

# Mitigating rising fuel costs: Fair alternatives to cutting fuel duty

Recent weeks have seen a surge in global fuel prices driven by ongoing conflict in Iran. This has led to calls for the Chancellor to postpone the reversal of the 5p cut in fuel duty, however, similar previous decisions in response to surges in fuel prices have proven to be *tax giveaways to the wealthy* and *reinforced dependency on international oil*.

## Key facts

- Average price of unleaded - 139p per litre, increase of 7.4p
- Average price of diesel - 155.1p per litre, increase of 16p<sup>1</sup>
- Fuel duty cut is a regressive measure that disproportionately benefits those more affluent
- Larger and more expensive cars consume around 20% more fuel<sup>2</sup> and wealthier households tend to drive further distances<sup>3</sup>
- Postponing planned duty increase would cost the Treasury **£2.2 billion per year**
- This would do little to support those on low incomes most affected by rising fuel prices
- Oil imports which totalled **£43 billion in 2025**, fuel duty cuts do not limit this exposure to international volatility

## Fair Alternative Measures

Rather than cutting fuel duty, the government could introduce a set of targeted measures that provide immediate support to households most affected by rising fuel prices while maintaining vital public revenues. These policies would help reduce transport costs for those who need it most and accelerate the UK's shift to electric cars, vans and trucks, cutting oil demand over time.

**Electric Vehicle Social Leasing Scheme:** A tailored EV leasing programme for lower-income drivers who rely on their cars for work and daily life - up to 230,000 leases annually could be delivered for the same cost as maintaining the 5p fuel duty cut.

**Cycle to Work Grants:** Introducing public grants to subsidise the upfront cost of bikes and e-bikes targeted at those on lower incomes. 4.4 million £500 bike grants or 1.5 million £1,500 e-cargo bike grants could be provided annually instead of a fuel duty cut.

---

<sup>1</sup> RAC (2026) [Fuel Watch](#)

<sup>2</sup> IEA (2023) [Global SUVs CO2 emission](#)

<sup>3</sup> IPPR (2025) [The transport challenge for low-income households](#)

**Salary Sacrifice Public Transport Travel Cards:** Based on the successful Cycle to Work model, employees could buy local public transport season tickets via pre-tax salary deductions, saving 30-40% on commuting costs. Estimated cost: £390 million a year, roughly one-fifth of a fuel duty freeze.

**Reinstating the £2 bus fare cap:** 3 billion single tickets could be subsidised instead of a 5p fuel duty freeze.

**Targeted Payments for the Vulnerable:** Direct support for small businesses, sole traders and low-income households, ensuring help reaches those most exposed to energy price rises.

**HGV Efficiency Measures:** Reducing fuel use in logistics through retrofitted aero devices, efficient tyres, and 50mph speed limits to limit knock-on price impacts.

## Net Zero offers best protection to 'price shocks'

Analysis by the Climate Change Committee finds that achieving net zero by 2050 would significantly reduce the UK's exposure to volatile fossil fuel markets and future energy price shocks. The Committee estimates the transition would cost around **£4 billion per year** on average to 2050 which is comparable to the economic costs caused by recent fossil fuel price crises, but would deliver far greater benefits. **Every £1 invested in the net zero transition is estimated to generate £2-£4 in wider economic benefits**, including major public health improvements and NHS savings that could reach £130 billion by 2050.<sup>4</sup>

For the UK transport system, which currently accounts for around three-quarters of the UK's oil demand, accelerating the shift away from imported fossil fuels towards domestically generated renewable energy is particularly important. Supporting the transition to zero-emission vehicles, strengthening policies for clean aviation and shipping fuels, and expanding renewable energy supply can help protect households and businesses from future price shocks while strengthening the UK's long-term energy security.

## About us

We are the national office of the European clean transport NGO T&E whose aim is to achieve a zero-emission mobility system that is affordable and has minimal impacts on our health, climate and environment and is accessible to all while locking in growth and jobs for the UK.

<https://www.transportenvironment.org/te-united-kingdom>

**Tim Dexter** - [tim.dexter@transportenvironment.org](mailto:tim.dexter@transportenvironment.org)

---

<sup>4</sup> CCC (2026) [Supplementary analysis of the Seventh Carbon Budget](#)