

Businesses welcome 'short-term fix' as Government slashes energy bills in half

Thousands of companies might avoid collapse this winter after the [Government](#) announced a new package of energy bill support, but business groups warned it is just a "short-term fix".

Ministers said the new scheme could roughly halve the price paid for wholesale gas and electricity by non-domestic customers, which include schools and charities.

The Government will foot part of an organisation's bill if the wholesale price of gas and electricity stays above a set level.

The support will work differently depending on what kind of energy tariff an organisation is on.

A substantial short-term fix to a long-term problem

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Ministers said the support will approximately match the per-

unit price households will pay to cover the wholesale price of their energy from the start of October.

But unlike the two-year household support scheme, businesses will only be helped for six months from the start of October.

Trade groups welcomed the support, but many worried that it would not be enough or last long enough.

“We welcome Government’s quick and decisive action to provide hard-pressed businesses with a substantial short-term fix to a long-term problem,” said Matthew Fell, chief policy director at the Confederation of [British](#) Industry.

Shevaun Haviland, director general of the [British Chambers of Commerce](#), said: “Six months support is not enough to make plans for the future.

We will not relent in our pursuit of a more comprehensive package to safeguard businesses and jobs

“We understand there are a range of unknowns for the Government in looking ahead, but without further reassurance very few firms will make plans to invest or grow.

“Some businesses will still struggle to meet their bills despite this Government intervention. The Chancellor must prioritise those firms in his mini-budget on Friday.

Kate Nicholls, boss of UKHospitality, said businesses will get “some confidence” from the support, but “we will not relent in our pursuit of a more comprehensive package to safeguard businesses and jobs”.

The Government should reduce [VAT](#) and provide relief on business rates, she said, and ensure there is no cliff edge when support is removed after six months.

Ministers said companies on a fixed-term contract signed on or

before April 1 this year will see the wholesale part of their bill capped automatically.

The wholesale cost is only part of the bill. It will be capped at £211 per megawatt hour (MWh) for electricity and £75 per MWh for gas.

We will bring security to the sector, growth to the economy and secure a better deal for consumers

This is around half the expected wholesale price on the open market, and equivalent to the wholesale cap on household energy bills that will be set in October for two years.

Those who enter new fixed-price contracts after October 1 will get the same support.

Companies on default, deemed or variable tariffs will be given a per-unit discount, but the amount of support is limited.

This means that if the price on wholesale gas and electricity markets keeps soaring, their bills will go beyond those on fixed-price deals.

The Government said it is working with suppliers to ensure they offer businesses the opportunity to switch to a fixed contract.

Chancellor [Kwasi Kwarteng](#) said: "We have stepped in to stop businesses collapsing, protect jobs and limit inflation.

"And with our plans to boost home-grown energy supply, we will bring security to the sector, growth to the economy and secure a better deal for consumers."

The level of support offered to companies with flexible purchase contracts, which include some of the biggest energy users, will also be capped, the Government said.

It said a pub using 4 MWh of electricity and 16 MWh of gas

that signed a fixed-price contract in August could see its bill drop from £7,000 to £3,900.

Companies that are not connected to the gas or electricity grid will get some kind of equivalent support, although details will be announced later.

The support scheme will last for six months, with a review halfway through.

The Government will decide how to continue supporting the most vulnerable businesses after the scheme ends.

The green levy on companies' energy bills will also be removed, the Government said.