January 2021

The success of the vaccine rollout has helped keep the Omicron variant at bay, and I am hopeful that we can begin looking forward to a happier and more prosperous 2022. However, the winter months are likely to be challenging for many, as once again, the UK is facing an energy price squeeze with home heating and energy bills set to rise.

There are two main reasons why the UK energy market is in crisis - both can be pinned on previous policy failures, but neither is directly related to the UK's push for renewables. The energy price spike is due to the UK's reliance on imported gas, not its reliance on renewables.

Gas accounts for about two fifths of UK energy consumption and, as the dominant source of home heating, effectively sets energy prices. Markets set the gas price and as Britain imports almost all of its gas, those markets are determined by global supply and demand. Additionally, UK nuclear capacity has dwindled, and coal is, for good reason, a dirty word. Britain's base load, in other words, the energy on which we can always rely, has become increasingly dependent on just-in-time supplies of liquid natural gas, imported into our homes via inter-connectors with the continent. This is not a strategy for long term energy security, and it needs to change.

Energy security is expensive, but I am pleased that the Government is finally getting on with the job of passing new laws to allow vital investment into new UK based carbon-neutral forms of electricity. This may result in a short term rise in bills but will pay dividends in the long run - investing now will improve our energy security and make us less vulnerable to energy price rises and volatility in the future.

The other policy failure results from the way in which the energy price cap is implemented. Many smaller energy suppliers are going out of business as they are forced to absorb price rises and cannot change prices for a six-month period. This reduces competition in the energy market and in the longer term, further increases prices for consumers. At the very least the Ofgem cap should be set every three months and I shall be doing all I can to make the case in Parliament for this important change in how the energy price cap operates.

As household bills rise again, the wrong decision would be to scrap environmental levies which only accounted for 23% of energy bills in August, compared with 34% for the wholesale electricity costs. It is the jump in these wholesale energy prices since August that has been the problem and not the green levies which provide an investment in keeping energy prices lower for consumers in the future.

Ultimately, changes in both how we produce as well as how we use energy are needed to meet the government's net zero targets and, just as importantly, to keep household energy prices down in the long term.