

Reduce government interference in energy

One subsidy leads to another. One windfall tax soon becomes several permanent tax rises on overtaxed energy. One price distortion tempts Regulators to do more. Instead of pursuing the three aims of security of supply, affordable power, and environmental requirements we end up with energy which is too dear and a growing dependency on imports and the goodwill of foreigners.

The boost to oil and gas prices caused by the decision to get Russian oil and gas out of our supply chains in retaliation for the invasion of Ukraine was used as an opportunity to increase taxes on oil and gas. It was called a windfall tax though the government did not specify what element of the price/profit was windfall, nor did it promise to cancel the tax when oil prices fell back. This then caused super profits for older renewable electricity investments so they too were put under a windfall tax. Subsequently new investment in renewables was exempted . All this reinforced dearer energy, so then the government decided to spend a fortune on subsidies to domestic consumers. The government introduced a price cap on domestic energy bills. As prices fell so the price cap held costs up until the next review point. All these interventions were backed by the Opposition parties who usually wanted them to go further, last longer and tax and subsidise more.

This is a wasteful and worrying model for energy. It has meant higher public sector spending and borrowing. It has deterred investment in new capacity through the higher and unpredictable taxes. It has helped close factories in the UK thanks to high energy prices, increase energy imports, and increase the imports of energy intensive goods.

The same thing is happening with energy using products. It is wrong to tax car producers for selling too many petrol vehicles that people want to buy, and for selling too few battery cars which people do not want to buy. It would be wrong to tax gas boiler manufacturers or to ban their product if people do not want to buy heat pumps. Government did not need to step in to ban blackberries in order to promote smart phones, or to boost computer pads by taxing home desktops. There was no subsidy to promote mobile phones or internet services. Good products sell because people want them.