

# Treasury orthodoxy and Bank of England error

This government was right to express concern about Treasury orthodoxy and should have added Bank of England error. Together these terrible twins visited on us the European Exchange Rate mechanism which gave us boom/ bust 1998-92, gave us the boom/ bust of the banking crash of 2006-9, and now threatens to give us the Quantitative easing boom/recession of 2020-23. The government did need to cushion the blow of the energy crunch, and did need to offset the recessionary forces that have been unleashed by the surges in energy bills.

The Bank of England should take more of the blame for the slump in government bond prices from the Thursday of their rate rising statement through to the collapse the following Wednesday. Their decision to raise the official interest rate, to point to more rises to come and their decision to sell bonds to drive longer interest rates higher was the main cause of the bond sell off. To avoid spooking the markets again when they end their temporary prop to the markets they should announce they will not sell any bonds at these depressed prices to reassure markets.

Meanwhile the Treasury has resumed its belief that economic policy has to be steered by a commitment to get debt as a percentage of GDP down. In recent years pursuing this policy they have cajoled Chancellors to put in tax rises to do this. Instead a poorly performing economy has ended up with rises in state debt. The tax rises do not offset all the time growth stays low.

The government should switch economic control to their growth target and the 2% inflation target. That way we should allow lower tax rates as part of a growth strategy, and a counter inflation discipline that was sadly lacking 2020-21.

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## The message of Conservatism

This was an article commissioned by the Telegraph on Wednesday

Conservatives believe people should keep more of their own money to spend on themselves and their families. We want to help people on their individual journeys to success and greater prosperity. We want government to make life easier for all those who can make their own way in the world, with lower tax rates and sensible rules. We want to live in a successful economy where low tax rates generate more tax revenue from the extra incomes and business they bring. Then we can be generous to those who need help and cannot earn their own living and we can afford great quality public services. We want

everyone to have the opportunity to own their own home. We would like many to own a share in the business they work for or be able to set up a business of their own. Government should not tell people how to live their lives, but should help people with great education and with public order.

It was refreshing, exciting to hear the new Prime Minister put all this across in the language of today's age and for today's challenges. How right she was to draw the stark contrast between those who glue themselves to the roads to stop people getting to work or to prevent ambulances getting to patients, and those who leave home early in the dark to ensure the rest of us have milk, bread and emergency services that morning. How correct to contrast the politicians who want to prevent us getting out more of our own gas with the needs of the rest of us who have gas boilers and want to keep our families warm over the winter.

There is indeed an anti growth coalition. It is a coalition which despises all those who go out to work in the private sector to make and deliver life's necessities and to keep our utilities running. It sees the businesses that supply us with clean water, heating fuels and broadband as the enemies that should be taxed more than nationalised. When they were nationalised they were starved of investment as it all had to compete with the cash demands of the NHS. The anti growth protesters seek to impede or prevent new homes, new factories and above all new energy supplies, whilst backing ever more illegal economic migrants who of course will need new homes, and more utility supply to have a decent life here.

The protesters who try to disrupt the lives of those who work hard to keep our society functioning are backed by an army of left wing party politicians. They include the nationalists that want to bust our country apart. They use devolved government not to help their electors but to grandstand against the national government. They include the Lib Dems who do not ever want us to get out more of our own oil, gas or coal. They blocked more nuclear power as well when in government. They would leave us without heating or hot water on days when the wind does not blow. They of course include the Labour party, bound to the Trade Unions who think now is a good time to engineer as many strikes as possible. These strikes on the railways threaten their own members jobs. The railway needs more passengers, not less, to generate the extra fare revenue to be able to pay their wages. Striking means more people do without the trains so more trains run empty yet the Unions expect yet more subsidy for a service people do not want to use or are prevented from using

To Liz Truss Conservatism is allied to freedom and fairness. She is right that we need a new balance in policy between those who do and those who complain. We need to let all those who turn up for work, undertake the training and look for promotion to keep more of what they earn. We need to say No, not give in, to all those who want to block every new private sector idea, impede the new investments, the new mines and gas wells, the new fields of food and new factories to make products for the NHS and other customers. The world does not owe the UK a living. We are too dependent on imports and therefore on the goodwill and loans of foreigners. The new UK can be a shining example of enterprise and freedom, where people will want to invest more and create more jobs, because we have a government that believes in the power of enterprise to help people to more prosperous lives.

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## [Our energy policy should start with keeping the lights on and the factories powered up](#)

I am reissuing this given today's news

This article was published yesterday on ConservativeHome. I thought readers of my blog might also find it interesting:

We are living with a desperate shortage of energy. Successive governments and Ministers have ignored the need to ensure adequate supplies of electricity and primary fuels in their passion to close down and move out of coal, oil and gas as quickly as possible. Now we are caught up in a worldwide gas shortage, with fertiliser factories closed – and a Business Secretary summoning a meeting to ask what can be done to limit the spreading damage.

The Business Secretary knows enough economics to understand that, if gas is in short supply, the last thing that would help the UK procure more of it would be a series of price controls over those who dare to buy it on the world market and could sell it here.

We will not like it, but these now unruly global gas markets are controlled by Russia, the USA, and various Middle Eastern countries that have a surplus to export. They do not currently have a big enough surplus to need to take low bids.

The EU is already complaining that Russia is driving prices higher by restricting her large export supply. Why, then, did Germany make the world gas position worse by deciding to centre their energy policy on a further major addition to their pipeline capacity to import gas from Russia, ensuring their reliance on this source? They were warned by both Presidents Donald Trump and Joe Biden, as well as other allies not to make this obvious mistake.

The UK, too, has made itself far too dependent on energy imports. I have been warning government for years that we need to do more to generate additional power and extract more primary energy at home, endowed as we are with liberal reserves of oil, gas and coal and with access to water power and biomass.

The Business Secretary could do more than pose as concerned at his meeting if he puts in train work to find longer-term solutions to our chronic dependence on unreliable overseas sources of energy. He could ask why the Rough Field gas store was closed down, greatly reducing our stocks of gas which we now need. He should bring in more gas storage. He could review North Sea oil and

gas policy, and see how the industry can be encouraged to tap more reserves from our own fields. He should keep the remaining coal power stations available with secure coal supplies for them, until there is sufficient greener power available to replace them on a reliable basis.

He should know that, at exactly the same time as we hit a world gas shortage, the UK electricity supply is under extreme stress. The remaining three coal power stations have been fired up, because there has been a marked shortage of wind for some weeks.

In recent years I have been wearing my keyboard out raising with Ministers and the wider public the issue of our need for more reliable electrical power to keep the lights on. The overriding preference for wind power was bound to leave us vulnerable to periods of calm weather.

If these coincide with cold winter days, the consequences could be disastrous. A modern sophisticated economy needs electrical power for most things. How would food factories keep working, vulnerable people stay warm at home, hospitals look after patients without sufficient power? It is particularly worrying that the current shortage takes place against a background of limited demand thanks to mild weather. The cool summer in the south did not help, as heating thermostats were triggering as late as May and even in August, needing more gas-fired power even then.

The UK's passion for imported electricity has further weakened our position. The French interconnector in Kent was badly burned this week, taking out a potential imported supply of top up power which we rely too much on. We may discover soon that, if the shortages worsen, overseas suppliers will see exporting to us as an easy cut to make to husband their own limited supplies for domestic use.

When electricity was first privatised, we made security of supply the prime issue in the new system. There was a substantial margin of extra domestic capacity available to bring on stream if one or more of the baseload generating plants had problems. We did not need imports. We made price the second important issue, with a system which always ensured the next cheapest power was brought on stream as demand picked up. In the early years of privatisation we both had plenty of capacity at home, and experienced falling prices. The dash for gas, with many new combined cycle gas plants going in, took feedstock from a healthy UK North Sea and replaced some older less fuel efficient and dirtier coal capacity, so the policy was also green.

Today, the Business Secretary needs to review the complex mesh of subsidies, regulations, penalty taxes and import arrangements that passes for an energy policy. It is delivering a shortage of power. It is holding up a good industrial strategy, as industrial expansion needs access to plenty of reliable competitively priced energy. It is now threatening consumers with much higher electricity and gas prices.

He should order changes that will open up more UK primary energy for us to use. He should want an electricity system that has more reliable renewable power which may take the form of hydro, pump storage and battery, but which

also has enough back up capacity from biomass or gas, so we can be sure to keep the factories powered up.

Elimination of our dependence on imported electricity and a substantial reduction in our dependence on imported gas should be a minimum objective. The market would do this if it were allowed to function but, because of the comprehensive muddle of government-inspired past interventions, it now needs dramatic government action to put it right for the future.

In the meantime, we rely on the goodwill of the gas and electricity exporters and will have to pay up to secure supplies. It is the perfect storm, with both gas and electricity scarce. At home, an absence of wind leaves us short, and abroad Hurricane Ida closed down some important US gas capacity. Relying on the wind is a dangerous way of living.

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## Good ideas in the PM's speech

It was refreshing to hear the PM's speech yesterday. The world does not owe us a living. The heroes and heroines are all those who get up early and go to work to make sure we have water, power, broadband, food and other supplies. The anti growth coalition opposes practically everything that can keep the lights on, keep us warm, and keep us fed. They are the importers friend and the person on low incomes nightmare. They stand in the way of doing and producing more for ourselves.

For too many years a combination of EU membership, EU rules and UK political bias against UK manufacture, UK fishing and farming and above all against UK produced energy has made us increasingly import dependent. Foolish CO2 accounting has forced companies and individuals into producing less here to get our CO2 count down, only to import things that have a higher carbon count in their place to prove we have reduced our CO2! We have been retiring our gas fields, failing to renew our gas generators, closing our coalmines and blowing up our coalfired power stations, in order to import manufactures from China and Germany that rely much more on coal.

Every time there is a proposal to extract more of our own gas, especially onshore, our own coal, or produce more of our own energy intensive goods there are protesters. Any road scheme to cut congestion which would reduce fuel use for each journey is likely to meet an army of protesters who do not seem to understand it is lorries and vans that keep them in food and Amazon parcels. Liz Truss was right to champion the producers, the workers, the strivers over the protesters, the strikers and the job refusers.

I look forward to a fight back for freedom and commonsense.

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## Bring on the extra energy

The Regulator's announcement that they are seeking more gas supplies for the winter seems late when it has been obvious for a long time that we could be short of energy. There was a similar delay in coming to the late conclusion we needed to keep some coal fired power stations instead of demolishing them all, given the need for back up power for cold days with no wind. As it has turned out they have been running coal stations on and off throughout the summer on low wind days as well.

The best answer is still to get more UK gas out of the ground. The government changed policy some time ago to urge more UK production. The Chancellor's Financial Statement included some energy projects without time frames or details of how much extra production they could release. There were several potential prospects that we know about missing from the list. The Energy Ministers need to push hard to get the licencing authorities to expedite additional production on fields already producing, and speed the link in of fields discovered close to existing production capacity and pipelines to be tied into those facilities. None of this need take too long, and the sooner we have more domestic production the better.

This should not be contentious. Home production means the big tax revenues on such activities goes to the UK Treasury, not to a foreign government. It means more better paid jobs here in the the UK rather than abroad. It means less CO2 is generated than if we imported LNG, which creates more than twice as much CO2 as domestic pipelines gas. It takes a lot of energy to compress, cool, transport and convert the gas back which you do not need to do with gas flowing down a domestic pipe. It means more gas delivered to home customers with secure supply.