

Time to cut through the energy subsidies, taxes and controls to keep the lights on

Yesterday the Business Secretary met the wrong people to solve the energy crisis. He met the companies caught up in a nightmare of controls which threaten their solvency but lead inexorably to large consumer price rises after a delay.

He needs to meet the primary energy producers, the companies that produce gas and generate electricity in the U.K. The basic problem we face is we produce too little energy for our needs. This makes us dependent on very expensive imports, on the goodwill of Mr Putin and the ability of an energy short Western Europe to help us.

Many of the taxes, subsidies and controls on energy production have been imposed in pursuit of net zero. The policy is an abject failure in its own terms, because it forces us to import plenty of gas from abroad adding transport CO2 to the total, and to import electricity that makes the continent burn more coal for power to meet their overall needs.

The government needs to cut its interventions and to licence more U.K. base energy delivery. More electricity needs to be generated here with cost and availability having more of a role in allowing its use. Proper costing of wind needs to allow for the costs of back up or in due course the costs of storage in batteries or through green hydrogen.

In the short term the government's only options are to transfer some of the extra energy cost from consumers to taxpayers by yet more subsidy to companies, or to beef up benefits to people on lower incomes so they can afford the surge in bills. Every day's delay in producing and investing more in domestic energy is another increase in bills and in total costs to consumers/ taxpayers. A general subsidy to companies would be yet another undesirable increase in public spending to dodge sorting out the underlying problem.

The Norwegian and Swiss approach to economic management

When we left the EU our per capita GDP was \$41,124 , a useful one fifth higher than the EU average and 8% above the Eurozone average.

We were well behind the cluster of smaller non EU countries of western Europe who have adopted different economic models that served them well.

Switzerland at \$86,601 and Norway at \$67,389 are the largest and well above our levels and higher than the USA at \$63,413. The Channel Islands, Greenland, Iceland and the Isle of Man are also well above.

Luxembourg and the Republic of Ireland have managed high gdp per capita within the EU by defying its dislike of lower taxes and setting themselves up as corporate tax havens. This has attracted substantial investment by large foreign companies, and head offices to book business legally through a low tax jurisdiction.

The Norway model rests heavily on large exports of oil and gas, with the country investing tax on this activity in a sovereign wealth fund. This fund now owns an impressive \$1.4 trillion of assets on behalf of the Norwegian people. Norway has attracted substantial investment in reliable renewable power in the form of hydro for most of its own energy needs. Hydro power produces 95% of its electricity and 63% of its total energy. It has allowed the country to establish a large investment in heavy energy using industry, including aluminium production.

The Swiss model has rested on building commercial success in pharmaceuticals and chemicals, watch and jewellery design and fabrication and banking. Switzerland produces most of its electricity from hydro and nuclear, but imports a lot of oil and gas for other energy needs.

These countries demonstrate the huge opportunities for a smaller nimble country outside the EU bloc. Lower tax rates are central to most of the success stories, though Norway has done well by exploiting her advantages in energy. The UK should copy parts of both these strategies to get incomes per head closer to these achievements.

[The energy shortage and cost of living squeeze](#)

Dear Ministers

When you return from the holly and the Christmas pudding please attend urgently to the energy shortages. The gas price has shot up to very high levels and electricity is expensive. The price caps will be moved upwards sharply in April hitting people's heating and living costs badly.

It should come as no surprise. The price cap policy has bankrupted a large number of electricity suppliers. The policy of closing coal power stations, blocking more production of UK gas, failing to put in extra generating

capacity other than wind and solar and relying more and more on imports was bound to lead to shortages and very high prices as some of us warned.

When thinking about how to abate the cost of living squeeze from dearer energy it is wise to remember the most basic lesson of economics. Supply and demand is balanced by market price. If something is in short supply its price rises in a free market until enough extra is produced. If something is in over supply the price falls until the surplus has been absorbed and production cut back.

If government sets a lower price than the market needs to balance supply and demand then there will be too little supply and a shortage. The government has to allow market prices to rise to bring forward additional energy. If it refuses to allow the suppliers to pass on the extra cost of the underlying energy then they will go bust unless the government subsidises them from taxes. Prices also of course hit or boost demand. On current policy energy will be worryingly dear for anyone on a lower income so government will need to boost their income somehow to make it more affordable. Taking VAT off fuel would be a welcome start.

The only reliable way to get the UK gas price down is to allow more domestic gas to boost supply. Much of this could then be offered as long term contract gas with sensible prices and price adjustments in the contract, to avoid more buying of very dear gas on an inflated spot market at times of shortage. The only reliable way to keep the lights on is to retain fossil fuel power stations as back up for when the wind does not blow and the sun does not shine, and to add more low or zero carbon generation from reliable sources that work in all weathers for the future.

There is also a crucial national security issue. Trying to rely more on gas and electricity imports from Europe gravely weakens our country. The EU is energy short and dependent on Putin's Russia. Energy will increasingly be used as a diplomatic weapon against countries that cannot be bothered to generate their own power and extract their own energy.

Happy Christmas.

No blog today. If you would like to send a comment normal service resumes tomorrow.

Will Santa come for me?

Will Santa come for me?

May you all feel the excitement of Christmas.

WILL SANTA COME TONIGHT?

“Will Santa come? Will Santa come tonight?”

“He might. He might.

If you are good, he might.”

“Can I stay up and see?”

“No. He will not come for you or me

if we do not sleep . He’s too busy to meet us all.”

“And will he come for us?

Yes if you sleep – he does not like fuss.”

Tonight, by the lights of the tree,

there is, at last, some grown up time for me.

The cake is iced. The wine is spiced .The carrots diced.

The pudding’s steamed. The brandy butter creamed.

The turkey prepared awaits. And yes, I did clean the plates.

The tree is up, the table laid,

the cards are out , though the credit card’s unpaid!

So shall I soon with gifts a plenty mount the stairs to deliver twenty?

Do I dare to tread the stair?

And will it creak? And will it creak? When can I take a peek?

I need to know if they slumber before I arrive with my lumber.

If they are still awake what dreams will go? What heart might break?

Or do they know? And is their belief just all for show?

So tonight by the magic tree there is need of time just for me.

I will wait – and struggle to keep open my eyes

And wrestle with the morality of eating Santa's mince pies.
My adult mind is full of Christmas chores
The cooking times, and the cards through neighbours' doors
The parties on zoom with friends we cannot meet
Those little things that for loved ones are a treat
I was once a child too excited to sleep
with a torrent of thoughts about what I might be given
Hoping that it was a toy beneath the wrapping – should I look? –
Not more socks or hankies, preferably something to be driven
So could Santa still come for me? Drowsily I dream as if I were eight
Hoping that Santa would not be late
Like every little boy there is of course a much wanted toy
So will Santa come tonight? He might, He might.
If you sleep well and if you believe
Only if you believe.
And only if in your family Love fills the hours you will be spending.
It could be the true Santa on the stair
Or it could be someone from an empty chair.
So will Santa come? He will. He will.
An updated version of my Christmas Eve poem