

Windfall tax cannot be ruled out amid 'extraordinary' cost of living pressure says Treasury minister

Energy companies could face a windfall tax if they do not reinvest their bumper profits, a government minister has said as he acknowledged the "extraordinary pressures on family finances".

Simon Clarke, chief secretary to the Treasury, told Sky News's Kay Burley that imposing such a levy could not be ruled out and that "all options are on the table".

It appeared to be the strongest hint yet from the government that a windfall tax, first proposed by Labour and which would be used to help offset soaring energy bills, could be adopted.

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However it is understood that the prime minister and other members of the cabinet are yet to be convinced.

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Mr Clarke told Sky News's Kay Burley that the government recognised the "real challenge for households up and down the country" which is likely to worsen again in the autumn when the energy price cap rises again.

He added: "On the concept of a windfall tax itself, we are very very clear that there is a real need at a time when the industry is making very significant profits to see those profits reinvested in new offshore installations – getting more out of the North Sea, which is obviously vital in terms

of energy supply but also good for jobs and the wider economy.

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"If we do not see that investment materialise then we are very clear that all options are on the table."

The comments come after Jesse Norman, the former Treasury minister, became the latest Tory MP to embrace the idea of a windfall tax given the "extraordinary times" and arguing that

Mrs Thatcher “in her pragmatic prime” would have backed it.

George Osborne, the former chancellor, told Channel 4’s Andrew Neil show on Sunday that he believed Rishi Sunak would eventually do so.

Mr Clarke’s comments about the option not being off the table echo those [previously made by Mr Sunak](#) and other ministers.

It comes at a time when the energy companies are enjoying big profits thanks to surging oil and gas prices even as that surge is squeezing household finances – and largely responsible for driving inflation to its highest level in four decades.

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Mr Clarke told Sky News that Mr Norman had made a “very powerful point” about the idea of a windfall tax.

“We are certainly not ruling it out,” he said.

“I’m not ever instinctively drawn to increasing taxes in so far as it risks deterring investment in new capacity and new jobs – but these are extraordinary circumstances, we recognise there are extraordinary pressures on family finances, and the industry needs to hear the message loud and clear.

“If investment doesn’t go in then we can’t rule out having to do a windfall tax.

“We’re not at this point making any announcement but we’re not ruling it out.”

If the companies do not make the investment in the North Sea that is needed it would mean they are “in effect just banking the profits and not doing anything to justify those”, Mr Clarke said.

“These are effectively one-off and extraordinary gains for the industry,” he added.

Labour leader Sir Keir Starmer last week [accused the prime minister of dithering](#) over the imposition of a windfall tax – a policy he suggested that the government will eventually have to enact.

Splits [have emerged](#) between Boris Johnson and Mr Sunak over the proposal.

Sky News understands that Mr Sunak regarded it as unhelpful that Tory MPs were ordered to vote in the Commons against the policy.

Abena Oppong-Asare, Labour’s shadow exchequer secretary to the Treasury, called for more urgency.

She told Sky News that she had constituents unable to afford to take the bus to go to the food bank or job centre.

“I was disappointed to hear from Simon Clarke that they were waiting to see from the gas companies in terms of showing leadership on this... it’s just a no-brainer in terms of the fact that the government should get on with it,” she said.

Analysis by Tamara Cohen, political correspondent



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Many in Westminster are of the view that the windfall tax on oil and gas firms is an impending U-turn visible from space.

The political arguments for it are clear: households need help with a cost of living squeeze unprecedented for decades; the public like the idea, including a majority of those who voted Conservative in 2019; and the oil and gas giants have seen soaring profits due to a combination of circumstances beyond their control.

But as ever, the details are more complicated, including what it would be spent on.

Treasury minister Simon Clarke appeared to be rolling the pitch for it this morning, telling Kay Burley that these are “extraordinary circumstances and we recognise there are extraordinary pressures on family finances.”

Conservatives are not instinctively drawn to increasing taxes on company profits, he said.

But as the former Treasury minister Jesse Norman pointed out in a detailed Twitter thread, the government did come to the aid of the energy giants when global prices collapsed in 2014, and one-off taxes on banks and energy companies have been brought in by Tory governments before.

The tax is being presented as a threat if the companies don't invest more, although many of the bigger players have set out their investment plans for the next decade to the tune of £70bn.

Their profits are already taxed at a higher rate of corporation tax.

The assessment by BP chief executive Bernard Looney last year that his company is “literally a cash machine” when oil and gas prices are strong has been a gift to Labour.

They have been pushing the idea for months – saying a windfall tax could help the poorest third of households by up to £600.

But the prime minister and some of his cabinet are yet to be

convinced of the measure – or the timing – and some including the business secretary Kwasi Kwarteng are strongly opposed.

No decisions are set to be made imminently, as the latest forecasts for the energy bill cap will not be published until August.

“It’s being presented as a silver bullet, and it isn’t one”, an ally of the PM said.

There are questions about how the money would be distributed, with Boris Johnson understood to be pushing for the money to be invested in renewable energy – as a hedge against further price spikes – rather than a handout which would quickly run out.

Labour have suggested using the money to expand the Warm Homes Discount, but many Conservatives would prefer tax cuts.

One option has been ruled out this morning – raising benefits.

Simon Clarke said the £20 a week uplift, given to families to cope with the pandemic “is not going to return”.