

## House of Commons Westminster Hall debate: Fiscal approach to tackling rises in cost of living

24 May 2022

### Summary

Households are struggling. The [Consumer Price Index](#) rose by nine per cent in the 12 months to April 2022, up from seven per cent in March. People are cutting back. Consumer confidence is at its [lowest](#) level since in the peak of the 2008 financial crisis. Lockdowns in China and the ongoing war in Ukraine mean there is no end in sight for families, who will see the cost of [energy](#) and [food](#) soar further. These price rises will impact poorer households disproportionately, as they spend a higher proportion of their income on these goods than higher income households.

A crisis of this magnitude requires the government to act. As in March 2020, when the scale of the impending pandemic became apparent, government was drawn to use increasingly powerful tools. At a time when the government cost of borrowing is still unusually low this means using the power of fiscal measures to support families. Without the firepower of furlough or the brute strength of business support loans, the impact of Covid-19 would have been far worse. Families need a similar approach now.

### Fiscal measures must offer direct support for vulnerable consumers

#### 1. Move green levies from energy bills to general taxation

- Moving ‘green levies’ from energy bills to general taxation would have fiscal implications. For example, it would cost taxpayers £4.8 billion per year and would immediately take £153 off everyone’s energy bills.
- General taxation is a fairer way to distribute these costs, as low income households spend a higher percentage of their income on energy bills.
- Under a general taxation approach, the lowest income group would save [£98 a year](#) and the highest income group would pay an additional £468.

#### 2. Expand the Energy Company Obligation (ECO) and Warm Home Discount (WHD) schemes

- Currently, less than [31 per cent](#) of lowest income households and 53 per cent of households in the second income decile are ineligible for £140 WHD rebate.
- [Eighty one per cent](#) of below average income households living in homes rated D or worse are also ineligible for ECO, which helps to cover the cost of energy efficiency improvements.

- The eligibility criteria for these schemes should be reviewed and expanded – funded by government not billpayers – to cover a greater number of vulnerable households. Funds could be derived from a windfall tax.

### **3. Support spending with a windfall tax on energy companies**

- According to analysis by [Wood McKenzie](#), the UK's North Sea oil and gas companies are expected to report “near record” cashflows in 2022. In 2021, BP announced profits of [£9.45 billion](#) whilst Shell recorded operating profits of [£14.3 billion](#).
- A windfall tax on fossil fuel producers could raise between [£1 to 2 billion](#). This would be higher if it covered other forms of energy generation. There is a precedent for a windfall tax on oil and gas producers, both under [Margaret Thatcher's](#) government in 1980 and the coalition government in 2011. Polling shows that [80 per cent](#) of the public are supportive of a windfall tax.
- A proportion of these funds should be used to reduce energy bills for the 6.3 million households currently facing [fuel stress](#). The proceeds should also be used to fund energy efficiency and clean energy generation projects across the UK, insulating vulnerable consumers against future price shocks.

### **4. Public polling**

- **The cost of living is the biggest concern amongst voters.** [Polling](#) has found that 64 per cent of people thought cost of living was the most important issue facing the country, followed by the NHS (32 per cent), the war in Ukraine (29 per cent) and climate change (26 per cent).
- **The public think more action is required to tackle the issue.** [Polling](#) on local election day in May 2022 found that 73 per cent of people think the government ‘has not done enough’ to help with the rising cost of living.
- **The public sees green actions as the best long term solutions to rising costs.** [Polling](#) found that 36 per cent of voters saw decreasing the UK's dependence on gas and transitioning to greater use of renewable energy was the best long term solution to high energy bills. The second most popular answer (15 per cent) was improving the rate of home insulation to reduce energy use.

---

For more information, contact:

[James Fotherby](#), policy adviser, Green Alliance

[jfotherby@green-alliance.org.uk](mailto:jfotherby@green-alliance.org.uk)