IT
<p>Introduce incentives for farmers to adopt low-carbon organic fertilisers.</p> <p>Encouraging use of certified organic fertilisers such as compost and digestate, as well as seaweed biostimulants, could significantly reduce farmers' dependency on synthetic fertilisers, whose prices are dependent on global fossil fuel markets and extremely volatile.</p> <p>This could help increase the resilience of UK agriculture and reduce the impact of global fossil fuel prices on the price of UK-produced food.</p>	<p>A farmer fully adopting low-carbon fertiliser could expect to save £60 per hectare.</p> <p>80% total greenhouse gas savings per kilogram of fertiliser use.</p> <p>If a target of 1 million tonnes of low carbon fertiliser were met, this could deliver a 20% emissions saving in fertiliser use.</p>	<p>No additional cost, beyond revised SFI payment structures or other incentives embedded in Defra's Waste Prevention Programme and upcoming UK Circular Economy Strategy.</p>

POLICY	BENEFITS	COST AND HOW TO FUND IT
<p>Expand permitted development (PD) rights to reduce cost and complexity of adopting sustainable practices.</p> <p>Farmers often face delays, consultancy fees and inconsistent planning decisions when implementing measures to deliver soil and water improvements, like ponds, wetlands or composting areas.</p> <p>Expanding PD rights or creating new prior-approval categories for specific measures that deliver clear environmental benefits could save farmers time and money and increase uptake of climate and nature-friendly practices.</p>	<p>Farmers could save £149 per 0.1 hectare in application fees - a 50% saving - and 2-5 weeks planning approval time.</p> <p>A farmer looking to build a 0.2ha pond under this policy could save an equivalent of £298. Assuming an uptake of 50%, this would be a total cost saving of £30 million for the sector.</p> <p>The policy could increase participation in the ELM scheme by lowering upfront costs and giving farmers confidence to proceed with infrastructure that supports long-term environmental outcomes.</p>	<p>No cost – regulatory decision that could be implemented via secondary legislation or through the Planning and Infrastructure Bill.</p>



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