

Inflation is unnecessary - and is being fuelled by a go...

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I have [just posted this thread on Twitter](#), dealing with how the government could keep prices down, but ignoring other ways they could help people with the cost of living crisis:

The Bank of England is saying that UK inflation might rise to over 10% later this year, largely as a result of domestic energy price increases, but also road fuel and other costs. There is no way this is necessary. In this thread I explain why and what could be done to stop this...

Many of the costs of supplying energy in the UK are fixed. So, energy company costs of managing and running consumer's accounts have not changed in this crisis. Nor have the costs of energy transmission changed much.

Come to that, there is no reason why the green levy on energy needs to rise. And actually, it's bizarre that the government is collecting much more in tax, whether as VAT or other duties as a result of fuel price increases, which tax increases make inflation much worse.

There is also no reason why, at this moment, the cost of electricity is being priced by the government regulator at the cost of the most expensive single way to produce it - which is by using gas.

If the electricity price was instead based on the average cost of its production its price would fall, which would immediately and significantly cut energy bills - whilst still allowing producers a profit. But the regulator won't do that. They'd rather allow excess profit instead.

And when the government could cut road fuel costs by imposing a price cap and changing fuel duty to keep the price within that limit without overall damaging government revenues it is crazy that they will not do this.

And still we have no windfall tax, or even a hint of it. And that is also bizarre, because the fact is that almost penny of the costs that are fuelling inflation is becoming profit in the hands of exploitative oil and gas producers, plus chemical companies in the food industry.

I stress none of the things I suggest to tackle this would be desirable normally. In the long-term there is no way I'd recommend cutting fuel prices when we need a green transformation. But we're facing a crisis where people's well-being, health and more is at threat. These are not normal times.

In the face of a crisis there is an urgent need for unconventional thinking to tackle something out of the ordinary. And what we're getting from the government and Bank of England is the worst thinking from an out of date textbook that failed its students when it was written.

Unless the government, the Bank of England and the political opposition parties get their acts together now and go radically off-piste to help the millions who will need it we are heading for something really horrible now.

I just hope all these organisations will rise to the challenge, but the reality is that none are showing any sign of doing so as yet. We are being failed, and the cost will be enormous.