

Cheaper energy

Amidst all the drama of nothing happening in the Brexit talks the government announced it is going to legislate to place a price cap on energy prices. It wishes to instruct Ofgem to control prices of standard variable tariffs. It argues that the energy market is very damaged already by a range of government interventions and by the behaviour of some of the companies involved. As many customers do not switch from standard tariffs to the cheaper ones on offer, the government thinks the Regulator should step in and force prices down where they are high.

The companies respond that the market has plenty of competitors and people can shop around for lower tariffs if they wish. They also say they will abolish some of the lowest tariffs in response to any price cap on standard tariffs to limit their loss of revenue from these changes. The Regulator is unlikely to be able to stop them doing that.

So what do I think about all this? I welcome the aim of getting prices down for people. The legislation is likely to prove very popular in the Commons, with Labour liking the approach. Cheaper energy is a necessity both to boost people's living standards, and to foster an industrial revival which would thrive on cheaper fuel.

I think the longer term solution to cheaper energy is to promote more market competition, and to reduce the number of government interventions in the market that favour dearer energy solutions. It would also be good to revisit VAT on domestic fuel once we are out of the EU, as this tax is a further cause of expensive energy. We should get on with producing more of our own gas, as at the moment gas as feedstock and fuel for industry has to be imported.