

# If the state has to take the risk in smoothing consumer...

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As the [FT has noted today](#):

*The UK is exploring a radical intervention in the power market, under which the state would make payments to energy suppliers when wholesale gas prices rise sharply in a bid to soften the blow to consumers.*

The article is a little vague as to what this proposal might mean. It would seem that the idea is that the government should absorb the impact of some energy price increases at present but that the cost will be recovered when energy prices inevitably fall. At that time consumer prices will be maintained to repay money paid by the government now. In other words, the government will, in effect, provide a hedging mechanism to smooth consumer energy prices.

In principle, I have no problem with us. In practice, I do of course have an issue, which is that what this clearly implies is that the consumer energy market has completely failed and that as far as consumer pricing is concerned if such a scheme is to be put in place then government-regulated prices will be in operation into the foreseeable future, in which case the reason for private sector activity in the sector has to be questioned.

The economics of privatisation for the utilities, whether electricity, gas or water, were always dubious. History has proved that water privatisation has been a disaster and a simple mechanism for exploitation, and the current profit-taking implicit within any new pricing structures for consumer energy supply is also very clear indication that privatised energy companies do not act in the public interest. If, as a consequence, the state has to intervene to both take the risk and protect the consumer then there is almost no further role for the private sector to play in this part of the energy market, whatever they might do in generation or exploration. So, can we accept the inevitable and nationalise this part of the industry and deliver to the consumer what was always required, which is a single fair tariff for everyone?