



**HOUSE OF COMMONS**  
LONDON SW1A 0AA

31<sup>st</sup> August 2023

*Dear Constituent,*

**RE: WINDFALL TAX**

Thank you for your recent correspondence in respect of your concerns about windfall taxes. I have read your comments with interest.

It is only fair that companies that have made genuine windfall profits as a result of the fallout of the war in Ukraine contribute more to fund the Government's cost of living support.

The Government introduced the Energy Profits Levy (EPL) from the 26th May 2022 in response to sharp increases in oil and gas prices in the preceding year and to help fund cost of living support for UK households. It was initially levied as a 25 percent surcharge on UK oil and gas profits, taking the combined headline tax rate for oil and gas companies operating in the UK, and on the UK Continental Shelf, to 65 percent.

On the 1st January 2023, the EPL rose to 35 percent and applies through to the 31st March 2028.

The Chancellor has also introduced a levy on the profits of electricity generators. Currently, our energy prices are set by the wholesale price of gas. This means that generators of renewable energy, which have far lower production costs, have been making extraordinary windfalls. The 45 percent levy on these low-carbon producers took effect on the 1st January 2023.

On the 9th June, the Government announced a new Energy Security Investment Mechanism, which is designed to give the oil and gas sector certainty to raise capital and invest in new and existing projects. It means that if prices fall to historically normal levels for a sustained period, the tax rate for oil and gas companies will return to 40 percent, the rate before the EPL was introduced. Based on the independent Office for Budget Responsibility's forecast, the Energy Security Investment Mechanism will not be triggered until before the tax's planned end date in March 2028.

I am aware of suggestions to extend the EPL, or apply it retrospectively. Implementing the levy retrospectively would have risked introducing unprecedented instability, damaging investor and business confidence in the stability of the UK oil and gas fiscal regime. This would increase our reliance on importing energy from overseas and ultimately increase people's energy bills.

Once again, thank you for having taken the time to contact me and if I can ever be of any further assistance to you then please do not hesitate to contact me again.

*With best wishes,*

**TOM PURSGLOVE MP**  
**MEMBER OF PARLIAMENT**  
**CORBY & EAST NORTHAMPTONSHIRE**