

Energy price cap rise: 'Zero creative thinking from government'

South West business leaders have slammed the government over its response to the UK's energy crisis. Ofgem announced on Friday (August 26) the energy price cap would rise more than 80% in October, from £1,971 to £3,549.

The cap will come into effect for around 24 million households in England, Scotland and Wales on default energy tariffs on October 1, and will remain in place until December 31, when it will be adjusted again.

Oli Garnett, co-founder of Bristol-based creative agency Something Familiar, said heating the office and home had "officially gone off the scale".

"The UK economy is teetering on the brink and there's zero creative thinking from government," he said. "Our leaders need to act now to address this crisis with the urgency it deserves. Instead we have dither and delay."

Dave Kelly, co-founder of Bristol-based butcher Ruby & White, said soaring energy bills – along with inflation, tax hikes and interest rate rises – were "crippling" small firms.

"We knew this energy cap price rise was coming but that doesn't make this phenomenal increase any harder to swallow," said Mr Kelly. "Many people will be on the breadline during the winter, if not worse."

The rising cost of energy has been driven, in the main, by Russia's invasion of Ukraine – and Vladimir Putin's switching off of gas supplies to Europe, according to Ofgem.

Jonathan Brearley, the regulator's chief executive, said Ofgem

had “no choice” but to reflect cost increases in the price cap. He has called on the incoming prime minister to provide an “additional and urgent response” to continued surging prices.

He said: “The price of energy has reached record levels driven by an aggressive economic act by the Russian state. They have slowly and deliberately turned off the gas supplies to Europe causing harm to our households, businesses and wider economy.”

Ollie Hayes, a former professional rugby player, personal trainer and founder of Bath-based business So Fit Bath, said it was “unbelievable” the government wasn’t “addressing the energy crisis with the urgency it needs.”

“The cost of keeping our home and the gym heated has just gone stratospheric,” he said. “We are fast approaching Defcon 1 when it comes to energy bills.”

The British Chambers of Commerce (BCC) has written to prime minister Boris Johnson, chancellor Nadhim Zahawi and both Conservative leadership candidates – Rishi Sunak and Liz Truss – proposing a five-point plan to provide support to UK businesses.

The measures include:

- Ofgem being given more power to strengthen regulation of the energy market for businesses;
- Temporary cut in VAT to 5% to reduce energy costs for businesses;
- Covid-style support by introducing government Emergency Energy Grant for SMEs;
- Temporarily reverse national insurance contributions and put money back into the pockets of businesses and workers;
- Government to immediately review and reform the Shortage Occupation List (SOL) to help bring down wage pressures and fill staffing vacancies.

“The problems are well understood. We at the BCC are offering solutions. It is now over to the government to take action to protect businesses, livelihoods, and jobs,” said director general of the BCC Shevaun Haviland.

Mr Zahawi said he understood the energy price cap announcement would cause “stress and anxiety” for many people. He said “help was coming” from the government, with £400 off energy bills for UK households, a second instalment of a £650 payment for vulnerable homes, and £300 for all pensioners.

“While Putin is driving up energy prices in revenge for our support of Ukraine’s brave struggle for freedom, I am working flat-out to develop options for further support,” he said. “This will mean the incoming Prime Minister can hit the ground running and deliver support to those who need it most, as soon as possible.”

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