Funding the Future

Why are energy companies queuing up for state aid?

Published: January 13, 2026, 6:29 am

As the Guardian notes this morning:

Two of the UK's biggest energy suppliers have thrown their weight behind a plan being debated in the industry to devise a fund that could freeze customer bills for two years.

The British Gas owner Centrica and Octopus Energy are understood to support a scheme that would create a multibillion-pound facility to spread the cost of an emergency funding package over a decade, the Guardian can reveal.

As they add:
Their fellow suppliers ScottishPower and Eon have presented plans to ministers for the "tariff deficit fund" underpinned by a government guarantee.

Under the proposals, first reported by the Sunday Times, commercial banks would put cash into the state-backed fund, which suppliers could then draw on to fund measures to freeze customers' default-tariff bills at the current price cap, £1,971, for two years.

The cost of the scheme would then be paid back over 10 to 15 years through a surcharge on bills or via taxation.

You might wish to call me cynical, but I have my doubts about this scheme.

First, what it very clearly signals is that these companies will go bust unless people get support to pay unsustainable bills. What they are effectively doing, in that case, is acting as gatekeepers for those who want to keep the prices high, and this scheme supports the exploitation of the companies now making excess profits.

Second, a 'state backed fund' sounds like a guarantee is to be given to me, which suggests a high price should be charged for the capital that will, in effect be supplied.

Third, I very strongly suspect the devil will be in the detail. I would expect there to be clauses guaranteeing the continued private ownership of the energy sector in any detail, with big compensation agreed if that changes.

I sense a Trojan horse here, and something to most definitely be avoided unless of course, you are a Tory leadership candidate.

The reality is that if these companies cannot manage - and it is clear that they cannot - this sector needs state control, as I argued yesterday in 'Surviving 2023'.