

## Energy prices and markets

On Monday we will be asked in Parliament to approve a comprehensive set of powers for government to set maximum consumer prices for energy, to send large subsidies to energy suppliers who have to sell below cost and to remove surplus revenues from producers of electricity selling well above cost.

Of course we need to look after people who cannot afford their energy bills and need to offset some of the big hit to consumers generally. The energy price rise is like a massive tax rise.

We also need to be careful not to stop companies investing in new capacity or deter big users of power from seeking to improve their energy efficiency and reduce their use. We also need to keep the cost to taxpayers down where possible.

I would be interested in your thoughts on if there could be a cheaper and less all commanding scheme that would work?

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## You were right first time PM

The Prime Minister was right to want to keep the UK corporation tax rate at the lower end of the advanced countries tax table. We need to carry on attracting large investment flows into our country and leaving domestic businesses with more of their profits to put into new investment.

It appears the PM has been persuaded to row back on this promise of her election campaign to "ensure economic stability". I do not think this measure does that. After the 2.30 announcement yesterday there was a sharp sell off in long bonds. Interest rates on the 50 year paper rose by more than 0.4% or 40 basis points. As the PM's critics wrongly think the UK bond markets currently move on changes of government policy they need to explain why when the PM did the main thing they wanted the bonds sold off sharply. Maybe long bond movements in recent days have more to do with Bank of England management of the market.

Sterling was unchanged after the announcement instead of rising as her critics implied.

Instead of changing individual items in the tax proposals the new Treasury team needs to bring forward the spending proposals and show us forecasts of the deficit. We need a menu of tax and spend options with prices to influence and judge the full budget and fleshed out growth plan. The PM promised MPs a series of meetings and consultations over the next week preparatory to the full budget. These talks need the government to keep open tax cuts as well as

increased spending on priorities and cuts elsewhere. If they have already taken the key decisions the talks are pointless.

I am all in favour of actions to get the deficit down. I have been forecasting a higher deficit this year than the £99 bn OBR budget estimate. To control it I would look first as the biggest change by far that the new PM has announced, the energy package. It should remain very supportive for people on low incomes, but there could be more burden sharing for higher earners who burn a lot more fuel.

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## Taxing times

Bizarre to hear the media and Opposition mobs out to pull down the PM by forcing her to tear up her pledge to keep the UK competitive on business tax rates.

As always the Opposition wants to do the EU's dirty work to make us less competitive and get in the way of us attracting more business investment and more jobs.

The think tanks and forecasters who want taxes up tell us the deficit will otherwise be too big. If they have their way they will put us into a longer and deeper downturn which will mean a higher deficit, not a lower.

Over the last 2 years the OBR has massively over forecast the budget deficit and used these wrong forecasts to push a Chancellor into higher taxes. More accurate forecasting would conclude now that a lower business tax rate would be better for growth and for total tax revenue.

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## Onshore gas

The government has said it is considering allowing extraction of onshore gas in the UK subject to community consent and full safety and planning controls. Critics of this approach call it fracking, which is a description of some reservoir management techniques that have been commonly used in oil and gas wells for many years and have been accepted as safe. In order to sustain or increase pressure in some oil and gas deposits so the gas and oil flow to the surface it is necessary to inject agents, most often water, to increase pressure in the strata to move the gas on. There could be low level seismic shocks from this process which produce little or no disturbance at the surface above the reservoir. These shocks are monitored and controlled, and are usually below the level of shock created by a bus going by on a

nearby road, or felt near to a building site.

Producing more of our own gas would be good for the environment and good for our economy. It would more than halve the CO2 output compared to relying as we do today on too much imported LNG gas. These imports need energy to compress, liquefy, transport and convert back to gas which we do not need for home produced gas. Imported gas attracts large tax revenues which are paid away to a foreign country, whereas home produced gas would be taxed to help pay for local services. Home production brings well paid jobs . Home produced gas would likely to be sold as contract gas, avoiding the price spikes of buying gas on a volatile world market. It would ease our indirect dependence on Russian gas into Europe.

I also think it fundamental that work on such a gas well should only go ahead where the local community affected by it has given consent and participates in the revenue or uses some of the gas produced. I would not want a gas well close to a town or village in my constituency where the public did not wish one. The idea behind requiring community consent would be to encourage wells and drilling well away from homes. People should have the choice, and some may well wish to allow drilling a mile or two away from their home in return for payments from the producers. This policy is currently being consulted on and is not firm, so your ideas would be especially welcome.

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## **My visit to the Alzheimer's Society's stand at Conservative Party Conference**

At Conservative Party Conference, I visited the Alzheimer Society's stand.

