Labour's

Energy Bills Plan

Labour

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the Labour Party, on behalf of the Labour Party, both at, Southside, 105 Victoria Street, London, SW1E 6QT.

IMMEDIATE MEASURES

Labour would freeze gas and electricity prices immediately to give people breathing space over the winter. This means the domestic energy price cap would stay at its current level of £1,971 from October to April. This is in comparison to the increases of £3,582 in October and £4,266 in January that have been projected by Cornwall Insight.

This would mean no rise in household energy bills until April 2023 at the earliest, with pensioners and low to middle income families still receiving planned additional support with already elevated bills.

This package of measures includes:

- **Prepayment customers:** Prepayment and standard credit customers have a higher price cap. Labour's plan would lower the price cap for these customers so it is the same as those paying by direct debit. We would also ask Ofgem to assess how to make this a permanent change from next April.
- **Off-grid households:** Around 2.7m British households are off-grid. Labour's plan would extend the same level of support to these households.
- **Northern Ireland:** Energy is a devolved issue, so Labour would make resources available in line with the Barnett formula.

Paying for an energy price freeze

The cost of an energy price freeze is as follows:

1. 15m GB domestic energy customers pay for their energy bills via direct debit and are covered by the energy price cap ***(link).*** For them, the price cap is expected to rise to £3,582 from October – December and £4,266 from January – March ***(link).*** If their bills were kept at the current level of £1,971 for 6 months it would cost **£14.7bn.**
2. The 4m GB domestic energy customers who pay via prepayment meter purchase more of their annual energy during the more expensive winter months, according to Ofgem ***(link).*** The price cap for prepayment customers is around 2 per cent higher than for direct debit customers. Accounting for both of these effects and lowering the price cap of prepayment customers to the same level as direct debit will cost **£5.3bn.**
3. Around 5m GB domestic energy customers pay via standard credit. While this smooths their spending over the year like direct debit customers, they have a price cap that is around 7 per cent higher. If their bills were at the level of the current price cap for direct debit customers it would cost **£5.4bn.**
4. Around 2.7m households in England, Wales and Scotland are on neither the gas nor the electricity grid. Extending the same level of support as is being provided to credit and debit customers will cost **£2.6bn.**
5. Barnett consequentials for Northern Ireland, given energy is fully devolved, will cost **£0.8bn.**

The total cost is **£28.9bn** for a 6-month price freeze.

Labour will pay for the energy price freeze by:

1. Raising **£8.1bn** via windfall and other taxes on oil and gas producers. That is made up of:

   a) Changing the start date of the Energy Profits Levy, bringing it forward from the 26 May to the 9 January, the date when Labour first called for a windfall tax (Labour tabled and voted on an amendment to this effect). This would raise **£1.9bn.**
   b) Removing the investment allowances the government included in the energy profits levy bill, as per Labour's amendment, would raise **£1.5bn** in the first year of the levy.
   c) In their latest report the Office for Budget Responsibility point out that gas futures data suggests that gas prices will remain higher than they predicted at the time of their last full fiscal forecast. We have plugged in those latest gas futures figures, which suggest that the Treasury could see additional revenue of **£4.7bn** as a result of higher gas and oil prices feeding through into higher oil and gas receipts, both from existing taxes and the new energy profits levy.

2. Diverting **£14bn** of planned spend on the £400 energy rebate and the Conservative leadership contenders' proposals on energy bills (Truss: removal of green levies from bills, Sunak: energy VAT cut)

3. Keeping the costs of bills down will shave around 2.8 percentage points off the rate of RPI inflation for 6 months, relative to what the OBR forecast in their latest fiscal projections. That will save **£7.2bn** this year in interest payments on index-linked debt.

Together the above measures raise **£29.3bn,** enough to pay for the price freeze.

Support for businesses

Labour recognises the costs facing businesses, especially energy intensive businesses.

Our proposals to support them include:

- A **£1bn** fund to help energy intensive industries with the higher cost of energy.
- An increase in the business rates threshold for small business rates relief (from the current threshold of £15,000 to £25,000), to give SMEs a discount on their business rates bill for 2022/23, ahead of more fundamental reform proposed by the party. This would cost **£1.1bn.**

This would be paid for by:

- An increase in the rate of the Digital Services Tax (DST) this year, raising **£2.1bn** from the most profitable global tech companies.

PLAN FOR ENERGY SECURITY

Labour has a five-point plan for energy sustainability and security, paid for by our Climate Investment Pledge. This plan will drive down bills in the long-term, deliver energy security and sovereignty for Britain, support good jobs in every region of the country, and tackle the climate emergency.

1. Energy efficiency revolution

- We will give devolved administrations the power and the resources to bring every home in their area up to EPC standard C or higher within a decade.
- Our national plan to upgrade 19 million homes would:
- Save families an average of over £1,000 a year off their energy bills
- Cut national gas imports by up to 15 per cent
- Support 500,000 jobs over the next 5 years

2. Double our onshore wind capacity

- We will establish a clear and ambitious target to more than double the current capacity to target to 30GW of onshore capacity by 2030, adding £45bn to the UK economy and creating 27,000 high quality jobs.
- Bring forward planning reform in England, so that projects that are consistent with the UK's energy needs and command local support can go ahead.

3. Double our offshore wind capacity

- Double the national target for offshore wind production, taking fixed offshore wind to over 60GW by 2035 and floating to at least 15GW by 2035.
- End the offshoring of offshore jobs with a Buy British policy, raising the requirements for domestic content so jobs go to communities in places such as Scotland and the North East rather than overseas.

4. Commit to new solar, tidal, and hydrogen

- Triple our solar power with a target of 40GW by 2030 in a mix of rooftop and larger field solar.
- Harness the UK's marine power potential, by returning to the case for a tidal lagoon pathfinder project, as recommended in the Hendry Review.
- Raise the ambition stated in the Hydrogen Strategy for the UK's hydrogen economy.

5. End the delay on nuclear power

- Bring forward the deadline for a Final Investment Decision on Sizewell C to the end of 2022, rather than waiting until the end of this Parliament.
- Drive forward the development of Small Modular Reactors over the rest of this Parliament.