

The government's help to people and businesses hit by the energy crisis. Letter from PM

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THE PRIME MINISTER

8 September 2022

Dear Colleague,

SUPPORTING PEOPLE AND BUSINESSES WITH THEIR ENERGY BILLS

On the steps of Downing Street on Tuesday, I pledged to take action to bring down energy bills. Today, within 48 hours of taking office, I have delivered on that promise.

This Government will bring forward emergency legislation to establish a new Energy Price Guarantee which will ensure that the average British household pays no more than £2,500 per year for their energy bills for the next two years from October.

This will save the average household at least £1,000 per year – giving certainty on energy prices so people can get through the winter, slowing inflation and making incomes go further. We will fully compensate energy suppliers for the cost of this emergency action – with the Chancellor setting out further details in the fiscal statement later this month. The new guarantee will apply to households in Great Britain, with the same level of support made available to households in Northern Ireland.

As part of the Energy Price Guarantee, we are temporarily suspending green levies – contributing £150 to the £1,000 yearly average saving. At this difficult time, it is right that households do not bear the cost of low-carbon electricity generation, but instead benefit from it.

And we will maintain the £400 Energy Bill Support Scheme for everyone, and the £1,200 of support for the most vulnerable households already announced earlier this year.

But I know that not everyone will be eligible for the schemes I have outlined above – especially those living in park homes, or who use heating oil in rural areas in constituencies such as mine. We will set up a discretionary fund to make sure that no one is left behind this winter.

Businesses will be offered an equivalent guarantee for six months for those hit by rising prices, and after those six months we will provide further support for vulnerable sectors, such as hospitality, including our local pubs. We will work with businesses to review where this should be targeted.

But we are also taking action to ensure that we are never in this position

again. That means ending decades of short-term thinking which has allowed Putin to weaponise energy supplies as part of his illegal invasion of Ukraine.

We will ramp up energy supply and fix the regulation of our energy market. This will include establishing a new Energy Supply Taskforce, in the style of the Vaccine Taskforce, to negotiate new long-term contracts with suppliers to bring down energy costs.

Together with the Bank of England, we have secured a new £40 billion facility, so energy firms have the liquidity they need to manage volatility in energy markets, stabilising the market, reducing costs for the exchequer, and decreasing the chances of energy companies needing our support.

To fix domestic supply, we have to be bold. I want the UK to be a net energy exporter by 2040.

We will end the moratorium on shale extraction to get gas flowing as soon as six months' time, boost renewables including wind and solar, launch Great British Nuclear later this month, and create a pro-investor environment to get more domestic supply projects off the ground, faster.

A review will be held to fix the longstanding problems within our energy regulation, and we will bring forward fundamental reforms to make our energy market fit for the challenges Britain faces today.

The Rt Hon Member for Kingswood, Chris Skidmore MP, will also lead a review to ensure we deliver net zero by 2050 in a way that is pro-business and pro-growth.

When I took office, I was clear that the next few months would not be easy. But I have every confidence that the resolve of the British people is strong enough to see us through the storm. Today's package sends a clear message that this Government is with them every step of the way.

Yours Sincerely,

All MPs and Peers

[The Queen](#)

The sad end of the Queen's life will be felt by us all. She has been our Queen all through our lives, a source of stability and a well known presence at our great national events.

Over seventy years of peace and rising national prosperity the Queen brought many subtle changes to the monarchy. She judged the evolving moods and attitudes of the nation. She quietly modernised the way the monarchy works

and how we can relate to it. As the titled head of a class conscious society in the 1950s, proximity to the court underwrote that culture. 70 years later the monarchy is more accessible to a diverse range of people with more relaxed attitudes to etiquette.

She lived for service to her nation, for her family and for the animals and sports that helped enrich her life. Our longest reigning monarch, she ranks alongside Victoria as a long serving Queen who helped create the spirit of an era. The U.K. modernising and rebuilding after the world war was self consciously the nation of the new Elizabethans. Our Queen throughout her seventy years stayed safely above politics and contentious opinions, the only way to ensure a constitutional monarchy flourishes.

The nation has lost its foremost diplomat and representative. She led the growth and work of the Commonwealth. Everywhere she went and in every country where had a role she created good will and graced many formal and entertaining events. I send my condolences to the royal family who have lost a mother, grandmother and great grandmother.

[My interventions to the Prime Minister and the Business Secretary during the debate on UK Energy Costs](#)

Rt Hon Sir John Redwood MP (Wokingham) (Con): Does the Prime Minister agree that we are too short of energy but have plenty of taxes, and that if we had an over-supply of taxes, as the Labour party wants, we would have less supply of the things we were taxing?

Elizabeth Truss, The Prime Minister: My right hon. Friend makes an extremely good point. The reality is that we cannot tax our way to growth. The policy that I am setting out today is all about helping people with their energy costs, as I promised, and making sure that we have the long-term energy supplies that we need for our country.

Rt Hon Sir John Redwood MP (Wokingham) (Con): Would the Business Secretary like to remind the House that the Republic of Ireland deliberately chose much lower corporation tax rates than the rest of the advanced world and collects a far bigger proportion of its economy in taxes on business than we do?

Jacob Rees-Mogg, Secretary of State for Business, Energy and Industrial Strategy: My right hon. Friend will be glad to note that the Chancellor of the Exchequer, from a sedentary position, is agreeing with him. My right hon. Friend is a higher authority on this than I am, but we know that the cut in corporation tax led to an increase in receipts. Higher taxation is not the

answer.

Looking at the long term, we must fix our broken energy system. We must have energy independence and become a net exporter of energy by 2040. We cannot be held captive by volatile global markets or malevolent states. We must tackle the root causes of the problems in our energy market by boosting domestic supply. We will invest in renewable energy with vim and vigour, accelerating the deployment of wind, solar and—particularly exciting, I think—hydrogen technologies. To reassure my right hon. Friend the Member for Pendle (Andrew Stephenson), we will invest in nuclear technologies, which also provide us with cheap and clean electricity.

I note that my hon. Friend the Member for Ynys Môn (Virginia Crosbie) said that her constituency is known as energy island. That is exactly what we need in this country. My hon. Friend the Member for Gloucester (Richard Graham) noted that not just Ynys Môn but the whole of the United Kingdom is energy island. We must use all the resources available to us, including tidal energy, as my right hon. Friend the Member for Maidenhead (Mrs May) said. This is a great opportunity.

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[The energy package](#)

Today we are told to expect a new energy policy. This note is based solely on press accounts of what the government may announce. There will be two different parts to it. The first is to tackle the underlying problem. We have too little domestic energy. We are too dependent on imports from an energy starved Europe. We need to produce more of our own oil, gas, hydro power, renewable energy and nuclear energy. We need to prolong the lives of those gas, coal and nuclear stations where it is safe to do so, as we wait for the new investment to go in and provide us with sufficient alternative supply. I look forward to bold steps to promote more UK onshore and offshore oil and gas, which will bring in substantial tax revenues, create more well paid jobs and lower the CO2 generated compared with importing more LNG. I look forward to decisive action to commission new nuclear facilities through smaller nuclear reactors, to explore the commercial roll out of more ways of storing and using wind power and to ensure the lights and heating stay on this winter and next.

The second part is the need for immediate action to deal with the cost of living and business crisis created by extreme price movements in the gas and electricity markets here and on the continent, affecting our imports. If the government decides on a comprehensive price control as a temporary measure this would indeed take the worst pressure off business and families and save many jobs currently threatened by unaffordable business energy bills. It will also bring with it a substantial bill for taxpayers and the state in the form of borrowings needed to subsidise the supply of energy below the cost of production and purchase. That is why the government needs to reassure markets and taxpayers that everything will be done to eliminate the demand/supply gap to bring prices down and to speed an elimination of price controls. Whilst they are in place the government will need to ensure it encourages investment in new energy supply. This requires prompt granting of licences, ending some of the penal taxes on the energy produced from new facilities and allowing contracts to supply that are reliable and make economic sense. Government itself needs to cut its own energy usage to show the way to reducing demand pressures on the currently limited supply. One thing that most people do agree about in this contentious debate is the desirability of more insulation of buildings and more fuel efficient machines and processes

where these can be afforded.

So the important questions are likely to be

How will the government ensure proper incentives to greatly expand UK energy supply from domestic resources?

What can be expected of demand management in the public sector, and how can government help the private sector cut demand whilst still keeping warm and carrying out the work?

What controls will there be on the costs of this intervention?