

Q1 2026 STATE OF ENERGY REPORT

· APRIL 2026

The State of Energy, Cost & *Sustainability* in the UK

A quarterly intelligence report on energy markets, policy, and the commercial case for action, for every business that spends on energy.

75%

UK business electricity prices
above pre-2021 levels

64%

TNUoS transmission charge
increase from April 2026

£1,963

Forecast Ofgem price cap, July
2026 (Cornwall Insight)

52.5%

UK electricity from renewables
in 2025, a record high

Energy is no longer a background operational cost, it sits at the front of every boardroom agenda, sustainability report, and P&L conversation happening in the UK right now. The first quarter of 2026 has delivered more market disruption, regulatory change, and geopolitical shock to the energy sector than most of the preceding five years combined.

This Q1 2026 edition of the Powerhub Quarterly Energy Intelligence Report is a comprehensive, data-led account of where the UK energy market stands, what has driven it here, and what every energy-spending business needs to understand to remain commercially and environmentally resilient. There is no selling in these pages, only information, context, and analysis drawn from the most current available data.

Powerhub Solutions is the only company in the UK that self-delivers four proven energy reduction technologies under one roof, with over **166.5 million kWh** saved and over **55,000 tonnes of CO2** reduced. The perspective in this report comes from that depth of real-world delivery, not theory.

SECTION 01 · MARKET INTELLIGENCE

The State of UK Energy Costs in Q1 2026

Prices Remain Structurally Elevated

UK business electricity prices are approximately **75% above pre-2021 levels**, and this is not a temporary anomaly, it is a structural reset of energy economics with no near-term reversal. The crisis that began when global demand surged following the reopening from Covid-19 lockdowns, then accelerated through Russia's invasion of Ukraine, has now been reignited by conflict in the Middle East, fundamentally repricing energy risk for every business in the country.

The Ofgem energy price cap for residential customers fell 6.6% to **£1,641 per year** for the April to June 2026 quarter, providing some relief for households. Commercial energy is an entirely different reality, as businesses have no price cap and the Energy Bills Discount Scheme ended in March 2024 without replacement.

27.8p

per kWh, small business average electricity rate, February 2026

24.8p

per kWh, medium business average electricity rate, 2026

~10p

per kWh, what a good rate cost in 2020, now impossible to achieve

Why Non-Commodity Costs Now Dominate Business Bills

Non-commodity costs, covering transmission charges, distribution charges, renewable levies, capacity market costs, and metering charges, now account for close to **60% of a typical UK business electricity bill**, a critical point that most energy cost conversations miss entirely.

From April 2026, TNUoS (Transmission Network Use of System) charges increased by approximately **64% year on year**, adding approximately £25 per megawatt hour to business electricity invoices. This single regulatory change represents one of the most significant structural cost increases the commercial energy market has seen in a generation, and the RIIO-3 regulatory period running to March 2031 has approved **£46.2 billion** in total network investment, all of which is passed directly through to energy consumers.

Even if wholesale gas and electricity prices fell significantly, a meaningful portion of business energy bills would continue escalating through 2031. Every unit of consumption reduced therefore avoids both commodity and non-commodity cost components simultaneously, making efficiency investment resilient to wholesale price movements.

UK vs Europe: The Most Expensive Industrial Electricity on the Continent

UK industrial electricity prices for medium users are **89% higher than the EU14 median**, and for large and very large users that gap reaches **132%**, giving the UK the highest industrial electricity prices in Europe. UK steelmakers alone paid an estimated £41 million more for electricity in 2025/26 than their French competitors, an unsustainable disparity that directly constrains the competitiveness of every energy-intensive UK manufacturer.

The British Industry Supercharger, which expanded its network charging compensation from 60% to 90% from April 2026, provides meaningful relief for approximately 370 qualifying businesses, and the forthcoming British Industrial Competitiveness Scheme, expected to launch in April 2027, will extend comparable support to an estimated 7,000 manufacturers. For the majority of UK businesses outside either scheme, self-funded energy reduction remains the primary available tool.

The Iran Conflict & the Q1 Energy Price Shock

The Strait of Hormuz and Global Supply

On 28 February 2026, military operations commenced in the Middle East that directly implicated the Strait of Hormuz, the narrow waterway through which approximately **20 million barrels of oil per day transit**, representing roughly 20% of global supply. Transit volumes fell dramatically within days, and on 2 March, strikes reached Qatar's Ras Laffan Industrial City, the world's largest liquefied natural gas complex, causing a **17% reduction in Qatar's LNG production capacity**. The damage is estimated to require three to five years to fully repair, with Qatar declaring force majeure on existing supply contracts.

The market response was immediate and severe, with Brent crude surpassing **\$100 per barrel** on 8 March 2026 for the first time in four years and peak futures pricing reaching **\$126 per barrel**. As of the date of this publication, a fragile ceasefire has provided only partial relief, with Brent trading above **\$103 per barrel** following the announcement of a US naval blockade.

£1,929 to £1,972

Forecast Ofgem price cap for Q3 2026, driven by the Iran conflict
Cornwall Insight · E.ON · EDF Energy · April 2026

European Gas Storage at Historic Lows

EU gas storage entered the Q2 2026 injection season at approximately **28 to 29% full**, the lowest seasonal level since the winter before Russia's full-scale invasion of Ukraine, with Germany standing at approximately 22%. Europe must inject at least 575 TWh of gas through the summer to maintain reasonable winter buffer, representing one of the largest restocking efforts in recent memory, and supply remains constrained by Ras Laffan damage, Hormuz transit restrictions, and upcoming Norwegian maintenance schedules.

The convergence of these factors means that even if geopolitical conditions improve before summer, the wholesale gas and electricity price floor for the remainder of 2026 is meaningfully higher than it was at the start of Q1, a reality that every business renewing energy contracts in Q2 and Q3 will face directly.

What This Means for UK Business Energy

UK gas wholesale prices rose from approximately 78p per therm in late 2025 to above **136p per therm** by mid-March 2026, and business electricity renewal rates for contracts coming due in Q2 and Q3 2026 are being offered at prices that fully reflect this new market reality. Businesses that have invested in reducing their consumption through proven technology are materially more insulated from these events than those that have not, because every unit of energy not consumed is a unit that cannot be charged at a crisis-elevated rate.

Cornwall Insight has confirmed that UK business energy bills are forecast to remain approximately **70% above pre-crisis levels** for the foreseeable future, with the Iran conflict reinforcing rather than reversing that structural outlook.

Net Zero, Clean Power & the Regulatory Shift

Clean Power 2030: Ambitious, Behind Pace

The Labour Government's Clean Power 2030 mission requires 100% of UK electricity demand to be met by clean sources in a typical year, with at least 95% from low-carbon generation. Progress is real but behind the required pace, as renewables generated a record **52.5% of UK electricity in 2025**, the last coal power station closed in September 2024, and grid connection reform has cleared a long-standing backlog. The gap, however, remains significant.

The UK had approximately **16.8 gigawatts** of operational offshore wind at the start of 2026, while the Clean Power 2030 target requires **43 to 50 gigawatts** by 2030, meaning 26 to 33 gigawatts of new offshore wind must be delivered in four years, a rate that has never been achieved by any nation. Analysts project the most likely outcome at approximately 37 gigawatts by 2030, short of the official target.

52.5%

UK electricity from renewables in 2025, the first ever majority year

61%

of required 2030 emissions reductions covered by credible plans (CCC 2025)

4.1x

benefits over costs for every pound invested in net zero (CCC, March 2026)

The CCC's Seventh Carbon Budget: Action Pays

The Climate Change Committee's Seventh Carbon Budget supplementary analysis, published in March 2026, made a finding that deserves the attention of every business with an energy strategy. Across all modelled scenarios, **achieving net zero is more cost-effective than continued reliance on fossil fuels**, with benefits outweighing costs by between 2.2 and 4.1 times for every pound invested in net zero transition. Avoiding climate damages through transition saves an estimated **£40 to £130 billion** in the year 2050 alone, making the economic argument for early action unambiguous.

Mandatory Sustainability Reporting From January 2027

From January 2027, UK Sustainability Reporting Standards (UK SRS), aligned with the ISSB's global framework, will apply mandatorily to listed companies, replacing TCFD-aligned reporting and requiring significantly more granular disclosure of climate-related risks alongside Scope 1, 2, and 3 emissions data. The FCA published its consultation in January 2026, with final rules expected in autumn 2026.

For businesses in the supply chains of listed companies, or those approaching listing, the pressure to demonstrate **verified, documented carbon reduction** is intensifying materially, as energy savings verified against a baseline and reported through a monitoring platform are becoming reportable assets within an emerging mandatory disclosure framework, not simply good operational practice.

How Key UK Sectors Are Being Affected

Hospitality

Energy now represents **10 to 15%** of operational expenditure for hospitality SMEs, up from 3 to 5% before 2021. In the twelve months to December 2025, **3,353** accommodation and food service businesses entered insolvency, accounting for 15% of all UK corporate failures. The sector is approximately 14% smaller than before the pandemic, with a typical pub spending **£650 to £4,800** per month on combined energy.

Manufacturing

UK industrial electricity prices are **four times higher than in the US** and approximately 89% above the EU14 median, with **65% of manufacturers** citing energy costs as a direct constraint on competitiveness (Make UK Q1 2026). The British Industry Supercharger now covers 370 businesses at a 90% discount, with the British Industrial Competitiveness Scheme targeting 7,000 firms from April 2027.

Education

UK school energy expenditure reached **£1.2 billion** in 2023/24 and is projected to reach **£1.7 billion** by 2025/26. A typical secondary school now spends approximately **£90,000 per year** on energy, and a 1p increase per unit costs a typical secondary school an additional £14,000 annually. **94% of secondary schools** forecast they cannot meet energy costs from current budgets.

Healthcare

The NHS is the UK's largest single public sector energy user, with an annual bill approaching **£1.4 billion**, nearly double the pre-2019 figure. Great British Energy and DHSC have committed **£100 million** to solar and battery storage across approximately 260 NHS sites, and energy efficiency at site level remains the most immediate and cost-effective intervention available to the sector.

Commercial & Retail

40% of all SMEs cite energy as their primary cost issue (Simply Asset Finance), rising to 54% among medium-sized firms, and **82% of small businesses** reported the Iran conflict escalation directly impacting their energy cost outlook. 47% expected to pay at least £1,000 more per month as a result, with many reporting increases above £2,000 per month.

Gyms & Leisure

High-demand estates with extended operating hours face some of the most significant energy cost exposure of any commercial sector, as HVAC, refrigeration, lighting, and pool heating combine to create intensive energy profiles. Multi-site operators applying Voltage Optimisation at scale, as demonstrated through Powerhub's work with The Gym Group across **208 locations**, achieve over 2.7 million kWh of annual savings estate-wide.

The Technology That Delivers Results

Where Business Electricity Is Lost

The majority of UK commercial and industrial buildings receive mains electricity at approximately **242 volts**, the legacy average of an older national grid, while the optimal operating voltage for most electrical equipment is **220 volts**. The excess voltage does not improve performance, it is absorbed as wasted heat, electrical stress, and unnecessary consumption across every connected asset on site, every hour of every operating day.

Voltage Optimisation corrects this at the point of supply, reducing incoming voltage to the optimal range and eliminating waste simultaneously across the entire site. The result is a verified site-wide electricity reduction of **7 to 19%**, measured against a pre-installation baseline, with zero operational disruption, cooler-running equipment, extended maintenance intervals, and improved asset lifespan.

Technology	Typical Payback	Energy Reduction	Equipment Life
Voltage Optimisation	1 to 3 years	7% to 19% site-wide	Up to 20 years
KBR Energy Saver	Under 18 months	Asset-level reduction	10+ years
Powerhub IoT (EMS)	12 to 24 months	15% to 30% first year	Ongoing platform
Solar PV and BESS	3 to 7 years (under 3 with AIA)	Site-dependent generation	25+ years

IoT and the MHHS Migration

The Market-wide Half-Hourly Settlement (MHHS) migration, the largest structural change to UK electricity retail since privatisation in 1998, is now live and progressing toward approximately 80% of UK meters accepted into new arrangements by October 2026. This creates time-of-use pricing structures where peak-period consumption is charged at materially higher rates than off-peak, meaning businesses with IoT monitoring and demand management capability are positioned to convert this change into a direct commercial advantage, while businesses without consumption visibility will absorb peak pricing passively.

Solar PV and Battery Storage in 2026

The UK commercial solar market is forecast to grow **50% in 2026**, adding approximately 5 to 5.5 gigawatts of new capacity in what analysts describe as the best year on record for commercial installations. Commercial solar PV costs approximately **£520 to £810 per kilowatt-peak installed**, with ROI of 14 to 20% at current electricity prices, and adding battery storage increases solar self-consumption from approximately 70% to 80 to 95%, materially improving payback. After Annual Investment Allowance tax relief, effective payback can fall below three years.

The Iran conflict has also reframed the energy security argument for on-site generation, as businesses with generation capacity and storage have reduced their exposure to precisely the kind of geopolitical supply shock that has twice in four years demonstrated its ability to materially reset the UK energy cost baseline.

Real Results Across UK Sectors

The following represents a selection of verified energy reduction outcomes delivered by Powerhub Solutions for UK organisations across multiple sectors, with all savings measured against independently verified pre-installation baselines.

HOSPITALITY · RESTAURANT

KFC UKI, 203-Site Voltage Optimisation Programme

3,960,126 kWh

Annual energy savings across estate

Annual financial savings of **£862,317**, annual carbon savings of 819.94 tonnes of CO₂, and a return on investment of 22.85 months across the full 203-site rollout.

HOSPITALITY · HOTELS

RBH Hospitality, 14 Hotel Sites

591,806 kWh

Forecast annual energy savings

Carbon emissions reduced by **122,547 kg per year**, with an average return on investment of **13.4 months per site** across the full hotel portfolio.

HOSPITALITY · RESTAURANTS

Pizza Express, 130-Site Rollout

1.9m kWh

Annual energy savings, 131 VO units

Energy efficiency improved by **7.5%** across the estate, with **382,489 kg of CO₂** saved per year in support of long-term sustainability targets.

GYMS & LEISURE

The Gym Group, 208 Locations

2.7m kWh

Annual energy savings across estate

Electricity cost reduction of nearly **£580,000 per year**, carbon savings of **571,623 kg CO₂ annually**, and projected savings of £12.3 million over 20 years.

MANUFACTURING · FOOD

Nature's Way, Food Manufacturing

1,435,291 kWh

Annual energy savings

Annual financial savings of **£287,058**, carbon savings of **297.26 tonnes of CO₂** in year one, and a return on investment achieved in 1.84 years.

HOSPITALITY · PUBS

Punch Pubs, National Estate Rollout

8.24%

Average energy reduction per site

125,625 kWh of annual energy savings across 70 installed sites to date, with **125,625 kg of CO₂** saved annually and further scaling ongoing.

The Cost of Inaction in 2026

The question this report is designed to answer is not whether UK energy costs are high, they clearly are, but whether the current environment represents a moment for action or a moment to wait and see.

Wholesale prices are elevated and subject to geopolitical events that cannot be controlled or predicted, non-commodity costs are rising through a regulatory cycle that runs to at least 2031, sustainability reporting obligations are moving from voluntary to mandatory for listed businesses from January 2027, the Climate Change Committee has confirmed that the economics of net zero investment outperform the economics of fossil fuel dependency by up to four to one, and technology payback periods at current electricity prices are among the shortest they have ever been.

Businesses that act now lock in verified savings at investment costs the current market supports and at payback periods that make the decision commercially straightforward, while businesses that wait continue paying elevated rates, continue accumulating carbon, and continue deferring an investment as all three conditions become progressively less favourable.

166.5 Million kWh Saved

Total verified energy savings delivered by Powerhub Solutions across the UK
55,000+ tonnes of CO₂ reduced · 12 to 18 months typical ROI · Zero subcontractors

Powerhub Solutions is the only company in the UK that self-delivers all four proven energy reduction technologies under a single in-house engineering and project management team, with no subcontractors and every survey, installation, and monitoring task executed by Powerhub engineers. When savings are guaranteed in writing and the same team that made the guarantee also delivers and monitors the outcome, the incentive structure is completely aligned with yours.

The Q2 2026 edition of this report will follow in July, the insights are free, and the decision about what to do with them sits with you.

Take the Next Step

Book a no-obligation energy consultation and we will analyse your energy spend, identify verified savings opportunities, and deliver a conservative ROI projection, all within 15 minutes of your first conversation.

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SOURCES & DATA REFERENCES

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