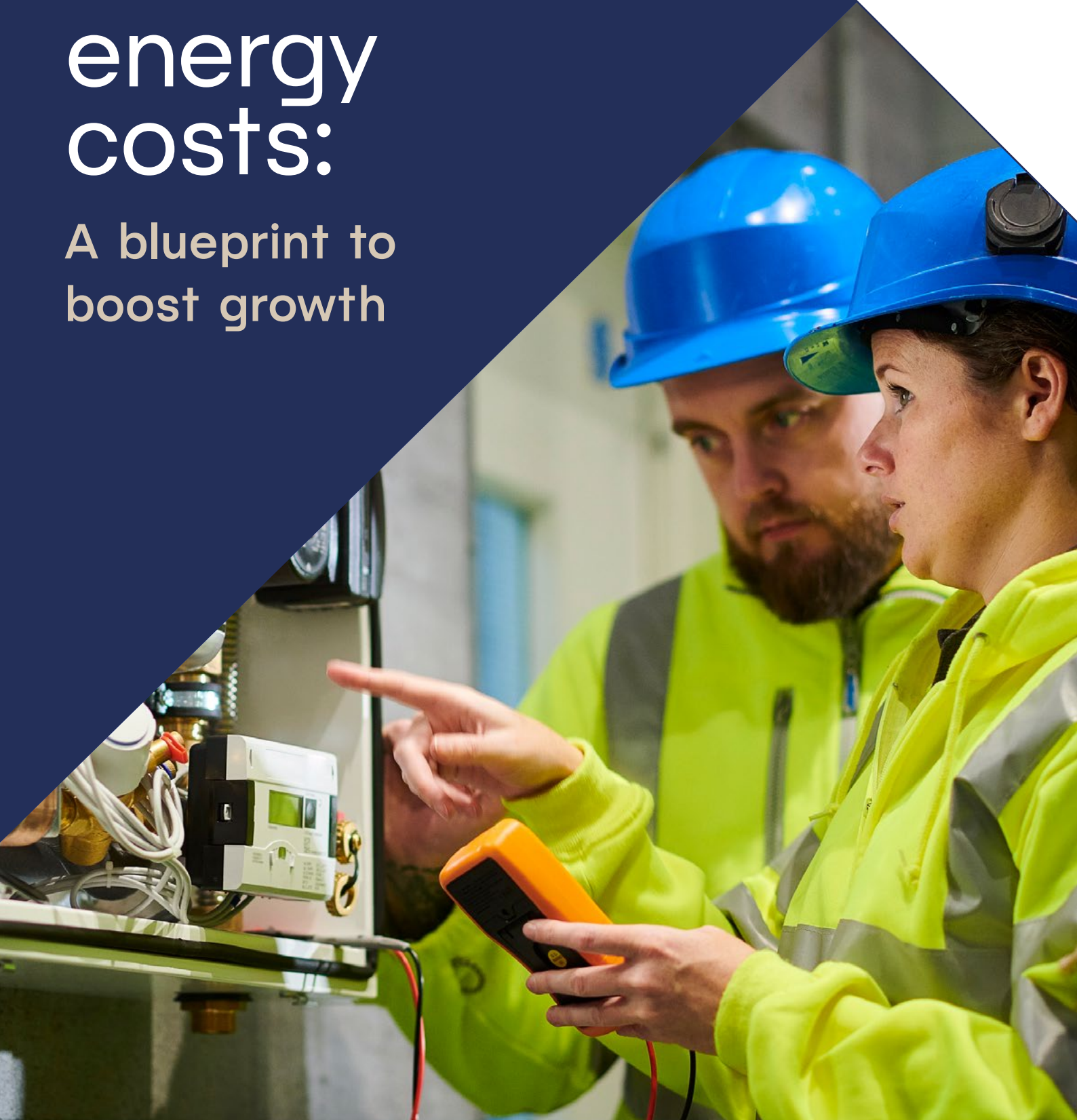


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Energy
UK

Cutting business energy costs:

A blueprint to
boost growth



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About the CBI

The CBI represents 850 members who themselves comprise 1,200 separate registered companies and over 150,000 trade association members.

Founded 60 years ago and representing some of the biggest names in business, household brands and globally traded corporations that employ people in all sectors and across every region and nation of the UK, the CBI is the voice of business.

About Energy UK

Energy UK is the trade association for the energy industry, representing companies investing billions of pounds to secure our country's current and future energy needs.

From growing start-ups to major electricity generators, grid and infrastructure developers and energy suppliers, our members are driving change across power, heat, transport and flexibility.

We provide a collective voice for the sector working with governments, regulators, charities and other organisations to provide crucial insight that shapes policy, offers solutions and promotes best practice.

Our broad view across the whole system supports evidence-based positions which are not tied to particular technologies, and are focused on delivering strategic benefits for people, businesses and the economy.

Acknowledgements

The CBI and Energy UK would like to thank Cornwall Insight for various pieces of data and analysis, including energy cost forecasts, the development of seven business energy archetypes representing a broad spectrum of the economy, and aiding the production of case studies on the impact of policy proposals. The support of Cornwall Insight has been crucial to building the arguments presented in this report and illustrating the effect of our recommended policies on real businesses.

We would also like to thank the National Institute of Economic and Social Research (NIESR) for modelling the macroeconomic impact of reducing electricity prices for businesses across the economy.

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Finally, we are also grateful to the CBI and Energy UK strategic committees and working groups that have informed this work throughout its development. Their contributions, drawing on the experience of over 200 businesses across the economy, have provided valuable insight into the real-world pressures facing firms and the practical steps needed to reduce business energy costs.

About Cornwall Insight

Established in 2005, Cornwall Insight is one of the most respected voices in the energy industry. We provide independent and trusted data, analysis, and forecasting for the energy transition.

Our independent experts work across the energy market and provide high quality and actionable insights on which to base your business decisions. We facilitate positive market and policy change, whilst also advising customers on how to navigate energy market dynamics, rules and regulations.

About National Institute of Economic and Social Research (NIESR)

The National Institute of Economic and Social Research (NIESR) is Britain's longest established independent research institute. We operate as a charity, independent of all party-political interests and receive no core funding from government or other sources. The central question our research strategy seeks to answer is how the UK can build an economy resilient enough to absorb bigger shocks, dynamic enough to adapt to – and benefit from – structural change, and inclusive enough to spread the gains rather than entrench divisions.

Executive summary

Boosting UK growth is fundamental to increase living standards, create good jobs and ensure sustainable public finances. During this decade, UK economic growth has underperformed compared to peers, and it's become increasingly clear that the cost of doing business is one of the biggest barriers to recovery and competitiveness.¹ Businesses operating across every sector face rising pressures, and two constraints consistently stand out as the biggest obstacles to investment and growth: labour costs and energy costs.² Tackling these issues will increase productivity and competitiveness across the whole economy.

Much of Europe experienced an economy-wide inflationary shock when gas prices rose in 2021/22, largely as a result of Russia invading Ukraine. However, due to our high dependence on gas for power generation and heating, the UK was very exposed to supply disruptions and price spikes on international markets. As a result, UK households and businesses felt the impacts of these price increases acutely. More recently, the latest conflict in the Middle East has pushed oil and gas prices back into the spotlight. The impact of a second energy crisis in five years is a stark reminder of just how exposed the UK is to global volatility.

Reliable, affordable energy is essential for all businesses, not just a handful of sectors.

The cost of energy for businesses has been a strategic economic risk long before the latest crisis. Electricity is a particular concern for our international competitiveness, with UK gas prices sitting close to the G7 median but electricity prices around 50% higher.³ This gap is not simply a temporary shock, it is a long standing structural problem. Part of the challenge comes from our historic reliance on gas, which the transition to clean power will gradually reduce. This is already having an effect with gas setting the price of electricity around 60% of the time today, down from 90% earlier in the decade.⁴ But the bigger issue is that the UK is an international outlier in funding most major energy and decarbonisation policies through electricity bills rather than through general taxation.

This approach is now holding back economic growth. It makes UK electricity disproportionately expensive, discourages investment, and undermines the competitiveness of energy-intensive industries. It also slows down electrification of heat, transport, and industrial processes, all of which are essential for improving national energy security and delivering stable, lower bills over the long term.

Recent Government interventions, such as the British Industry Supercharger (BIS) and British Industrial Competitiveness Scheme (BICS) have

¹ House of Commons Library (2026), [GDP international comparisons: Economic indicators](#)

² The CBI (2026), [CBI CEO Rain Newton-Smith's speech at the National Business Dinner 2026](#)

³ Department for Energy Security and Net Zero (2026), [International non-domestic energy prices](#); Energy UK and CBI analysis. Note: Average difference to the median across 2023 and 2024.

⁴ Department for Energy Security and Net Zero (2026), [Decisive action to break influence of gas on electricity prices](#)

been welcome. But while they help at the margins, they do not provide any relief for the 2.7 million businesses that are not eligible, many of which are struggling with high electricity costs.⁵

They also fail to acknowledge or address the structural problems associated with our reliance on global fossil fuel markets, and do not incentivise businesses to electrify.

It does not have to be this way. The Government can and must act now to reduce business energy costs and kickstart UK growth.

Reducing business energy costs is not just an energy policy. It is a part of an economic and industrial strategy. The prize for fixing this problem is enormous. Over £130 billion of additional economic output could be generated between 2027 and 2050 if the policies in this report are pursued.⁶ The proposals would relieve cost-of-living challenges by lowering electricity bills across the economy, including in sectors where cost pressures feed directly through to higher consumer prices, such as food and drink, and retail. And they would enhance regional growth, strengthening industrial clusters from the Midlands to the North of Scotland, supporting domestic supply chains, and enabling businesses across the UK to better compete globally.

Reindustrialisation cannot happen on the back of some of the most expensive electricity in the developed world. If the UK wants to rebuild its manufacturing base and compete for the next

generation of industries, from clean tech to advanced materials, affordable, reliable power is a precondition, not a 'nice to have'.

CBI and Energy UK members, representing the supply and demand sides of the energy system, know that this will require decisive leadership, ambition and vision. This report sets out a 'blueprint to boost growth', through a comprehensive national business energy costs strategy.

An immediate intervention is necessary, and the starting point must be taking direct action to cut electricity prices. The upcoming Autumn Budget is the moment to send a clear signal by announcing the removal of Renewables Obligation (RO) and Feed-in Tariff (FiT) costs for all businesses, as well as eliminating the portion of the Climate Change Levy (CCL) on electricity. This will demonstrate the UK is serious about growth, serious about competitiveness, and serious about giving businesses the confidence to invest again.

This move will provide the foundation upon which regulatory reform and electrification support can build, to bear down on system costs over time and encourage businesses to modernise their energy consumption, enabling them to enjoy permanently lower, more stable bills.

The case for action is clear. The Government must make reducing business energy bills a national priority, and work with industry to deliver a system that supports investment, competitiveness, and resilience. The UK cannot afford to wait.

5 Nomis (2026), Query Tool - UK Business Counts - enterprises by industry and employment size band

6 CBI (2026) analysis. This £130 billion represents the additional real GDP that would be generated through removing RO, FiT and the electricity CCL charge from non-domestic electricity costs. NIESR's NiGEM model has been used to calculate this impact, with the modelling assuming that the fiscal costs of the intervention are covered through general taxation. It is safe to assume that additional economic output will be realised through the implementation of the other recommendations included within the report.

Policy recommendations

1 Take direct action to cut electricity prices.

1.1 Remove Renewables Obligation (RO) and Feed-in Tariff (FiT) costs for all businesses.

Financed through one of the following options:

1. Move the costs into general taxation.
2. Create a publicly financed Energy Transition Funding Scheme.
3. Work with the financial services sector to develop a privately financed Energy Transition Funding Scheme.

1.2 Reform business energy taxes.

2 Implement reforms to reduce the cost of the energy system.

2.1 Use the Reformed National Pricing (RNP) programme to cut balancing costs.

2.2 Raise non-domestic Minimum Energy Efficiency Standards.

3 Support business electrification and energy demand management.

3.1 Launch the Business Energy Upgrade scheme for SMEs.

3.2 Offer targeted operational expenditure discounts to incentivise electrification.

3.3 Offer guarantees for Corporate Power Purchase Agreements (CPPAs) to drive market expansion.

Tackling high energy prices is critical and urgent

As the CBI and Energy UK highlighted in the partnership's first report in February 2026, persistently high business energy costs, with electricity prices on average 45% higher than the G7 median across 2023 and 2024, have caused numerous challenges for the country.⁷ They are damaging the international competitiveness of UK companies, limiting the appetite of British corporates to invest and innovate, and driving higher prices for consumers.

While high energy costs have plagued the UK for several years, the latest conflict in the Middle East has further raised the focus on the issue.

A PwC investor survey conducted in March 2026 showed that around half of respondents see the cost of electricity as a key area for improvement in the UK.⁸ CBI economic surveys from April 2026 illustrate that over four in ten companies are cutting investment due to high energy costs. In recent weeks, there have been several high-profile announcements of the UK missing out on investment due to high electricity prices.⁹

It's time to unlock demand to turn clean power into lower costs and stronger growth.

Rising geopolitical risk has sharpened the case for clean power. It offers the best route to greater energy security, with lower exposure to volatile international gas markets and more stable prices. However, if we are to realise its potential economic benefits, there are several realities that must be confronted.

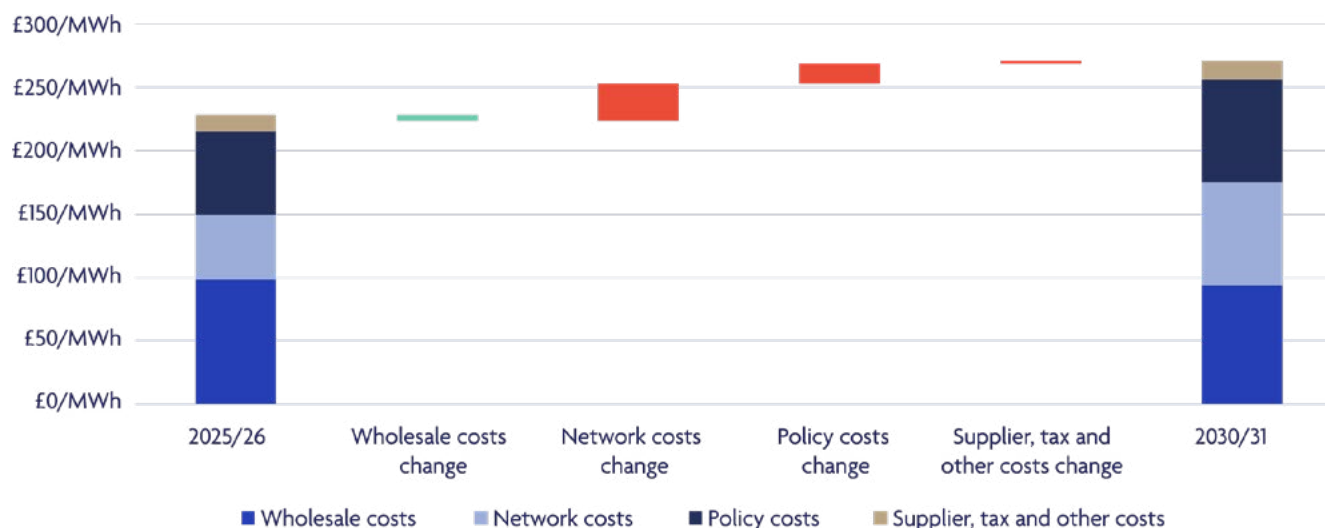
Firstly, the UK's electricity system requires significant investment to upgrade ageing infrastructure, connect new sources of generation, and accommodate new demand. At the same time, legacy renewables schemes, such as the Renewables Obligation (RO) and Feed-in Tariff (FiT) will remain embedded in energy bills for years to come, while other policy costs, including nuclear RAB, are growing. As a result, electricity prices are expected to continue increasing over the medium-term, as illustrated in Figure 1, for a representative Small Industrial site, where network and policy costs are expected to rise substantially between 2025/26 and 2030/31.

⁷ Energy UK and the CBI (2026), [Cutting Business Energy Costs: The case for action](#); Department for Energy Security and Net Zero (2026), [International non-domestic energy prices](#); Energy UK and the CBI analysis.

⁸ PwC UK (2026), [Powered up or priced out? The £250bn case for a national energy plan](#)

⁹ [The Guardian \(2026\), OpenAI shelves Stargate UK in blow to Britain's AI ambitions](#); [The Independent \(2026\), China's BYD boss says no to UK factory as British energy is 'too expensive'](#)

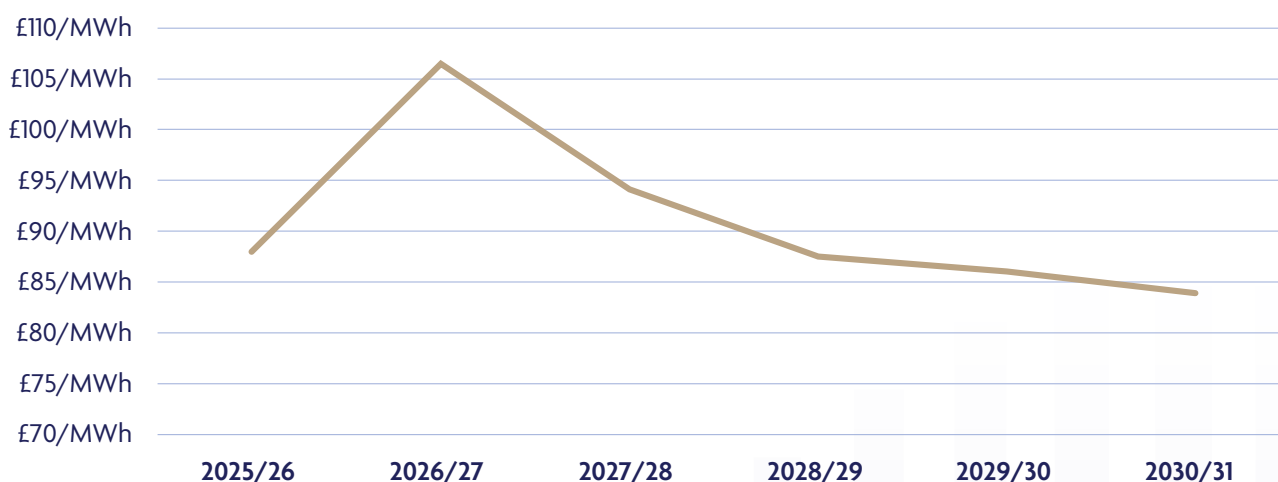
Figure 1: Change in electricity costs per MWh from 2025/26 to 2030/31 for a representative Small Industrial site¹⁰



Secondly, forecasts suggest wholesale electricity prices should begin to fall below pre-Middle East conflict levels towards the end of the decade due to increasing clean power generation and growing global liquefied natural gas (LNG) supply. However, prices are expected to remain at or above the 2025/26 level through to 2028/29. These projections point to a critical juncture, in which businesses face rising network and policy costs in the short to medium term, before the benefits these investments deliver through lower wholesale electricity prices come into view.

Successfully managing this period in a way that boosts the UK economy's long-term competitiveness and investability will require a much greater focus on helping businesses electrify. This would enable them to directly benefit from investment in the clean power transition and ensure that infrastructure costs are spread over more demand, lowering the impact on bills.

Figure 2: Baseload wholesale electricity prices per MWh, 2025/26 to 2030/31¹¹



¹⁰ Cornwall Insight (2026), Business energy archetype cost forecasts

¹¹ Cornwall Insight (2026), Business energy archetype cost forecasts

Thirdly, the pathway to electrification is not uniform across the economy. While many businesses will be able to fully switch to electricity, some industrial processes will remain difficult or uneconomic to electrify and will require alternative solutions. As a result, a clear understanding of the volume, location and nature of future business electricity demand is needed to ensure that investment in generation and networks is aligned with customer needs and support for electrification is well directed.

The economic case for action has never been clearer.

The conflict in the Middle East must not be viewed as another short-term crisis that can be overcome with temporary measures or narrowly targeted schemes. It should, instead, be seen as increasing the urgency of tackling the structural frailties in the UK energy system that have been apparent since the last energy crisis following Russia's invasion of Ukraine.

On the current trajectory, high business energy costs will remain a major drag on economic growth for some years to come. In addition, firms will not have the appetite or incentive to invest in the electrification that would reduce their exposure to gas, with electricity demand continuing to decline, creating a vicious cycle in which prices rise further as fixed costs are spread over fewer units of consumption.

However, there is an alternative scenario where decisive action is taken today to cut business energy costs, particularly electricity prices, and the right policies are put in place to ensure they remain competitive and affordable over the long-term. This would give businesses the certainty they need to invest more heavily into the UK economy, driving a considerable acceleration in growth. Indeed, PwC estimates that if UK electricity prices fell to the median of G7 countries, it would unlock £250 billion of additional economic output over the next decade, equivalent to 8% of today's GDP.¹²

¹² PwC UK (2026), *Powered up or priced out? The £250bn case for a national energy plan*

Cutting energy costs and unlocking electrification starts with understanding business demand

Understanding how companies use energy is inherently complex. While overall energy consumption is the single biggest driver of energy costs, several other factors can have a significant impact on bills, including the nature of a firm's operations, its equipment and asset base, operating hours, energy procurement strategy, and the extent to which energy is integral to its production processes.

A deeper understanding of the energy requirements of different business types will be critical, not only for the effective development of energy cost policies, but also to supporting the electrification of the economy. To date, the demand side of the equation has often been overlooked within the wider clean power debate. Yet understanding how different businesses consume energy, their ability to electrify, and the barriers they face will be essential, if the benefits of the transition are to be realised across the economy.

Understanding business energy archetypes in practice.

Government datasets, including the Digest of UK Energy Statistics (DUKES), provide useful insights into patterns of energy consumption across sectors and business types. Energy suppliers also hold rich datasets on customer consumption patterns, enabling them to understand demand requirements, forecast future needs, identify opportunities for greater flexibility, and manage their portfolios effectively. However, it is when these datasets are combined that they can offer the most valuable evidence base from which to build conclusions about energy usage and consumption patterns, and where the impact of high energy prices is felt.

To develop a more practical understanding of energy consumption and costs among different types of businesses, the CBI, Energy UK and Cornwall Insight undertook a series of detailed interviews with members of the Cutting Business Energy Costs Taskforce. Drawing on established policy frameworks and evidence from Taskforce members, Cornwall Insight has developed a series of business energy archetypes. These archetypes provide a framework for understanding how different companies experience energy costs and the scale of change they may face in electrifying.

Figure 3: Typical site characteristics of seven business energy archetypes, representing a broad spectrum of the UK economy¹³

Business Archetype	Typical Site Characteristics				
	Site(s)'s total annual electricity consumption (kWh)	Site's typical consumption pattern	Network connection level	Site's total annual gas consumption (kWh)	Typical annual energy site spend (£/yr)
1. UK High Street	15,000	"Semi seasonal"	LV Non-half hourly	30,000	£6,500
2. Small Commercial	215,000	"Semi seasonal" / "Process"	LV Half hourly	0	£55,000
3. Small Industrial	800,000	"Semi seasonal" / "Process"	LV Half hourly	732,000	£250,000
4. Medium Industrial / Commercial	2,350,000	"Process" / "Shift"	HV Half hourly	15,275,000	£1.5 million
5. Heavy Industry	52,500,000	"Process" / "Shift"	HV Half hourly	152,750,000	£20 million
6. Data Centre	380,000,000	"Flat"	HV Half hourly / EHV / Transmission	0	£80 million
7. Peaky Demand	675,000	"Peaky"	HV Half hourly	0	£240,000

Note: Key for table supplied in Appendix

As well as supporting the development of the archetypes, the discussions with Taskforce members explored firms' energy consumption and procurement strategies, and their exposure to energy costs. The findings provided valuable insights

into the opportunities and challenges associated with designing policies that reflect the diverse energy needs of UK businesses and should be reflected on as we develop a future energy system.

¹³ Cornwall Insight (2026), Business energy archetypes

1. Understanding energy use at the process level can unlock smarter policy.

Energy is a complex business input, and headline consumption figures can mask operational realities. A company's energy profile depends not only on total demand, but also site configuration, operational processes and procurement strategy. This is particularly important when comparing businesses with concentrated demand across a small number of sites with those whose demand is spread across large property portfolios.

For example, a logistics company may use energy across offices, depots and distribution hubs, with demand increasingly driven by fleet electrification. A food retailer may consume a similar amount overall, but across distribution centres and stores, with refrigeration a major driver. Comparable headline consumption can therefore conceal very different energy-use profiles, investment needs and exposure to costs. These distinctions are critical to designing effective policy and supporting businesses to electrify.

2. Sector classifications are an increasingly blunt tool for electrification policy.

Traditional sector-level classifications, such as Standard Industrial Classification (SIC) codes, often mask important differences in how energy is consumed within businesses and across production processes. There is a growing need to understand which activities and processes are electricity-intensive, particularly as policymakers seek to support electrification and target interventions more effectively.

The BICS process demonstrated both the value and the limitations of a sector-based approach. While SIC codes provide a useful starting point for identifying energy-intensive businesses, they can be too blunt a tool to accurately capture energy use, electrification potential and competitiveness challenges. Future policy should build on this experience by adopting a more granular, activity-based approach that identifies where electrification is viable and where barriers remain. Doing so would improve targeting and reduce the risk of arbitrary exclusions or inadvertently discouraging electrification of some activities, such as space heating.

3. Transparent energy costs are critical to electrification and wider business investment.

As businesses make decisions on investment, growth and electrification, greater transparency on future energy costs and their drivers is essential. Better visibility of cost trajectories would enable firms to plan and invest with greater confidence.

This is particularly important for the many businesses, including SMEs, retailers and commercial organisations, which do not benefit from electricity cost support and, thus, face the full impact of rising electricity prices.

With limited ability to pass higher costs on to customers due to competitive, contractual or regulatory constraints, rising energy prices can directly affect profitability, investment and growth. Improving transparency around future energy system costs and how they will be recovered would, therefore, support the clean power transition by giving businesses greater certainty over their investment and electrification plans.

Business energy archetypes expose gaps in existing policy.

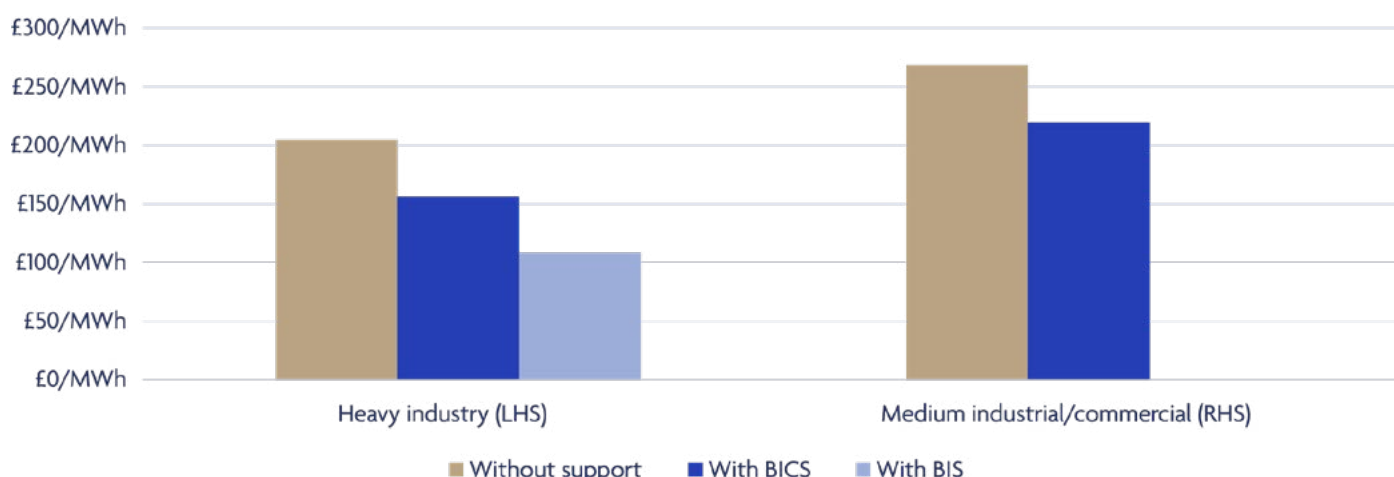
The archetypes also reveal a growing mismatch between the structure of existing support mechanisms and the diverse energy needs of UK businesses. While some energy-intensive industries benefit from substantial relief, significant gaps remain across the wider business community, even as energy costs continue to rise.

Five hundred of the largest businesses classified as energy-intensive, or Heavy Industry in the archetypes framework, benefit from BIS, which provides exemptions from a number of policy costs, including RO, FiT, Contracts for Difference (CfD) and Capacity Market (CM), as well as a

90% rebate on network costs.¹⁴ Meanwhile, the response to the latest energy price shock has seen a £470 million support package designated for the chemicals and ceramics sectors.¹⁵

A broader group of small and medium-sized industrial businesses within the Industrial Strategy's eight growth sectors may also qualify for support through BICS, with around 10,000 companies set to receive exemptions from RO, FiT and CM costs.¹⁶ These interventions recognise the competitiveness challenges faced by electricity-intensive industries and demonstrate that policy costs remain an important lever for reducing energy bills.

Figure 4: Electricity costs per MWh of Heavy Industry and Medium Industrial / Commercial archetypes with and without support schemes, 2028/29¹⁷



The emerging picture is one of narrowly targeted support, which recognises energy-intensive businesses suffer the most from high prices but fails to acknowledge that energy costs are a key line item and a considerable concern for many companies. For some companies that are not eligible for BIS or BICS, energy costs can still

represent as much as one-third of their operating costs. Energy costs can even represent a double-digit percentage of operating costs for High Street sites. Given they typically see tight profit margins and face wider cost pressures, high energy prices can quickly feed through to cost-of-living impacts.

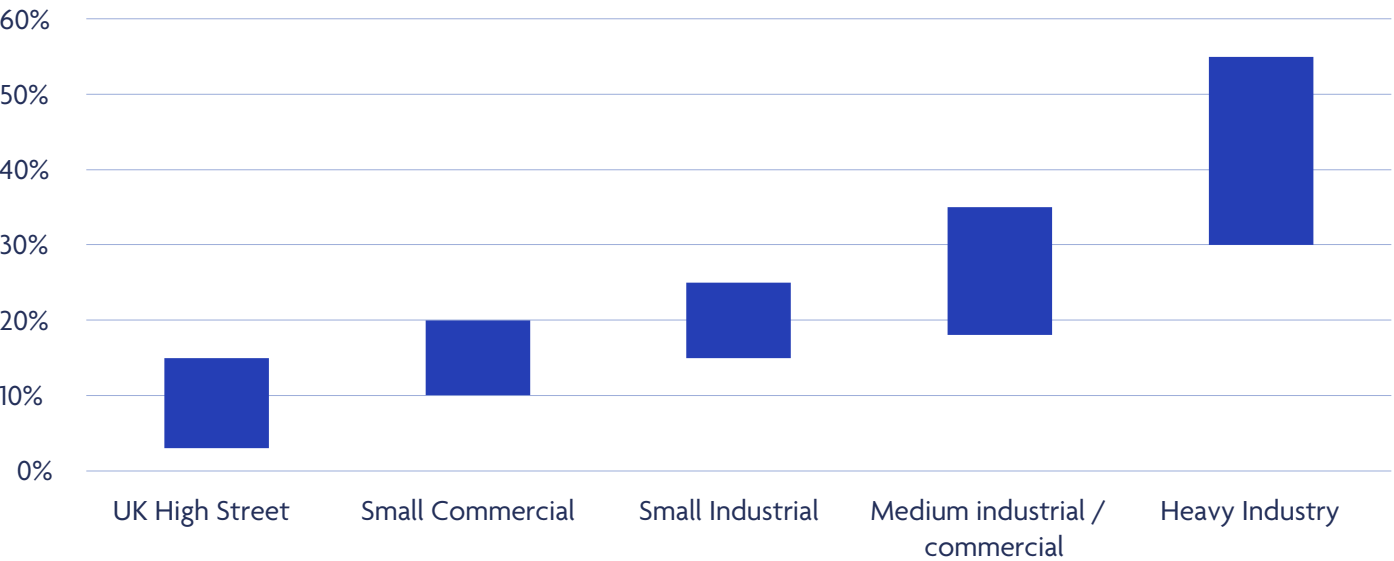
¹⁴ Department for Business and Trade (2025). [Proposed uplift to the Network Charging Compensation Scheme for energy intensive industries \(EIs\): government consultation response](#)

¹⁵ Department for Business and Trade (2026). [Government steps in to back long-term resilience of UK's chemicals and ceramics industries](#)

¹⁶ Department for Business and Trade (2026). [Government response to BICS: consultation on scheme eligibility and approach](#)

¹⁷ Cornwall Insight (2026). [Business energy archetype cost forecasts](#)

Figure 5: Illustrative range of energy costs as a proportion of total operating costs for selection of business energy archetypes¹⁸



Note: Data Centre and Peaky Demand archetypes not included, but it is anticipated that energy costs will account for the majority of operating costs at most of these sites.

Businesses outside of the BIS and BICS support schemes account for nearly 90% of non-domestic electricity consumption and comprise almost all the UK’s 2.7 million companies.¹⁹ As well as not receiving any support, they face an additional hit from having to fund the costs of BIS through their energy bills,

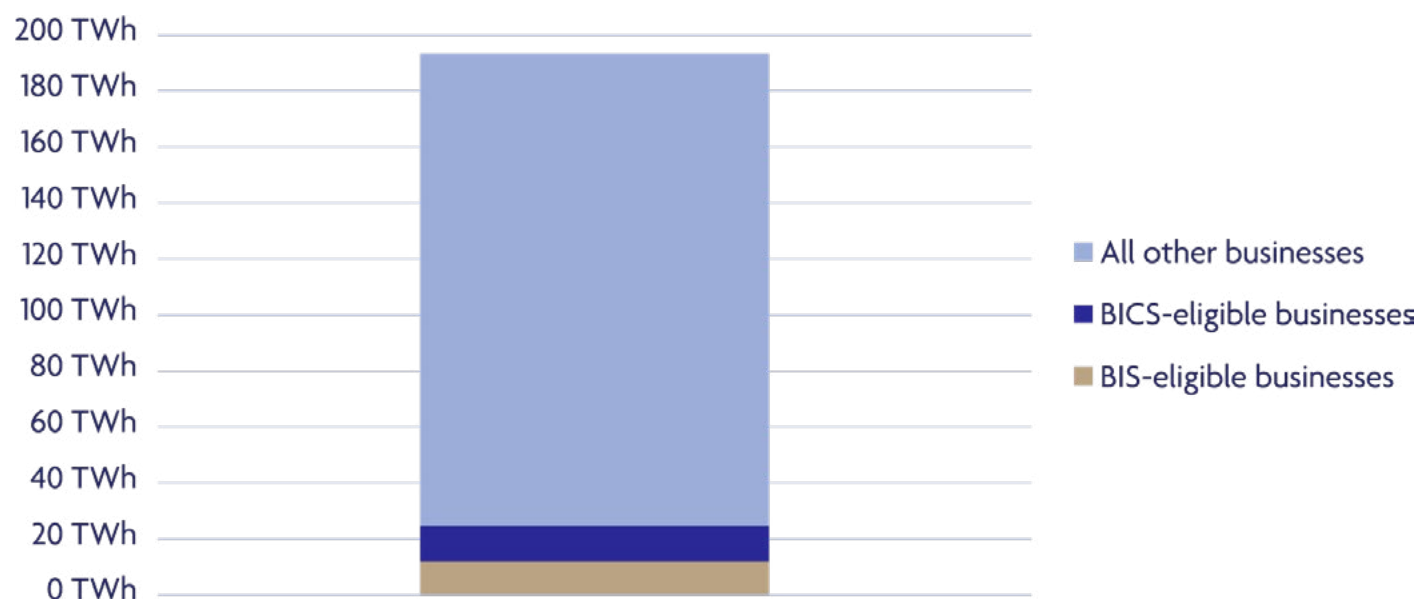
and could see a similar situation with BICS when it is introduced, although the costs related to that scheme are planned to be offset by other policy changes, such as withdrawal of the Carbon Price Support (CPS) and indexation adjustments to the RO.²⁰

¹⁸ BBPA (2024), New 2024 Guide for publicans released; Bellrock (2025), Service Charge Operating Reports (SCOR) for Offices; The Food & Drink Federation (2026), State of Industry Report Q1 2026; British Glass (2026), Energy policy; Mineral Products Association (2025), Written evidence to Energy Security and Net Zero Committee - The cost of energy (inquiry); Cornwall Insight (2026), Business energy archetype cost forecasts; Energy UK and CBI analysis.

¹⁹ Cornwall Insight (2026), Business energy archetype cost forecasts; Nomis (2026), Query Tool - UK Business Counts - enterprises by industry and employment size band; Energy UK and CBI analysis

²⁰ Department for Business and Trade (2026), Government response to BICS: consultation on scheme eligibility and approach

Figure 6: Electricity consumption of British Industry Supercharger and British Industrial Competitiveness Scheme recipients, and all other businesses, 2026/27²¹

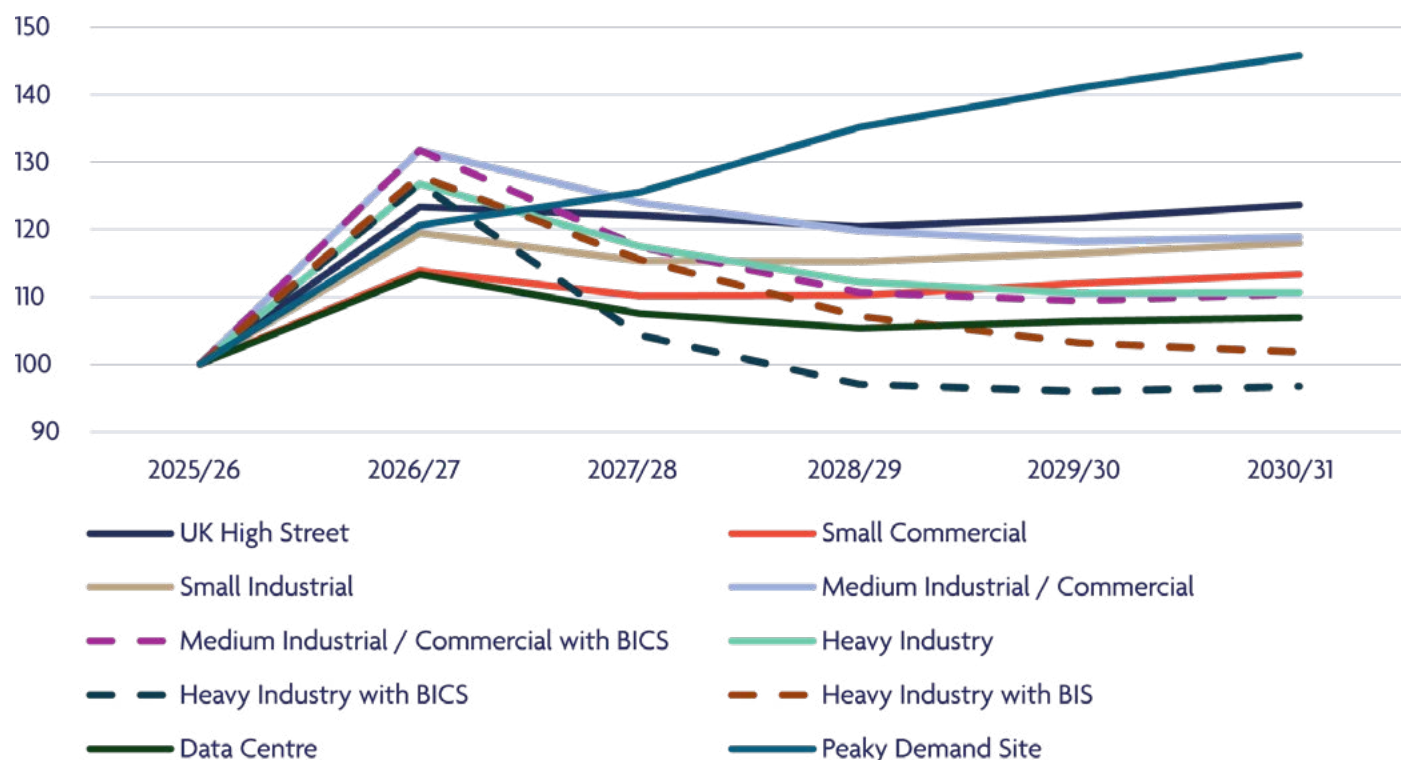


Moreover, businesses that are outside support schemes are set to face the highest percentage increase in costs compared to previous years. Cornwall Insight forecasts that between 2027/28 and 2030/31, there will be a wide range of movements in energy costs across the business archetypes. Companies receiving BIS, or beginning to benefit from BICS from 2027/28, will see reductions or comparatively small increases in costs versus 2025/26. In contrast, industrial sites that do not receive support will suffer 20% higher costs compared to 2025/26.

High Street businesses will face the greatest increase among archetypes with conventional consumption patterns, with costs around one-quarter higher. This will place further pressure on many struggling firms and feed through to continued cost-of-living challenges. Peaky Demand sites, such as electric vehicle charging stations, will see their costs rise by almost half by 2030/31 due to their significant exposure to network costs.

²¹ Cornwall Insight (2026), Business energy archetype cost forecasts; Energy UK and CBI analysis

Figure 7: Business energy archetypes index of change in total energy costs, 2025/26 to 2030/31²²



Note: Heavy Industry with BIS includes scheme savings throughout the period shown. Heavy Industry and Medium Industrial / Commercial with BICS includes scheme savings from 2027/28 when it is due to begin. As a result, the 2027/28 reduction in costs for Heavy Industry with BICS is larger than Heavy Industry BIS, despite BIS providing a greater energy cost discount than BICS.

There are several key lessons to take from the business energy archetypes analysis. First, although targeted support schemes make, or will soon make, a meaningful difference to eligible companies, only a tiny fraction of businesses and a low proportion of electricity demand benefit. Second, more widespread action is urgently needed to halt the constant pressure faced by most companies as a

result of relentlessly high energy prices. Third, there is still a place for well-targeted interventions that directly support electrification and better demand management to enhance long-term energy security. These interventions could build on current targeting initiatives but, to be effective, will need to broaden beyond existing limits and must take account of evolving energy needs.

²² Cornwall Insight (2026), Business energy archetype cost forecasts; Energy UK and CBI analysis

A blueprint to boost growth

The Government has so far missed the opportunity to outline a comprehensive response to business energy cost challenges that would not just halt business closures but drive broader investment and growth. While some sectors are struggling more than others, all companies are suffering from relentlessly high energy prices. This is a significant constraint on business investment in the UK and is filtering through to rising cost-of-living pressures on households.

The case for decisive action on business energy costs is clear: a more competitive and dynamic UK economy, with hundreds of billions in additional output. The Government must now rise to this challenge by taking the necessary steps to deliver these benefits.

A coherent package of measures will be essential, but the starting point must be lowering electricity prices directly as soon as practicable.

Taking direct action to reduce electricity costs now is the only way to begin closing the gap with international competitors, boost business investment, and mitigate cost-of-living pressures. This move would provide the foundation upon which further reforms of the energy system and business electrification can build to enable permanently lower business energy bills.

The recommendations below detail a blueprint for a comprehensive national business energy costs strategy. Together, these proposals would provide much needed relief against high energy prices today, bear down on system costs over time, and encourage businesses to modernise their energy consumption, enabling them to benefit from lower, more stable prices over the long-term. This will generate the uplift in business confidence needed to drive investment and accelerate economic growth.

Recommendation 1:

Take direct action to cut electricity prices

Business electricity costs are comprised of wholesale, network, policy and operating costs as well as taxes and some miscellaneous charges. The clean power transition will reduce the exposure of the wholesale component to gas prices over time, but aside from that, there is a limited amount the Government can do to cut this cost. Similarly, while network charges are rising, these increases are financing critical upgrades to the UK's electricity infrastructure, where considerable parts of the system are half a century old.²³ Any changes to the funding approach for network investment risks causing uncertainty for investors, possibly increasing the cost and causing delays. This leaves policy costs and taxes as the two components that the Government can take action on to swiftly reduce business electricity costs.

²³ [Ofgem \(2026\), RIIO-3 Final Determinations Overview Document](#); [The Telegraph \(2025\), Britain's electricity grid is dangerously outdated](#)

Analysis by PwC shows that cutting electricity prices to the G7 median level would drive £250 billion of additional economic output over the next ten years.²⁴ To do that immediately would be likely to represent a significant fiscal cost, which may not be possible at present.²⁵ Therefore, the CBI and Energy UK have identified key policy costs and taxes that would be fiscally manageable to remove, while still delivering a significant near-term reduction in energy costs that would provide a material catalyst for business investment and growth.

Recommendation 1.1: Remove Renewables Obligation (RO) and Feed-in Tariff (FiT) costs for all businesses.

To date, the Government’s business energy cost support schemes, BIS and BICS, have focused on the most energy-intensive, trade-exposed companies and priority growth sectors. This is understandable, and the schemes are both welcome and highly necessary interventions to support international competitiveness.

However, the continued focus on minimising scheme costs has failed to see the bigger picture on wider economic impacts that are resulting from higher energy prices, including on investment and the cost of living. This is acutely felt by businesses across all sectors including foundational sectors, such as hospitality and retail. To effectively tackle these issues and drive investment and growth, all companies need to see a near-term reduction in electricity costs.

Therefore, the Government should remove RO and FiT costs for all non-domestic customers. This would acknowledge that less energy-intensive and trade-exposed firms may not require as much support with electricity costs as BIS and BICS-eligible companies, while still providing significant, and greatly needed, relief to the entire business community.

Removing RO and FiT costs for all non-domestic customers would cost an average of **£4.8 billion per annum between FY2027/28 and FY2030/31**, but will decline over the 2030s as the legacy schemes run down.²⁶

Figure 8: Annual cost of removing RO and FiT for all non-domestic customers, FY2027/28 and FY2030/31

FY2027/28	FY2028/29	FY2029/30	FY2030/31
£5.1 billion	£4.9 billion	£4.6 billion	£4.4 billion

24 PwC UK (2026). [Powered up or priced out? The £250bn case for a national energy plan](#)

25 Department for Energy Security and Net Zero (2026). [International non-domestic energy prices](#); CBI analysis (2026). Calculations suggest that removing sufficient non-wholesale costs from bills to reduce non-domestic electricity prices to the G7 median would cost around £20 billion per year.

26 CBI (2026) analysis. The average represents the forecast cost over FY27/28, FY28/29, and FY29/30 and FY30/31. Input data for this modelling, regarding policy scheme costs, electricity usage and electricity costs was sourced from Cornwall Insight, the government’s energy consumption statistics, fuel prices statistics and Ofgem statistics.

The Government has three main options to fund this policy:

1. Move the costs into general taxation.

- This would be the most straightforward mechanism and would also be in line with the approach taken by major European peers, including France and Germany.²⁷

2. Create a publicly financed Energy Transition Funding Scheme.

- This scheme would pay the costs of the levies for ten years and subsequently recover those costs, plus interest, through non-domestic electricity bills over 20-30 years.
- While this would require an increase in public sector borrowing over the coming years, repayment through future bills would create a financial asset on the Government's balance sheet and, as such, have a negligible impact on public sector net financial liabilities. This mechanism could be used if the Government is worried about further borrowing and meeting its fiscal rules.
- Unlike moving the costs into general taxation, repayment through non-domestic electricity bills would add future costs onto businesses. However, deferral would align the costs more closely with the period in which bill payers benefit from current and medium-term investments in grid infrastructure and renewable generation capacity that will lower wholesale prices and system costs over the longer term.

3. Work with the financial services sector to develop a privately financed Energy Transition Funding Scheme.

- This would operate in the same way as the publicly financed scheme except it would not require an increase in government spending up front as the cost would be covered by private finance providers. As this would be privately financed, it would incur higher interest rate charges than government borrowing, but has the advantage of not increasing public spending.

Initial analysis by the National Institute for Economic and Social Research (NIESR), using its Global Econometric Model (NiGEM), forecasts that removing RO and FiT from all businesses' electricity bills through any of these mechanisms has a positive return for investment, GDP and jobs over the first 10 years and up to 2050.²⁸ Further analysis is required to evidence the relative merits of funding the intervention through general taxation or an Energy Transition Funding Scheme over the longer term.

The Government should announce the removal of RO and FiT costs for all businesses at the Autumn Budget 2026, with the change taking effect in April 2027. It should implement this by amending RO and FiT legislation to remove the obligations from non-domestic suppliers. The Government, or a relevant third party, such as the Low Carbon Contracts Company, could then pay for the RO certificates and FiT contracts directly.

²⁷ Netztransparenz (2026). EEG financing; The German Federal Government (2026). Energy prices: Relief for all; Enerdata (2025). French subsidies for renewable power will increase by 24% in 2026 to €7.7bn

²⁸ CBI (2026) analysis, using NIESR's NiGEM model. General taxation within the model refers to indirect taxation, which therefore excludes income tax.

²⁹ HM Treasury (2025). Budget 2025

The Government recently introduced a 75% RO discount for households in the same timeframe, with the announcement in the Autumn Budget 2025 and implementation in April 2026.²⁹ To do this, the Government developed a mechanism to refund suppliers for 75% of their RO costs, with only 25% being passed onto customers.

However, adopting this approach in the non-domestic market would likely be too complex as it is much more fragmented and there is a far greater variety of tariffs and contract types. Thus, amending legislation would be a simpler implementation route.

To ensure the removal of these policy costs is immediately passed onto customers, the Government can provide a ministerial direction to suppliers, as it did for the household discount.³⁰

In conjunction with removing RO and FiT costs from business energy bills, the Government should publish the new energy levy framework, which was announced at the Autumn Budget 2025.³¹ The framework should incorporate a public impact assessment of any proposed policy costs, consultation on the recovery mechanism for upcoming policy costs at the start of the design process, and detailed annual estimates of total domestic and non-domestic policy costs for each of the coming five years.

Recommendation 1.2: Reform business energy taxes.

In April 2026, the Government announced the removal of the CPS from April 2028. The Exchequer Secretary noted that the tax “has done its job and is no longer fit for purpose” as it has successfully driven coal out of the UK’s electricity generation mix and is no longer required to encourage the continued shift away from fossil fuels.³²

This policy change is a welcome step that both Energy UK and the CBI called for. However, most businesses will not feel the benefit from the withdrawal of this tax as it will be offset by the costs of funding BICS.³³

The Government should extend the principle of removing outdated energy taxes to the CCL. This tax on business usage of electricity, natural gas, liquefied petroleum gas and solid fuels applies to all companies with energy consumption above a minimum threshold (1 MWh per month for electricity).³⁴ It was introduced in 2001 at a time when the electricity system was dominated by high carbon generation, so the priority was to encourage demand reduction. Indeed, around 3,000 companies are part of the Climate Change Agreement (CCA) scheme, which offers up to 92% discounts on the tax for meeting energy efficiency or carbon reduction targets.³⁵ Just under half the businesses participating in the CCA scheme met the targets in the most recently reported period.³⁶

³⁰ Department for Energy Security and Net Zero (2026), [RO and ECO costs schemes direction 2026](#)

³¹ HM Treasury (2025), [Budget 2025](#)

³² UK Parliament (2026), [Written statements - Carbon Price Support](#)

³³ Department for Business and Trade (2026), [Government response to BICS: consultation on scheme eligibility and approach](#)

³⁴ HM Revenue and Customs (2022), [Exemptions from Climate Change Levy](#)

³⁵ Environment Agency (2025), [Climate change agreements: biennial progress report for 2024](#)

³⁶ Environment Agency (2025), [Climate change agreements: biennial progress report for 2024](#)

As a result of the clean power transition, electricity is increasingly being generated by low-carbon sources. The Government’s objective should now shift to incentivising demand electrification, which is incompatible with taxes on electricity consumption. Thus, the CCL charge on electricity should be removed. This policy should be announced at the Autumn Budget 2026 and implemented in April 2027 by amending CCL legislation to abolish the electricity

component. However, to aid swift implementation, the electricity levy rate could be set to zero in the short-term, with legislative change delivered later.

Removing electricity CCL costs for all non-domestic customers would cost the exchequer an average of **£632 million per annum between FY2027/28 and FY2030/31**.³⁷

Figure 9: Annual fiscal cost of removing CCL costs for all non-domestic customers, FY2027/28 to FY2030/31

FY2027/28	FY2028/29	FY2029/30	FY2030/31
£619 million	£628 million	£637 million	£645 million

Removing electricity policy costs and taxes has considerable economic benefits.

The removal of RO, FiT and the CCL charge on electricity would cut electricity prices by around £40-£45 per MWh in 2027/28 for most companies (or around £35 per MWh for those with a CCA and meeting the targets). As a result, the business archetypes’ electricity costs would fall by 12%-20%, and total energy costs would drop by 7%-20%, with the Data Centre and Small Commercial sites enjoying particularly significant reductions.³⁸

The resulting cut in electricity prices will also help address the competitiveness gap between UK electricity prices and the G7 median. Currently, the UK’s non-domestic electricity costs are 44.6% above the G7 median, with the removal of RO, FiT and the CCL charge reducing this differential to 32.5%. This would also mean that the UK would no longer be the country with the highest electricity costs among the G7, as Italy would have slightly higher prices, and the gap between the UK and Germany would fall from 27.8% to 17.1%.³⁹ While

a competitiveness gap will remain, the intervention considers the current fiscal challenges and will deliver important economic benefits.

NIESR’s NiGEM model has been used to forecast the economic impacts that will result from removing RO, FiT and the electricity CCL charge, with the model assuming that the fiscal cost of this intervention is covered through general taxation.

Between FY2027/28 and FY2030/31, the intervention is forecast to deliver:

- **£7.3 billion** additional real GDP
- **£4.2 billion** additional private sector investment
- **£2.7 billion** additional tax revenue⁴⁰

The intervention is also forecast to result in a downward pressure on prices, which would position the Bank of England to accelerate interest rate cuts as the economy moves towards the 2% inflation target, and deliver additional employment opportunities.⁴¹

37 CBI and Energy UK analysis (2026). This costing encapsulates the net overall effect of forgone tax revenue if we remove CCL on electricity usage. Input data for this modelling, regarding policy scheme costs, electricity usage and electricity costs was sourced from HMRC CCL data, the governments energy consumption statistics and fuel prices statistics.

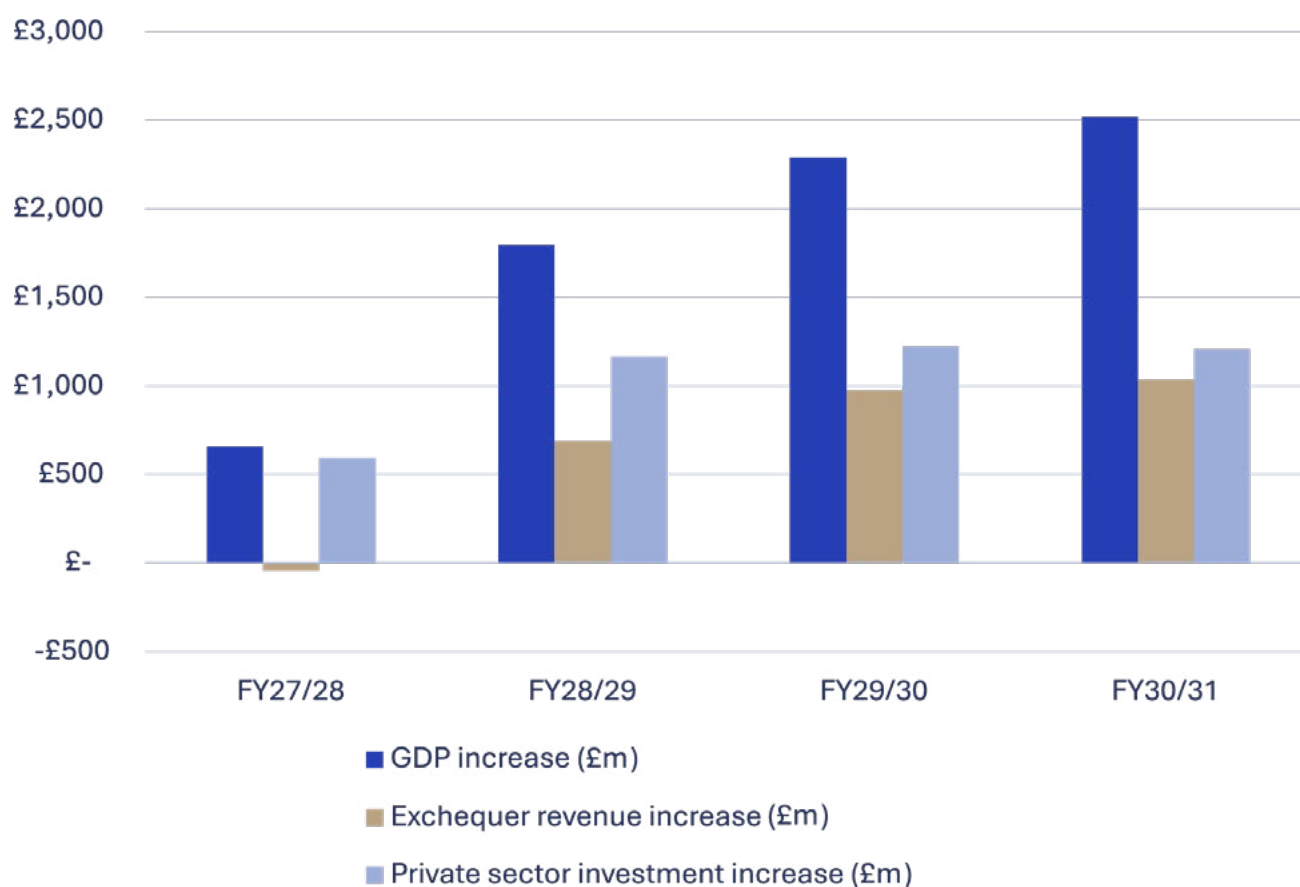
38 Cornwall Insight (2026), Business energy archetype cost forecasts; Energy UK and CBI analysis

39 Department for Energy Security and Net Zero (2026), International non-domestic energy prices; CBI and Energy UK analysis

40 CBI (2026) analysis, using NIESR’s NiGEM model. The economic impacts presented compare against a baseline scenario where RO, FiT and the CCL charge are not taken off non-domestic electricity costs. Cornwall Insight forecast data for non-commodity costs was provided up until, and including, FY2030/31 to support this modelling.

41 CBI (2026) analysis, using NIESR’s NiGEM model

Figure 10: Economic impacts of removing RO, FiT and electricity CCL costs, FY2027/28 to FY2030/31⁴²



While ideally the cost of removing RO, FiT and electricity CCL costs would be made through government savings and efficiencies, even increases to general taxation to pay for the reductions would generate a positive economic outcome and additional tax revenue as this is more economically efficient compared to keeping the costs on non-domestic electricity bills.

Extending the forecast out to FY2049/50, the intervention is forecast to deliver:

- **£130 billion** additional real GDP
- **£32 billion** additional private sector investment
- **£60 billion** additional tax revenue⁴³

⁴² In the first year of the intervention, the budget surplus falls. This is due to the initial shock of the policy, with the modelled increase in general taxation being absorbed by employers, who then reduce employment opportunities. The fall in employment opportunities then results in a fall in tax revenue.

⁴³ CBI (2026) analysis, using NIESR's NiGEM model. As with the FY27/28 - FY30/31 forecast, the economic impacts presented compare against a baseline scenario where RO, FiT and the CCL charge are not removed from non-domestic electricity costs. Cornwall Insight forecast data for non-commodity costs was provided up until, and including, FY2030/31 to support this modelling. The cost differential resulting from the removal of RO, FiT and the CCL charge in FY30/31 has been applied for each financial year up until FY49/50 to extend the economic impacts forecast to 2050.

Recommendation 2:

Implement reforms to reduce the cost of the energy system.

Removing policy costs and taxes can immediately make electricity prices more competitive and affordable for British businesses. Combining these with regulatory changes and market reforms can help to further lower costs of the energy system over time. These non-fiscal measures will take time to have an impact but would ultimately drive additional long-term savings for companies.

Recommendation 2.1: Use RNP programme to cut balancing costs.

In July 2025, following the Government's Review of Electricity Market Arrangements (REMA), it announced plans to implement RNP to support the clean power transition. Subsequently, in April 2026, DESNZ launched its RNP Delivery Plan, aiming to ensure an efficient, low-cost, clean power system.

The most significant opportunity to generate savings within RNP is to minimise balancing costs, which are the expenses incurred to ensure electricity supply matches demand, so the grid remains stable. Overall balancing costs were £2.7 billion in 2024/25 and the National Energy System Operator (NESO) forecasts they will rise to between £6 billion and £8.5 billion in 2030.⁴⁴ However, a substantial proportion of the projected increase could be mitigated through implementing various RNP measures, such as accelerating critical network projects and greater use of flexible assets.

Developing key new network projects and better utilising existing network.

As noted in the RNP Delivery Plan, accelerating the development of key networks is the main way to reduce projected constraint costs. The

Government should enable faster progress on three critical projects, the two Norwich to Tilbury transmission lines (AENC and ATNC) and the Sea Link electricity link between Kent and Suffolk. These developments are currently scheduled to complete in 2031. Bringing them forward to 2030 would save as much as £4 billion in avoided constraint costs, but they are currently at risk of being delayed.⁴⁵ To prevent further delay and ideally accelerate project timelines requires three key actions:

- 1. The examining authority should speed up its process and provide its recommendation to the Energy Secretary at the earliest possible stage.**
- 2. The Energy Secretary needs to review the report and make the final decision as soon as practicable.**
- 3. All efforts should be made to ensure that any high court challenges made without merit are assessed and dismissed urgently to enable works to begin.**

Alongside accelerating the development of new network, there is also a need to improve the operational capacity of the existing network, which often runs well below the maximum level.⁴⁶ Technical solutions, including dynamic line rating and boundary flow smoothing, alongside measures to improve outage management should be progressed without delay.

Harnessing flexibility.

Another key route to lowering balancing costs is to enable greater participation in the Balancing Mechanism (BM) by smaller assets, such as storage and consumer-led flexibility, which can often provide balancing services more cheaply than gas-fired generation.⁴⁷ As part of the RNP Delivery Plan, NESO has proposed to reduce the threshold for mandatory participation in the BM to all electricity assets of 1MW or above.⁴⁸

⁴⁴ National Energy System Operator (2025), [2025 Annual Balancing Costs Report](#)

⁴⁵ National Energy System Operator (2025), [2025 Annual Balancing Costs Report](#)

⁴⁶ LCP Delta (2026), [From Bottlenecks to Balance: Impact of Reformed National Pricing \(RNP\) Measures on GB Grid Constraint Costs](#)

⁴⁷ LCP Delta (2026), [From Bottlenecks to Balance: Impact of Reformed National Pricing \(RNP\) Measures on GB Grid Constraint Costs](#)

⁴⁸ National Energy System Operator (2026), [Reformed National Pricing Call for Input \(Cfi\)](#)

While this would broaden market access and improve system visibility, the change should be voluntary and implemented gradually to avoid placing undue burden on smaller assets. To further reduce BM costs, NESO must focus on increasing competition and ensuring a level playing field. This includes upgrading control room systems and operational technology to reduce skip rates, improve dispatch efficiency, and increase utilisation of storage and consumer-led flexibility. NESO should also make greater use of forward contracting and locational constraint management markets to reduce last-minute costly balancing actions.

These measures would have negligible costs for the Government, while the costs of upgrading NESO's systems are at least partly captured within the organisation's budget plan, which includes around £50 million of technology investment and a £15 million increase in data operating and consumption costs in the 2026/27 financial year.⁴⁹

The costs to NESO will be far outweighed by the benefits to the energy system. LCP Delta estimates that a combination of RNP measures can reduce balancing costs by £1 billion - £2 billion in most years between 2026 and 2035, with a significantly bigger impact in 2030 due to accelerating key network projects.⁵⁰ This translates to savings of £4 - £8 per MWh, or 1% - 4% of total energy costs across our business archetypes, compared to no action being taken.⁵¹ However, given the projected rise in balancing costs, these measures are likely to mitigate price increases for businesses rather than reduce them from current levels.

Recommendation 2.2: Raise non-domestic Minimum Energy Efficiency Standards.

Improving non-domestic Minimum Energy Efficiency Standards (MEES) presents a significant opportunity to reduce energy costs for businesses that rent their premises, particularly SMEs. At present, non-domestic private rented properties only need to achieve an EPC E rating.⁵² Just one-quarter of commercial buildings have an EPC A or B rating and around two-fifths are rated D or below.⁵³

Following consultations in 2019 and 2021, in June 2026, the Government announced plans to raise MEES in the non-domestic private rented sector to an EPC B rating by 2031.⁵⁴ However, the proposal included two significant caveats. First, the standard will only apply to buildings over 1,000 square metres, which comprise just 6% of all commercial buildings.⁵⁵ Second, only measures with a maximum seven-year payback period are required, with landlords receiving exemptions on any retrofit investments that would have a longer payback.

The Government is right to drive better energy efficiency standards in business premises and should proceed with plans to increase MEES to an EPC B by 2031. However, it should extend the regulation to buildings above 100 square metres, which would cover nearly half of all commercial properties and nearly 95% of floor space.⁵⁶ It should also increase the maximum payback period to ten years. This would bring more measures, such as solar and batteries, into scope and result in far more buildings being upgraded to an efficient level, while still exempting very high-cost measures.

49 National Energy System Operator (2026). Our regulatory business plan for 2026-2028

50 LCP Delta (2026). From Bottlenecks to Balance: Impact of Reformed National Pricing (RNP) Measures on GB Grid Constraint Costs

51 LCP Delta (2026). From Bottlenecks to Balance: Impact of Reformed National Pricing (RNP) Measures on GB Grid Constraint Costs; Department for Energy Security and Net Zero (2025). Regional and local authority electricity consumption statistics; Cornwall Insight (2026). Business energy archetype cost forecasts; Energy UK and CBI analysis

52 Department for Energy Security & Net Zero (2026). Minimum Energy Efficiency Standards (MEES) in the non domestic Private Rented Sector: interim response

53 Easy EPC (2026). Commercial EPC Statistics for England & Wales

54 Department for Energy Security & Net Zero (2026). Minimum Energy Efficiency Standards (MEES) in the non domestic Private Rented Sector: interim response

55 Department for Energy Security and Net Zero (2026). Non-domestic National Energy Efficiency Data Framework (ND-NEED)

56 Department for Energy Security and Net Zero (2026). Non-domestic National Energy Efficiency Data Framework (ND-NEED)

To enable the delivery of this greater ambition without placing too heavy a burden on landlords of smaller properties, those renting premises that are below 1,000 square metres of floor space should be able to access advice and low-cost loans through the Business Energy Upgrade scheme (see recommendation 3.1). This support should be limited to smaller property companies and private individuals.

The cost of introducing this regulation would be minimal for the national Government. However, it would require greater resourcing within local government to ensure proper enforcement of the standards.

The cost savings for businesses driven by this policy would be highly dependent on the current circumstances and retrofit potential of the buildings they occupy. A Small Commercial business in a rental property that is upgraded from EPC D to B could experience a reduction in their energy bills of around £18,300, or 34%, through a combination of the proposed policy cost and tax removals, and improvements in building efficiency.⁵⁷

CASE STUDY 1

Small Commercial



2029/30
energy costs
under current
policies:
£53,751

Policy changes and measures implemented:

- RO, FiT and electricity CCL removal
- Building efficiency rises from EPC D to B.



2029/30
energy costs
with policy changes
and measures
implemented:
£35,421

⁵⁷ Cornwall Insight (2026), Business energy archetype cost forecasts; Energy UK and CBI analysis

Recommendation 3:

Support business electrification and energy demand management.

To enhance their energy security and enjoy permanently lower energy bills, many businesses need to reduce their exposure to gas through electrification and optimise their energy consumption. The removal of policy costs and taxes levied on electricity bills and the delivery of reforms that bear down on electricity system costs are the first steps in supporting that shift. However, businesses could still face challenges in accessing the capital needed to invest in electrification and generate a return on that investment. Targeted interventions that incentivise the adoption of electric technologies and better energy demand management offer a further catalyst to drive lower, more stable bills over the long-term.

Recommendation 3.1: Launch the Business Energy Upgrade scheme for SMEs.

Many companies do not have the capabilities or capacity to optimise their energy demand and reduce their costs. SMEs, in particular, struggle with this challenge, while they may also have less access to finance for potential energy-related investment.⁵⁸ Therefore, targeted advice and support for these businesses, which account for more than 99% of all companies, could have a meaningful impact on energy costs.⁵⁹

The UK Government should launch the Business Energy Upgrade scheme, inspired by Business Energy Scotland (BES), which is run by the Scottish

Government. BES, which is managed by Energy Saving Trust, provides free, impartial advice and access to funding for SMEs with fewer than 250 employees as well as turnover below £42 million and/or a balance sheet not exceeding £36 million.⁶⁰

Dedicated advisors undertake energy audits, identify high-impact measures, and help businesses access interest-free loans and cashback grants for various measures, including energy efficient products and low-carbon technologies. The scheme has supported over £200 million of savings for Scottish organisations, with an average 24% energy saving per business.⁶¹

The Business Energy Upgrade scheme should adopt a similar structure to BES. The starting point should be the provision of advice for SMEs on electrification and demand management, including flexibility, with the scheme then offering financial support to adopt certain recommended measures.

The financial support should include grants for clean heat technologies, for example covering 50% of the cost of installing a heat pump and subsidising heat network connections. This would allow the Boiler Upgrade Scheme to focus solely on households, where the vast majority of voucher applications are currently derived. In addition, the Business Energy Upgrade scheme should incorporate low-cost loans for a range of low-carbon and energy efficiency measures, such as solar and batteries.

⁵⁸ Federation of Small Businesses (2026), [Small Business: Costs Analysis](#).

⁵⁹ Nomis (2026), Query Tool - UK Business Counts - enterprises by industry and employment size band

⁶⁰ Business Energy Scotland (2026), [About us](#); Business Energy Scotland (2026), [Get support](#)

⁶¹ Business Energy Scotland (2026), [About us](#)

The impact of the Business Energy Upgrade Scheme could be strengthened through three design changes:

1. Utilise a mass procurement scheme to reduce the costs of key measures, including heat pumps, solar panels and batteries. When the advisers provide their recommendations, this should include an option for the business to sign up to a mass procurement purchase of recommended technologies. Scheme managers can then aggregate these requests into one mass order. Some businesses may not want to participate as it will likely result in a longer lead time before installations take place. However, those that do could benefit from considerable savings on installation cost. The Greater London Authority's Solar Together scheme, a solar PV group-buying programme for households, has secured 20% - 30% reductions in cost.⁶²

2. Catalyse private finance to increase the scale of low-cost loans available to SMEs. Rather than the Government offering loans directly, it should provide capital funding to subsidise private sector loans as it is doing through the Warm Homes Plan to support households installing low-carbon technologies.⁶³

3. Allow smaller commercial landlords leasing premises that are below 1,000 square metres to access the scheme. As most commercial buildings are rented and there are limits to measures that tenants are able or willing to adopt, this could significantly increase the scope of the scheme, enabling a far greater number of SMEs to enjoy reductions in energy costs.⁶⁴

The Government should announce the Business Energy Upgrade scheme at the Autumn Budget 2026 or Spending Review 2027 and launch it in April 2028. This would allow sufficient time to design the scheme, appoint a managing agent, sign up private finance providers to offer low-cost loans, and begin outreach to businesses so that funds can start being deployed swiftly as soon as it is launched. The Government should allocate £1 billion of capital funding to the scheme over a five-year period, running to March 2033. This would support around 80,000 businesses to adopt low-carbon technologies (with additional companies benefitting from the advice provided) and generate £3.3 billion of lifetime cost savings.⁶⁵

The cost savings for individual businesses that access the scheme would be determined by their current circumstances and the measures they choose to adopt. In combination with the proposed policy cost and tax removals, a High Street site that installs solar and batteries through the mass procurement option could experience a reduction in their energy bills of around £3,200, representing a 50% cut.⁶⁶ Meanwhile, an alternative High Street business taking advantage of mass procurement and a grant to adopt a heat pump, solar and batteries could see their energy bills fall by around £3,300, or 52%.⁶⁷

⁶² [Sunsave \(2026\), Solar Together: is it worth it?](#)

⁶³ [Department of Energy Security and Net Zero \(2026\), Warm Homes Loan Scheme: apply to participate as a lender \(Phase 1\)](#)

⁶⁴ [Alan Boswell Group \(2025\), Commercial Property Statistics 2025](#)

⁶⁵ Cornwall Insight (2026), Business energy archetype cost forecasts; Energy UK and CBI analysis

⁶⁶ Cornwall Insight (2026), Business energy archetype cost forecasts; Energy UK and CBI analysis

⁶⁷ Cornwall Insight (2026), Business energy archetype cost forecasts; Energy UK and CBI analysis

CASE STUDY 2

High Street



2029/30
energy costs
under current
policies:
£6,372

Policy changes and measures implemented:

- RO, FiT and electricity CCL removal
- Solar and batteries installed through mass procurement



Cost to business of
installing measures:
£19,980

2029/30
energy costs
with policy changes
and measures
implemented:
£3,193

CASE STUDY 3

High Street



2029/30
energy costs
under current
policies:
£6,372

Policy changes and measures implemented:

- RO, FiT and electricity CCL removal
- Solar, batteries and heat pump installed through mass procurement, with a 50% grant for the heat pump



Cost to business of
installing measures:
£29,230

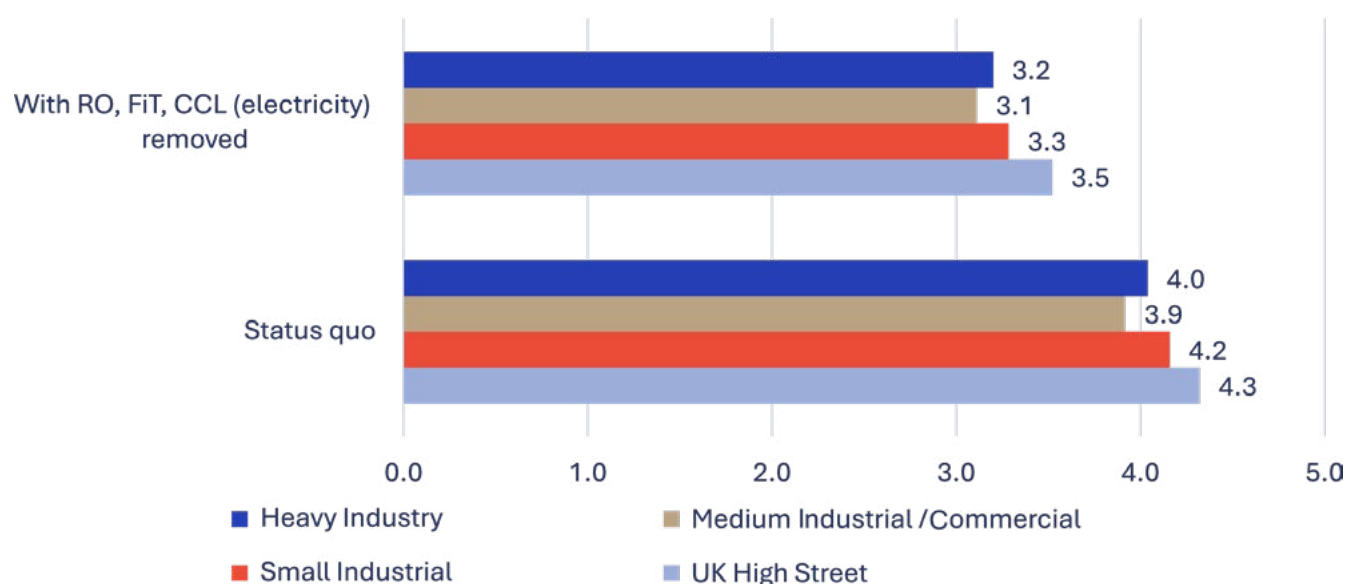
2029/30
energy costs
with policy changes
and measures
implemented:
£3,041

Recommendation 3.2: Offer targeted operational expenditure discounts to incentivise electrification.

Electrifying heat demand is key for businesses to experience lower, more stable energy bills in the long-term. However, the artificially high cost of electricity prevents many companies from adopting clean heat technologies, despite those products being considerably more efficient than gas boilers.

The removal of RO, FiT and electricity CCL costs will help to address this issue and the Business Energy Upgrade scheme will support SMEs to install clean heat technologies. The 'spark gap' (electricity-to-gas price ratio) for business energy archetypes that consume gas is currently between 3.9 and 4.3, but this would drop to 3.1 to 3.5 due to those policies.

Figure 11: Spark gap before and after removing RO, FiT and electricity CCL costs for selection of business energy archetypes, 2029/30⁶⁸



However, for many medium and large businesses, the spark gap will remain too high for companies to be able to generate an adequate return on capital to justify the investment in clean heat, while some would still see their costs rise as a result of a switch.

The Government should introduce targeted electricity price discounts for businesses investing

in heat pump technologies to improve cost competitiveness and encourage uptake. The scheme should focus on larger businesses that can easily access finance to fund investment but need support with electricity costs to meet return on capital hurdles. It should, therefore, offer discounts on the running cost of heat pumps equivalent to achieving a 10% return on capital from savings

⁶⁸ Cornwall Insight (2026), Business energy archetype cost forecasts; Energy UK and CBI analysis

when compared to current gas heating costs, with the discounts lasting for ten years. To do this, the Government could utilise an application process or run auctions, and should initially target businesses with lower starting spark gaps to maximise the amount of energy consumption electrified relative to scheme cost.

The Government should announce a targeted electricity price discount scheme at the Autumn Budget 2026 or Spending Review 2027 and launch it in April 2028. This would allow sufficient time to design the process for scheme beneficiaries

and determine which types of companies will be targeted. This evaluation can be used to help decide the size of the scheme.

The cost savings for individual companies will primarily be influenced by the size of the heat pump they are being supported to install. The combination of the proposed removal of certain policy costs and taxes, and the adoption of a heat pump through this scheme, could save a Medium Industrial / Commercial site around £188,000, or 13%, on their energy bills.⁶⁹

CASE STUDY 4

Medium Industrial / Commercial



2029/30
energy costs
under current
policies:
£1,439,373

Policy changes and measures implemented:

- RO, FiT and electricity CCL removal
- Heat pump installed through targeted electricity price discount scheme



Cost to business
archetype of
installing measures:
£772,097

2029/30
energy costs
with policy changes
and measures
implemented:
£1,250,895

⁶⁹ Cornwall Insight (2026), Business energy archetype cost forecasts; Energy UK and CBI analysis

The targeted electricity price discount scheme will support companies that can comparatively straightforwardly electrify their gas consumption. However, businesses that use gas for industrial processes that are more complex to electrify may need alternative support to help reduce costs and gas consumption, such as interventions to drive energy efficiency or demand flexibility. The Government should build on the business activity analysis conducted for BICS to identify companies with hard-to-electrify activities and consider providing tailored support where required.

Recommendation 3.3: Offer guarantees for Corporate Power Purchase Agreements (CPPA) to drive market expansion.

CPPAs can help companies to secure more stable prices and access lower bills through long-term contracts for electricity supplied from a specific generation site or portfolio of assets. Cornwall Insight estimates that long-term fixed-price CPPAs lasting over five years can offer a discount of more than 10% compared to traditional electricity supply, while market-linked products typically provide around a 5% discount.⁷⁰

However, in general only very large companies can access CPPAs because generators are wary of entering long-term contracts with smaller businesses due to default risk. As a result, many companies are missing out on the benefits that these products can provide.

Therefore, the Government should introduce a credit guarantee to help a wider set of business customers enter into CPPAs. These guarantees are

offered by multiple countries across Europe. The guarantee should cover up to 80% of the revenue loss in the event that the customer defaults, in line with the French Garantie Électricité Renouvelable (GER) scheme.⁷¹

The Government should announce the CPPA Guarantee scheme at the Autumn Budget 2026 or Spending Review 2027 and launch it in April 2028. This would allow sufficient time to design the scheme, set up the administration process and pass the necessary legislation.

The credit guarantee would not involve significant upfront spending, as costs are only incurred if a counterparty defaults, but it does create a contingent liability for Government. For example, the French GER scheme was initially allocated €68 million to support 500MW of capacity to enter CPPAs, with the potential to increase over time.⁷² The overall fiscal impact of the UK scheme can be limited if it is carefully designed and capped in size, while it could also utilise existing funds, such as those of the National Wealth Fund, which has a budget for guarantees.

The Government should allocate £300 million over five years, to support up to 2.5GW of CPPAs to be signed, representing average annual funding in line with the initial spending on the French scheme.⁷³

To ensure broad access, the scheme should not set a minimum size of company that can enter into a CPPA. However, to reduce the administrative burden of running the scheme, the Government could set a minimum threshold for the CPPA, while

70 Cornwall Insight (2026), Business energy archetype cost forecasts

71 Bird & Bird (2026), [The Corporate Power Purchase Agreement \(PPA\) Fund: A driver for industrial consumers?](#)

72 Bird & Bird (2026), [The Corporate Power Purchase Agreement \(PPA\) Fund: A driver for industrial consumers?](#)

73 Bird & Bird (2026), [The Corporate Power Purchase Agreement \(PPA\) Fund: A driver for industrial consumers?](#)

allowing multiple buyers to be aggregated by a third party where needed. The scheme should target businesses with a medium level of counterparty risk, which would enable many companies that are currently unable to secure CPPAs to access the market, but not present too significant default risk.

As noted, CPPAs can generate meaningful savings for customers. A Small Industrial site could see their energy bills fall by around £35,500, or 14%, through a combination of the proposed policy cost and tax removals, and a market-linked CPPA covering 50% of their total electricity demand, in line with market norms.

CASE STUDY 5
Small Industrial



2029/30
energy costs
under current
policies:
£252,066

Policy changes and measures implemented:

- RO, FiT and electricity CCL removal
- Corporate PPA enabled through Government Guarantee scheme



2029/30
energy costs
with policy changes
and measures
implemented:
£216,582

Conclusion

Now is a critical moment to tackle business energy costs. Without addressing this problem, the UK is at serious risk of falling further behind international peers and discouraging business investment. In an increasingly competitive global economy, the UK cannot afford to keep delaying real action.

This is no longer just an energy question. It is about the resilience of our economy in the face of continued global volatility, and the need to drive growth in every region of the UK. Getting this right means understanding how businesses actually use energy, and how they can be supported to electrify.

It's time for government to meet this moment with decisive leadership and deliver a comprehensive national business energy costs strategy - one that works for all businesses, not just a few. The CBI and Energy UK call on the Government to implement the policies proposed in this report to cut business energy costs and boost growth.

Policy recommendations

1 Take direct action to cut electricity prices.

1.1 Remove Renewables Obligation (RO) and Feed-in Tariff (FiT) costs for all businesses.

Financed through one of the following options:

1. Move the costs into general taxation.
2. Create a publicly financed Energy Transition Funding Scheme.
3. Work with the financial services sector to develop a privately financed Energy Transition Funding Scheme.

1.2 Reform business energy taxes.

2 Implement reforms to reduce the cost of the energy system.

2.1 Use the Reformed National Pricing (RNP) programme to cut balancing costs.

2.2 Raise non-domestic Minimum Energy Efficiency Standards.

3 Support business electrification and energy demand management.

3.1 Launch the Business Energy Upgrade scheme for SMEs.

3.2 Offer targeted operational expenditure discounts to incentivise electrification.

3.3 Offer guarantees for Corporate Power Purchase Agreements (CPPAs) to drive market expansion.

Appendix

Technical terms

This appendix explains key technical terms used throughout the report.

Term	Definition
Balancing costs	Costs incurred to keep electricity supply and demand matched in real time, so the grid remains stable.
Balancing Mechanism (BM)	The market process used by the system operator to buy or reduce electricity generation or demand at short notice to balance the system.
British Industrial Competitiveness Scheme (BICS)	A government support scheme intended to reduce electricity costs for eligible firms in priority industrial and growth sectors. The first phase of BICS is expected to run from 2027 to 2035, with a formal review planned in 2030.
British Industry Supercharger (BIS)	A package of electricity cost reliefs for selected energy-intensive industries, including exemptions from some policy costs and network cost support. Introduced in 2024 and expanded in 2026, the scheme aims to improve UK industrial competitiveness by reducing electricity costs. Eligibility is due to be reviewed during 2026, while a full evaluation of the scheme's effectiveness is scheduled for 2029.
Capacity Market (CM)	A mechanism that pays electricity providers or demand-side participants to be available when needed to ensure sufficient system capacity.
Carbon Price Support (CPS)	A tax applied to fossil fuels used in electricity generation, introduced to strengthen the carbon price signal and support decarbonisation. The Government announced removal in April 2026, with withdrawal from April 2028.
Climate Change Agreement (CCA)	An agreement that gives eligible businesses a discount on the Climate Change Levy if they meet energy efficiency or carbon reduction targets.
Climate Change Levy (CCL)	A tax on non-domestic use of electricity, gas and certain other fuels, designed to encourage energy efficiency and emissions reduction. First introduced in 2001.
Constraints / constraint costs	Costs that arise when the electricity network cannot move power from where it is generated to where it is needed, requiring alternative actions to manage the system.

Contracts for Difference (CfD)	A support mechanism for low-carbon electricity generation that stabilises revenues by paying the difference between a market price and an agreed strike price.
Corporate Power Purchase Agreement (CPPA)	A long-term contract under which a business buys electricity directly from a generator or portfolio of generation assets.
Demand management	Actions by businesses to reduce, shift or optimise energy consumption to lower costs and support the energy system.
Dynamic line rating	A method of increasing use of existing electricity lines by assessing real-time conditions, such as temperature and wind, rather than relying only on fixed capacity limits.
Energy-intensive industries (EIs)	Industries for which energy is a major input cost, and which may be particularly exposed to international competition.
Energy Performance Certificate (EPC)	A rating that indicates the energy efficiency of a building, from A as most efficient to G as least efficient.
Energy Transition Funding Scheme	A proposed mechanism in the report for paying some policy costs upfront and recovering them later, to reduce near-term electricity bills.
Feed-in Tariff (FiT)	A legacy scheme that supported small-scale low-carbon electricity generation, with costs recovered through electricity bills. Introduced in 2010; closed to new applicants in 2019; legacy payments continue into the 2030s.
Minimum Energy Efficiency Standards (MEES)	Regulations setting minimum energy efficiency requirements for rented buildings. Current minimum is EPC E; The Government announced in June 2026 plans to move to EPC B by 2031.
National Energy System Operator (NESO)	The organisation responsible for operating and planning Britain's energy system.
Network charges	Charges paid through energy bills to fund the transmission and distribution networks that move electricity and gas around the country.
Nuclear Regulated Asset Base (RAB)	A funding model that allows nuclear projects to receive regulated payments during development and construction, with costs recovered from consumers.
Operational expenditure (OPEX)	Ongoing costs of running an asset or business activity, such as energy use, maintenance or service costs.
Reformed National Pricing (RNP)	The Government's programme of reforms following REMA aimed at improving national electricity market arrangements and reducing system costs.
Renewables Obligation (RO)	A legacy scheme that supported large-scale renewable electricity generation, with costs recovered through electricity bills. Introduced in 2002; closed to new generation in 2017; legacy costs continue into the 2030s.

Review of Electricity Market Arrangements (REMA)	A government review of electricity market design intended to support a secure, affordable and low-carbon power system. Announced after REMA in July 2025; Delivery Plan launched in April 2026. Key balancing-cost reforms are intended to affect the period to 2030 and beyond.
Spark gap	The ratio between electricity and gas prices, used in the report to assess whether switching from gas to electric technologies is financially attractive.
Wholesale electricity price	The price of electricity bought and sold in the wholesale market before network charges, policy costs, supplier costs and taxes are added.

Business archetypes key

Site total annual electricity consumption (kWh)

The total amount of electricity used by a specific site, facility, building, or premises over a 12-month period.

Site's typical consumption pattern

The way a site's electricity demand varies over time, including when, how much, and how consistently electricity is used throughout a typical day, week, or year.

- **Semi seasonal** - Electricity demand varies during the year, but not as dramatically as a strongly seasonal business.
- **Process** - Consumption is driven by specific industrial processes or equipment that must operate continuously or according to production schedules.
- **Shift** - Electricity demand follows working shifts, with clear peaks when staff and equipment are operating and lower consumption outside operating hours.
- **Flat** - Electricity demand remains relatively constant throughout the day, week and year.
- **Peaky** - Electricity consumption is highly concentrated in short periods of time, rather than being spread evenly throughout the day, week, or year.

Network connection level

The voltage level at which a site is connected to the electricity network. This provides an indication of the size of the site's electricity demand and the type of network charges and connection arrangements that may apply.

1. **Low voltage, non-half hourly** - A smaller electricity connection supplied at low voltage (typically 230V/400V) where electricity consumption is not recorded every 30 minutes. Commonly used by small businesses, offices and retail premises.
2. **Low voltage, half hourly** - A low-voltage connection where electricity consumption is measured and settled using half-hourly meter data. Typically used by larger commercial customers with higher electricity demand.
3. **High voltage, half hourly** - A site connected directly to the local distribution network at high voltage (typically 11kV, 33kV or similar), with electricity consumption measured half-hourly. Common for large manufacturing sites, hospitals and major commercial facilities.
4. **EHV** - A very large electricity connection supplied at extra-high voltage, typically used by energy-intensive industrial sites with significant electricity demand. These sites are connected directly to higher-voltage parts of the distribution network.
5. **Transmission** - The highest level of electricity network connection, where a site is connected directly to the national transmission system rather than the local distribution network. This is typically limited to very large industrial facilities, major infrastructure assets and large-scale generators.

Site's total annual gas consumption (kWh)

The total amount of natural gas consumed at a site, facility, building or premises over a 12-month period.

Typical annual electricity site spend (£/yr)

The total amount a site typically spends on electricity over a 12-month period, expressed in pounds sterling (£), including both the cost of electricity consumed and any associated charges on the electricity bill.

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