

Time to increase the tax on oil?

Published: January 14, 2026, 8:42 pm

Oil prices are low. You may have noticed. And now the markets are. They are reacting in two ways.

First, they have realised that low oil prices should boost the economy. Is that why markets are rising again?

Second, they are pricing in low cost per barrel for some time to come. I don't think anyone thinks the days of \$100 a barrel, or more, are returning soon.

So what's the implication? Three, I think.

First, without harming the economy we could increase the tax on oil at present. We do not need the risk of deflation current low prices brings.

Second, we should increase the tax on oil: we have made climate commitments and burning more oil cannot help fulfil them.

Third, when banks do really look to be in some trouble we need new revenue streams. That is oil.

The case for increasing oil taxation is very clear. But will anyone have the courage to do it?

I'll be watching in March.