

My speech on Labour's motion for a windfall tax on oil and gas producers

Rt Hon Sir John Redwood MP (Wokingham) (Con): I welcome this opportunity for us to discuss one of the biggest issues facing the country. April could indeed be the cruellest month this year if more action is not taken to tackle the forthcoming problem, because we are likely to see an unfortunate coincidence of a big surge in electricity and gas bills as the cap is relaxed, an increase in council bills, general inflation that is a bit too high, and a national insurance increase hitting people's work incomes. I urge the Government to think again about the possible severity of that squeeze on real incomes, as it would have a knock-on effect, reducing people's ability to spend on other discretionary items as they struggle to pay energy bills. It would therefore slow the economy quite considerably, at the same time as creating this shock to living standards.

The Ministers sitting on the Front Bench are, I am sure, engaged in conversations more widely in Government, including with senior members of the Government who will make the ultimate decisions. Today is not really the day to debate more general taxation issues, although even at this late stage I would like the Government to cancel the national insurance increase, on the grounds that public finances generated a big surge in revenue compared with the Budget forecast last March, and our deficit is around £60 billion lower than they thought it was going to be. I say to the Government that they can accommodate the £12 billion they need to spend—rightly—on health improvements, without that money.

The proper subject of this debate is our energy markets. If we compare the two sides of the Atlantic, we see in Biden's America, where he inherited a period of successful exploration and development of domestic gas, a market that can more than supply its own needs and has kept prices considerably lower than the damaged European market. President Biden, while clearly putting his country on the road to net zero at COP26, returned home to authorise more exploration and development of both oil and gas wells, and to license more territory in the gulf of Mexico. He took the view that we will have a transition need for gas for this decade or more, and he needs to keep the American market properly supplied.

I urge my colleagues on the Front Bench to be sympathetic, as I think they are, to the case that while we still need to burn quite a lot of gas, and while we are awaiting plentiful supplies of renewable or nuclear power that will be affordable and reliable, we must accept that we will be burning somebody's gas, and it must make more sense to burn our own, rather than imports. Indeed, I would start that case from the green point of view. A while ago I had a useful answer to a parliamentary question, pointing out that the CO₂ generated by importing liquefied natural gas and burning it in whatever we wish to burn it in is more than double the amount of CO₂ generated from burning a comparable thermal equivalent of gas taken from

the North sea. There is a very good green case for substituting domestic gas for imported LNG.

Clive Lewis (Lab): Over the past two years, the North sea oil and gas that was exported doubled. It is not our oil and gas. It belongs to the corporations that bring it out of the ground, and they sell it to the highest bidder. It does not increase our energy security. The right hon. Gentleman made a point about Biden inheriting fracked shale oil and gas in the US, but he failed to mention the ecological costs, which every year run into hundreds of millions of pounds of damage to the natural world. That is the price the United States is paying for its fracking, which I imagine the right hon. Gentleman would expect us to take up here as well.

Rt Hon Sir John Redwood MP (Wokingham) (Con): I was not talking about onshore gas at all; I was talking about North sea gas, which comes from under the sea. A variety of reservoir easing techniques have been used for many years and never caused political controversy. I was recommending that we review again the opportunity to explore for more, to develop more and to bring into production the fields that we know are out there. That would also help the SNP spokesman, the hon. Member for Aberdeen South (Stephen Flynn), who would rightly like more jobs or to sustain jobs in his successful oil and gas city, which faces the problems that he described. I was interested in his warning about how a windfall tax could, like last time, collapse investment and reduce the amount of extraction and future investment that we get.

The hon. Member for Norwich South (Clive Lewis) said that not all the gas produced in the North sea would be sold to us. That may be right, but the European market in general is chronically short of gas and the continental market is cruelly dependent on Russian gas, which today we can see is not a good idea. A North sea supply would therefore help when we are trying to ease supply pressures and bring prices down.

The second reason why it makes much more sense to use our own gas—or to extract more of it—rather than rely on imports is that we collect much more tax on it, and we are losing all that tax revenue on imports. The hon. Gentleman should remember that we now import 53% of the gas that we need, and we do not get anything like the revenue that we could if we extracted more of our own. Preferably, we would sell it to ourselves, but even if we exported it—we may well do that—we would still collect the extra revenue. There would also be a benefit in jobs and prosperity, because the industry tends to create quite a lot of well-paid jobs, which is good for the communities that sponsor those activities.

I hope that Ministers will look favourably on the idea that, during this transition, we will burn a lot of gas—as will everyone else—so it makes a lot of sense for the UK to produce gas and offer it on long-term contracts, trying to smooth some of erratic prices that we see because of what is happening on the continent, and make our contribution to greater security of supply for ourselves and—indirectly—for Europe.

Finally—I know that time is limited—electricity is much in demand, and it will be much more in demand if the electrical revolution that the Government

wish to unleash comes true. One reason why we had a big spike in gas prices was that the wind did not blow, which added to the need to burn a lot more gas in power stations. That can happen again, because the wind clearly is an unreliable friend, and it is particularly difficult if it goes down at times of peak demand or when it is very cold. We therefore need to ensure that we are putting in enough reliable electricity capacity, because that has a direct relationship with the gas supply and demand issue as well as with gas prices, and I do not think that the current plans have nearly enough new capacity in them.