

Energy Bills Discount Scheme

I have received the letter below from the Exchequer Secretary to the Treasury in relation to continued energy bill support for businesses, charities and the public sector.

To: All MPs

10 January 2023

Dear Colleague,

ENERGY BILLS DISCOUNT SCHEME

I am writing to set out further details of the announcement I made today in relation to continued energy bill support for businesses, charities and the public sector.

Following a review of the Energy Bill Relief Scheme, I announced that the government would be launching a UK-wide Energy Bills Discount Scheme – a new energy support scheme that will provide all eligible UK businesses and other non-domestic energy users with a discount on high energy bills until 31 March 2024, following the end of the current scheme.

The new energy scheme will help businesses locked into contracts signed before recent substantial falls in the wholesale price manage their costs and provide others with reassurance against the risk of prices rising again.

This further support follows the government's unprecedented package for non-domestic users through this winter through the current scheme, worth £18 billion per the figures certified by the OBR at the Autumn Statement.

At Autumn Statement, we were clear that such levels of support, unprecedented in its nature and scale, were time-limited and intended as a bridge to allow businesses to adapt.

Whilst wholesale energy prices are falling and have now gone back to levels just before Putin's invasion of Ukraine, we recognise the importance of avoiding a cliff-edge for businesses and want to provide reassurance against the risk of prices rising again. That is why we are launching the new Energy Bills Discount Scheme, which will give businesses the certainty they need to plan ahead.

The new scheme strikes a balance between supporting businesses over the next 12 months and limiting taxpayer's exposure to volatile energy markets, with a cap set at £5.5 billion based on estimated volumes.

Through the scheme, from 1 April 2023 to 31 March 2024, eligible non-domestic customers who have a contract with a licensed energy supplier will see a unit discount of up to £6.97/MWh automatically applied to their gas bill and a unit discount of up to £19.61/MWh applied to their electricity bill. The

relative discount will be applied if wholesale prices are above a price threshold of £302/MWh for electricity and £107/MWh for gas.

A substantially higher level of support will be provided to businesses in sectors identified as being the most energy and trade intensive – predominately manufacturing industries. A long-standing category associated with higher energy usage, these firms are often less able to pass through cost to their customers due to international competition. Businesses in scope will receive a gas and electricity bill discount based on a price threshold, which will be capped by a maximum unit discount of £40.0/MWh for gas and £89.1/MWh for electricity. This discount will only apply to 70% of energy volumes and will apply above a price threshold of £185/MWh for electricity and £99/MWh for gas.

Beyond the energy schemes, the government has also taken a number of further steps to support businesses (all UK-wide except as noted):

- Increasing the Employment Allowance from £4,000 to £5,000 in April 2022, meaning 40% of businesses with Employer National Insurance Contribution (NICs) liabilities were unaffected by recent changes to Employer NICs.
- Protecting 70% of actively trading companies with the Small Profits Rate, which keeps the Corporation Tax rate at 19% for businesses with profits of £50k or less from 2023.
- Introducing £13.6 billion business rates package worth over the next 5 years to support the revaluation (England-only).
- Extending the alcohol duty rates freeze for six-months, providing certainty to pubs and breweries.
- Extending the Recovery Loan Scheme until June 2024, providing businesses with up to £2 million of government guaranteed finance (up to £1 million for businesses in scope of the Northern Ireland Protocol).

This government is committed to supporting UK business and the voluntary sector, and through this package we aim to give organisations the certainty they need to plan through next winter. We will continue to monitor the situation and engage with representatives across the private and voluntary sectors.

Yours sincerely,

James Cartlidge MP

EXCHEQUER SECRETARY TO THE TREASURY