

Does Starmer's energy plan work? I have my doubts

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I have [posted this thread](#) on Twitter this morning:

At long last [Keir Starmer has said what he wants done about the cost of living crisis](#). He has demanded that household energy costs be capped at £1,971, as they are now and that planned increases to £4,200 be cancelled. But is this the right idea? A thread.....

Starmer's plan is simple. It leaves us where we are now. The cost of keeping energy bills where they are now would be £53 billion a year, in my estimation, assuming all households enjoyed the benefit.

However, the world is not simple, and there are serious consequences of trying to fix energy costs at current levels.

First, many households, most but not all of whom will already be on universal credit or a pension will be struggling with current energy prices. They are already in fuel poverty. Starmer's plan does not solve that issue.

Second, fixing the price at this level provides a massive subsidy to better off households. My calculations suggest more than 60% of UK households will need serious support with energy bills to prevent fuel poverty.

However, Starmer will subsidise the best off 20% of households by more than £10 billion when they will definitely not be in fuel poverty, even with the price rise. Is that really the best use of money?

Starmer's plan has a direct consequence. Every household energy supplier in the UK would go bust, overnight. Whilst oil and gas companies are massively boosting profits at present the domestic energy distribution companies we buy from aren't.

These companies buy energy in a wholesale market and if they are told to sell at a price

well below that wholesale price then they will fail. Starmer faces two problems as a result.

First, he will need to work out whether it is legal to impose losses of this magnitude on companies. I suspect that at present it is not. Second, he will face massive claims for compensation from these companies that will enormously increase the costs of this scheme.

Then there is another problem. Starmer has only come up with a plan for households, and one that does not help those households most in need, so far. But there is also nothing to help public services and business in this package.

Schools, hospitals and care homes all face massive energy bill increases this winter, big enough to wipe out some services, and probably close most care homes. There is no point having a plan for homes if the economy collapses around them.

As for business, if their prices go up to compensate for falling household prices, that will just make the recession we are in so much worse. Joblessness is going to hit horrid levels and this cap does not solve that.

In summary, Starmer's plan may not be legal. The cost is high, and given that energy companies will likely demand compensation, currently uncotted. The plan appears untargeted: wealthy households gain and the poorest do not get the help they very badly need.

And the plan leaves energy supply in short term chaos whilst not addressing issues for public services and industry.

I welcome a plan. I am not at all sure this is the best available. I am working on my own plan right now and hope to publish very soon. It's more complex than this plan, but it needs to be. It is progressive, meaning it helps those in need most. It may well be cheaper.

And it helps business and the public sector. I will get it out as soon as possible, but we definitely need something better than this plan from Starmer. My hope is he has something better up his sleeve than this. But just in case, I will be at work today.