

How to cut energy prices

it sounds as if the government does now think it has to act to cushion the impact of energy bills on household budgets in April. It also sounds as if they will let the price go up, so they will probably determine to route more taxpayer cash to lower income families through benefits and tax credits. Alternatively they will subsidise energy companies to keep bills down. This would be a dearer route but would help more bill payers.

What they need to do is to solve the underlying problem of a shortage of energy. Our electricity system is too reliant on wind and solar which can drop off to very little power when the weather changes. They need to keep more of the fossil fuel capacity we currently have as back up. They need to install more reliable green generation with more hydro, biomass and nuclear. Depending more and more on unreliable imports means paying peak prices at times of general shortage with adverse effects on bills.

The government as argued here before needs to licence new gas and oil from U.K. sources. It is not green to ban domestic production only to rely on more carbon intensive imports of coal and gas instead. The U.K. could follow the US model of lower gas prices with plenty of home production rather than the European model of very high prices, gas scarcity and reliance on Russian imports.

It is far from helpful that the government will end up with higher benefits, more subsidies and higher public spending because they have allowed a severe shortage of gas to emerge. Cutting our stockholding capacity and our domestic output comes with a dear price.