



HOUSE OF COMMONS
LONDON SW1A 0AA

Rt Hon Jeremy Hunt
Chancellor of the Exchequer
No11 Downing St.

Dear Chancellor,

Fair Funding for disproportionate energy costs in Rural communities

I am writing in advance of the forthcoming Budget to ask you to consider measures to help tackle the crippling impact of disproportionately high energy costs on rural communities.

Rural areas have always suffered from disproportionately high energy and fuel costs - BUT the sudden energy price inflation caused by Russia's illegal war in Ukraine has led to a massive increase in energy costs in the last two years which have disproportionately hit rural households, businesses, and public services.

The disproportionate exposure of rural areas to high fuel costs is due to a number of key factors which are well chronicled and understood by HMG:

- Rural homes are **more exposed to cold weather & less energy efficient**. Many rural properties are **off the gas grid** and rely on buying one-off tanks of heating fuel.
- The rurality and scarcity of public transport in rural areas increases **rural dependence on cars** for transport, and therefore higher exposure to fuel costs for all activities in rural areas.
- The **average wage in rural areas is 7.5% lower** than in urban areas - leaving households even more vulnerable to rising fuel costs. In many areas like Mid Norfolk that figure is even lower with pensioners on fixed incomes (with interest rates very low for the past decade) and low income workers in the public sector and food processing industry now spending a huge % of their income on fuel costs.

What this "triple whammy" means in practice is that the unprecedented surge in energy costs in the last 2 years has caused a cripplingly disproportionate spike in the rural cost of living which is hitting:

- **Rural Public Services** - Every unit of public service delivery (whether an ambulance trip or a school bus place or an NHS Community nurse visit) is costing more. Without relief that's a rural public service tax.
- **Rural Businesses** - Every business in rural areas is paying more compared to its urban competitors. Pubs. Cafes. Shops. All are being hit. And with the VAT threshold at £85k it's driving many small businesses - the backbone of our local rural economy - out of business. All of which will undermine the post-Ukraine post-Pandemic economic recovery.
- **Rural Households** - Every household in rural areas is paying this extra - effectively a "rural energy tax" surcharge compared to urban equivalents. This is tipping an increasing number of rural households in low income areas into fuel poverty, increased benefits and for many a crisis of affordability and homelessness - putting further additional pressure on already stretched local councils.



The full extent of the disparity between urban and rural areas is verified by recent Government data which shows that the reduction in fuel bills needed to take rural households out of fuel poverty is **£677**, c2.5x more than compared to urban households, (which is **£265**). So on the Governments own figures the differential impact of fuel costs on low income households in rural areas is **c.1.5 or 150% higher**.

This is effectively a '**Rural Energy Tax**' - which has been exacerbated by the Ukraine war energy cost spike, crippling the rural economy, rural communities, and public services in rural Mid Norfolk. And many other low income rural areas.

Across rural constituencies we are seeing the effects as rural high streets, pubs and businesses face energy cost inflation and commensurate economic hardship which is crippling the rural economy.

As you know, Action with Communities in Rural England, ACRE, the national charity representing and supporting rural communities, are calling for continued assistance from the public purse to support rural communities:

- **Targeting** support for local households that are not on mains gas by bringing the price of electricity per kWh down to the same as that for mains gas.
- **Supporting** households that are not on mains gas to improve the insulation of their property and prioritise these properties.

I am writing to you with a number of MPs with rural communities across the country to ask that you consider providing additional targeted one-off assistance for those being hit by this in rural communities as you finalise your Budget proposals.

As you consider the forthcoming Budget - and possible tax cuts – we ask as rural Colleagues that you take all possible steps to help with the devastating impact of the energy crisis in the last two years with a **Fair Fuel Premium Tax Cut** targeted at those in rural postcodes.

A tax cut focused on SMEs & households in rural postcodes would be a powerful signal of the commitment to the wider rural economy in line with the PM's welcome recent commitments to rural areas.

Yours,

George

George Freeman MP
Mid Norfolk.