



A grassroots campaign taking action against mammoth fuel bills and working towards an affordable, sustainable and democratic energy system

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Draft legislation: Energy (Oil and Gas) Profits Levy Bill

Consultation response

Fuel Poverty Action are glad to be given the opportunity to present our feedback on the draft legislation. While we are pleased to see an increase to the marginal tax rate for profits, FPA believes that the relief for investment expenditure constitutes a fossil fuel subsidy and undermines the purpose of the bill.

FPA also believes that the tax should be increased much further than the rates in the draft legislation.

As expressed in our letter to the Rt Hon Alok Sharma MP in his role as President of COP26 on 4 November 2021, we have been asking the government to intervene to ensure that the flow of public money is reversed. Even before the new investment allowance, subsidies to North Sea oil exploitation was so generous that some companies received more from the British taxpayer than they paid in tax.

The cash that is creating windfall profits for oil corporations comes from the pockets of hard-up households paying record prices just to keep warm. It must be returned, and spent on relieving the energy crisis being faced by people struggling to survive. The increased prices are not due to any extra costs or risks for investors.

In our view the totality of this windfall should be returned to the public.

Importance of the Energy (Oil and Gas) Profits Levy

This levy is crucial for supporting the millions of households that will be experiencing fuel poverty this coming winter. Even before Covid, and before the gas price crisis, around 10,000 uk people died each winter because they couldn't afford to heat their homes. The measures announced by the Chancellor on 26 May this year will help, but we know that this winter millions will still be cold. e Money returned in the form of windfall taxes could save thousands of lives and is a crucial and just step in addressing the cost of living crisis.

Inappropriate relief should be removed

The provision within the draft legislation for investment expenditure to be deducted when calculating profits for the levy, known as the 'investment allowance', subsidises fossil fuels and undermines the intended purpose of the Energy (Oil and Gas) Profits Levy Bill to help fund cost-of-living support for UK families. Instead, much of the money will end up in the hands of large individual investors who are obscenely wealthy already. Much of it will pay for North Sea drilling that will inevitably break the UK's commitments on climate. In fact, taxpayers' donation to this cause will be so high that even loss-making projects will be encouraged and funded. As you know, the investment will do little or nothing to ease the present price crisis.

The investment allowance should be removed from the legislation.

The levy does not go far enough

FPA supports the charge of 25% under the draft legislation, however, we think the scale of the cost of living crisis and the scale of the profits being made by fossil fuel companies means that the levy could and should go further.

At an absolute minimum, the rate should be increased to 30% to create a headline tax rate of 70%. It has been estimated that raising the headline tax rate to 70% could generate an additional £13.4 billion for the Exchequer.

Raising the levy to 30% would bring the UK tax regime for oil and gas into line with the global average oil and gas taxation rate of 70%. This would still be lower than the marginal tax rate of comparable countries such as Norway (78%).

The levy should not be a one-off tax, but should continue as long as the injustice of exorbitant prices and high profits endures.

A minimum 70% tax on profits should be permanent, and should be accompanied by an end to all oil, gas, and other fossil fuel subsidies, which will only result in higher prices, long-term.

What the levy should be supporting

Our experience on the ground with communities experiencing fuel poverty has taught us that our current energy system is broken. In order to ensure that no one dies this winter from Fuel Poverty, the government should use this levy to address the cost of living crisis. At Fuel Poverty Action we are calling for *Energy For All: a new pricing framework which will see everyone given a free amount of energy that is enough to cover the basics like heating, cooking, and lighting to give us all the security we need.* This should take into account people's actual needs related to their age, health and housing, and it should be paid for in part by the end of fossil fuel subsidies of all kinds, and by windfall taxes while prices and profits are high.

This system would finally provide energy security where it matters to people – at home. The investment allowance proposed in this bill will do little to accomplish that result, and instead will actively work against it.

Energy security will also result from insulating UK homes - the leakiest in Europe - and ensuring that they are in good repair. This would remove the need for so much energy to be sourced in the first place, and it would mean that people can stay warm without huge costs to themselves or to the climate. The same is true of a switch to renewable energy and new heating technology like heat pumps, where again, the UK lags far behind. Investment in retrofitting and renewables is urgent. Money saved from fossil fuel coffers could make a huge difference here. Again, Energy For All would incentivise both householders and the government itself to invest in these necessary and ultimately inevitable changes.

Taking money from energy corporations with one hand, and returning it with the other is a mockery of people who are struggling to survive.

28 June 2022