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UK industry dealt blow after Budget offers no reform of energy profits levy

Industry representatives have expressed dismay over the UK Government's autumn Budget decision not to reform the energy profits levy (EPL) windfall tax, which has been left in place until 2030.

Offshore Energies UK (OEUK), in a statement this afternoon (Wednesday) after Chancellor Rachel Reeves made her budget speech, said the government's decision to reject replacement of the EPL in 2026 as OEUK had campaigned for "will cost tens of thousands of jobs, cripple investment and undermine Scotland and the UK's energy security".

OEUK CEO David Whitehouse said: "Today, the government turned down £50 billion ($66 billion) of investment for the UK and the chance to protect the jobs and industries that keep this country running." OEUK had argued that such large increases in spending could have emerged after early reform of the EPL.

Russell Borthwick, CEO of Aberdeen & Grampian chamber of commerce, agreed, saying increased investment from EPL reform could have meant an additional £10 billion in tax revenues over the next decade and warning of a "cliff-edge end to North Sea production".

The government did unveil plans for a new revenue-based tax system to be put in place after the EPL expires at the end of March 2030, as well as modest reform to licensing that will allow companies to apply for "Transitional Energy Certificates" covering acreage close to existing fields.

According to the government, the new Oil and Gas Price Mechanism (OGPM) will act as a windfall tax to deliver a fair return to the nation when oil and gas prices are unusually high.

The mechanism will apply an additional tax rate of 35% above price thresholds of $90 per barrel for oil and 90 pence per therm for gas, according to the budget. Taxes on the industry will be set at the 40% headline rate after 2030 when prices are below the threshold rates. *(Continued on page 2)*