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THE HOUSE

Tax cuts alone won't stop civil protest over rising energy bills

15.08.22

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The battle between the two rivals for prime minister provides ideal material for the kind of punch-up and division the media love to depict. The awkward reality – that truth lies somewhere in between the two – is conveniently pushed aside.

Yet whoever wins will have to draw from both menus. There will be no choice about that.

On the tax-cutting side, one obvious candidate is fuel tax given that it makes up almost half of price of petrol and that it spreads through all transport, adding to higher prices and inflation everywhere. Removing VAT on fuel scarcely scrapes the surface. As they are finding in the United States, falling gasoline prices take points off the CPI, and this provides some offset to the undoubted revenue loss if, say, the tax was temporarily halved.

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On the grant and targeted support side, the authoritative figure is that 10 million households are about to be confronted with impossible hardship and debt. Many believe that figure is nearer 15 million. The suggestion is that there should be an extra one thousand pounds for every trapped family, which works out at £10 billion-plus to be found.

So, either path leads straight to more borrowing. No way around that.

Yet here's the bitter irony in the whole scene. None of this – the costly tax cuts or the colossal further grants, or the additional borrowing to cover both (which can be ill-afforded after the pandemic) – comes anywhere near meeting the full extent of the problem with all its mental distress, rising panic and frightening consequences for millions.

Why? Because the roots and origins of the whole appalling situation are energy price-driven and necessitate international action on a scale, with an urgency and with a priority so far completely un-attempted.

This was how we went about things in the oil shocks of the last century. As energy secretary in the 1979 oil price explosion, I had to deal directly with Sheikh Ahmed Zaki Yamani and the other OPEC leaders. This time, amazingly, the critical need to increase world supply of both oil and gas short term, to counter Russia's nasty games over supplies to Europe, has hardly had a mention. The whole focus of the debate here has been on the narrow domestic scene.

It's true that both Joe Biden and Boris Johnson have made a stab at the supply issue by visiting Riyadh separately. Neither made much impact. A huge combined diplomatic campaign should long ago have been set up and co-ordinated to bring home bluntly to the present OPEC generation the supreme danger – for themselves – arising from their persistence in "pleasing" Russia and refusing to boost output quickly – using some at least of the spare capacity which they like to deny but plainly exists.

Individually, Kuwait has shown readiness to help, and another producer giant, Iran – although far from being a friend – has a further one million barrels a day to put into the market but is blocked by American sanctions, which 67 per cent of Americans now say they want lifted. That blockage could and should be eased immediately.

Meanwhile, the whole American shale scene is being cranked up to its former scale, allowing billons more cubic feet of LNG to be sent to Europe, with firms like Chesapeake acting with the speed that governments should be showing, but aren't.

None of this need jeopardize the energy transition required to check rising global emissions and avert climate violence. That's over three decades ahead. This crisis is over three months ahead – or less.

As for more North Sea investment and more fracking in the United Kingdom, that again is some years ahead and in a different time scale to what is required right now. The same goes for a windfall tax – entirely justified in due course on completely fortuitous profits of upstream producers, as we did before, but less so for distributors who can only pass on the sky-high wholesale prices they have to pay. But even that, when the money comes in, only provides a fraction of the enormous extra cost of trying to cap bills before the next forecast leap – pure economic sorcery.

Really determined international moves of the kind outlined above, plus the necessary domestic support measures of both kinds as well, would have an immediate effect. Even before they cut in, world oil and gas market sentiment would dampen prices.

This would help nip in the bud the otherwise inevitable "Can't Pay. Won't Pay" movement and rising civil protest, not to mention ever-angrier pay demands. One must hope that during the current unfortunate interregnum, clever civil servants and diplomats are even now getting together to devise very urgent and comprehensive strategies along these lines.

Nothing short of this, with action ready to be authorised on the morning of September 6, will have the remotest chance of working.