

Funding the Future

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As the [Guardian reported](#) last night:

Ministers are considering dropping one of their central green pledges in an effort to keep energy bills down, sources have told the Guardian.

Government insiders say Keir Starmer is prepared to miss his own target of removing almost all fossil fuels from the UK's electricity supply by 2030 if doing so proves much more expensive than building gas power instead.

If this report is accurate, it is deeply depressing, not only because it signals another retreat from climate responsibility, but because it once again exposes how fundamentally broken the UK's system of energy pricing is.

We have, as I have explained many times before, an energy market designed to guarantee windfall profits for energy producers. The problem lies in how the wholesale price of electricity is set.

Electricity is effectively priced for sale in the UK at a level that will ensure that the most expensive unit produced, which in the UK is almost always gas, will deliver a profit for its producer. Even when wind and solar supply most of our power, as is now commonplace, the price consumers pay is determined by the highest cost of generation of a unit sold, even though much of the electricity actually available will have been produced at a much lower price.

This is not a real market. It is an artificial construct designed to favour fossil fuels and to sustain speculative profits. Renewables have almost no running costs once built, but instead of pricing electricity according to the real cost of production, we peg it to the most expensive source - gas - ensuring that everyone pays as if every kilowatt-hour were generated by burning that fuel. The result is massive overcharging for consumers and unearned profits for energy companies.

The government's claim that it is considering new gas investment to "keep bills down" is, therefore, nonsense. Bills are high precisely because we refuse to reform this pricing system. More renewables would reduce the underlying cost of power if only we stopped

pretending gas sets the price for everything. But the government prefers to preserve a City-designed, neoliberal-economics-inspired, trading system that benefits fossil-fuel suppliers, hedge funds and speculators.

Investment in renewables is not the problem here. Political cowardice is. Investors in clean energy need price certainty, stable long-term contracts, and proper grid planning, which are things the government can and does provide, but we do not see the benefits. The only real obstacle to lower energy prices, then, is an unwillingness to confront fossil-fuel lobbyists and the market structures that protect their profits.

Let's be clear. If Labour abandons its 2030 clean power target, it won't be because renewables are too expensive. It will be because it has failed to challenge the pricing model that ties the cost of clean energy forever to the price of gas. The truth is the opposite of what ministers are claiming. The more renewables we build, the cheaper electricity becomes. The more we rely on gas, the more exposed we are to global price shocks. The longer we delay reform, the more the UK traps itself in an inflationary, carbon-intensive system that works for traders, not for people.

Labour inherited this failed framework from the Tories. It could change it overnight by separating renewable and gas-priced electricity, guaranteeing cost-based tariffs for clean power, and bringing grid investment back under public control. Instead, it seems ready to recycle the same old excuses, such as "too expensive," "too risky," "not yet practical", while leaving the same dysfunctional market intact.

The irony is bitter. The government claims to be acting to keep bills down when, in reality, it is the market rules it protects that keep them high. A government serious about energy security, decarbonisation and affordability would change the rules, not the targets.

The UK doesn't have an energy pricing problem. It has a political economy problem — a government too timid to challenge the profiteers who set our prices in the first place.

Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, [here](#).

One word of warning, though: please ensure you have the correct MP. ChatGPT can get it wrong.

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