

# Treatment of ECO and RO in the price cap from April 2026

In the UK Budget 2025 (November 2025), the government outlined plans to reduce the costs on domestic energy bills by an average of around £150 from April 2026. This will be delivered by providing government funding to meet 75% of Renewables Obligation (RO) costs for domestic households for the remainder of the Spending Review period (2026 to 2027 until 2028 to 2029), and by ending the funding for the Energy Company Obligation (ECO) and Great British Insulation Scheme (GBIS) obligations from consumer bills.

These measures provide a significant new source of information about suppliers' expected policy costs from April 2026. Our objective in this document is to clarify how we reflect this information in the price cap, consistent with our established methodology and legal duties.

From 1 April 2026, the funding of ECO/GBIS costs via consumer bills will cease. Accordingly, the price cap ECO/GBIS allowance will be set to zero from that date onwards. This aligns with the Budget commitment and the expected expiry of current legislation governing bill funded recovery of these costs.

We do not propose fundamental changes to the way the RO cost element is calculated. Instead, from 1 April 2026 we will retain the existing RO methodology and inputs used in the price cap, using final buyout prices and the obligation level for each scheme year as set out in the [Default Tariff Cap decision](#) and [Annex 4](#), and then apply a straight 75% reduction to the resulting RO allowance to reflect government funding for domestic households. Implementation is subject to government putting in place the required mechanisms for alternative funding. Tariffs under the price cap will continue to be monitored under existing Ofgem processes.

This update reflects our current expectation based on the current government policy position as at 27 January 2026. We will take into account any further information from government regarding these measures before announcing the April to June 2026 cap rates on 25 February 2026. Legislative and delivery arrangements have not yet been finalised. In the unlikely event of unexpected issues or delays with scheme approval following rate calculation, we will work with government to resolve issues and make any necessary changes to the cap at the earliest opportunity.

For queries about this policy update, please contact [RetailPriceRegulation@ofgem.gov.uk](mailto:RetailPriceRegulation@ofgem.gov.uk).