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[via email]

Rt Hon Grant Shapps MP

Secretary of State for Business, Energy & Industrial Strategy
1 Victoria Street
London
SW1H 0ET

Monday, 31 October 2022

Dear Secretary of State,

Re: Crisis in the Cost of Living and Doing Business

We would like to welcome you to your new role as Secretary of State. Our country is facing unprecedented economic challenges. Living standards are falling, businesses are at risk and public sector organisations are facing difficult decisions on their budgets. It is crucial that the Government continues to support businesses, the public sector and livelihoods to get through the ongoing energy crisis.

Our region is home to over 2.3 million people and 90,000 businesses – with strong employment levels in manufacturing, retail, and the public sector and third sector. As we know you will appreciate, the last two years has brought with them increased volatility and uncertainty for all sectors, culminating over the last few months in soaring energy prices and out of control inflation.

We want to outline to you the problems that businesses and the public sector in West Yorkshire are facing, particularly in light of potential cliff-edge support on energy bills:

- **We estimate that around 1,751 businesses within West Yorkshire are classed as energy intensive.** These businesses employ around 57,000 individuals and have an estimated combined turnover of £8 billion. They are predominantly within the manufacturing sector and are facing increased competition from international markets where energy bills and inflation are lower than the UK. Many of them also have local supply chains meaning that the impact will be considerably wider. Produmax Ltd, an aerospace engineering company based in West Yorkshire, are an example of a company at an enhanced risk of rising energy bills – they do not meet the energy intensity threshold but operate in internationally competitive markets. They currently export 70% of their output to major aerospace original equipment manufacturers (OEMs), but currently face an energy unit cost of 34p per kWh, whilst their competitors in the USA pay just 7p per kWh. This means that, not only are they less competitive, but they must also increase their revenue by 30% just to remain viable, before factoring in the necessary wage increases to support their employees through the current cost of living crisis.
- **Public sector organisations and the police are going to face significant financial blackholes as a result of increases in energy bills and inflation.** Local Authorities within West Yorkshire have reported significantly increased energy bills. For example, Bradford Council reported energy bill increases of 118% in August 2022 and Wakefield Council reported its annual energy bill will increase from £3.3 million to £9.9 million this year, forcing it to close its headquarters temporarily to save £200,000. While we are

grateful that the Government included the public and VCSE sector in the Energy Bills Relief Scheme, support after March 2023 is crucial.

- **Businesses in West Yorkshire have outlined a number of concerns to us in our regional business survey.** This includes:
 - Many sectors in our region (like manufacturing and construction) cite a decline in demand for products and services as the biggest barrier to economic growth.
 - As a result of inflation and energy bill costs, 69% of businesses told us that the price they charge customers is expected to increase by around 5-10%.
 - 33% of businesses in our region are expecting no wage increases over the next 12 months, putting further pressure on demand.

In response to the concerns from businesses, West Yorkshire Combined Authority are supporting 87 businesses through grant support with an approval totalling nearly £1.2m and with projected savings for businesses of over £1m each year. In addition to this we have agreed an Energy Price Crisis Emergency Grant programme and will be bringing forward a Business Sustainability Programme open to all sectors.

However, in light of the unprecedented challenges outlined above by residents, businesses and the public sector, we are calling on the Government to:

- Reverse the decision to make the Energy Bills Support Scheme a six-month scheme and reinstate the two-year commitment.
- Commit to supporting energy-intensive and enhanced risk businesses, the hospitality sector and wider supply chain businesses post-March 2023 with the EBRS. Many investment decisions are not being undertaken due to difficulty in forecasting energy and input costs. Businesses want reassurance during their longer-term business planning.
- Deliver a more structured approach to the delivery of energy efficiency and low carbon heating for businesses backed by funding. This could be through new tax incentive schemes that support businesses to make energy efficiency improvements.
- A commitment to support all local authorities, the police, and wider public sector by continuing support in relation to energy bills, particularly those which host facilities with high-energy needs. In addition, further support to help improve public sector energy efficiency would be welcome (for example by calling for additional funding as part of the Government's Public Sector Decarbonisation Scheme).
- Progress plans around investing in energy generation as outlined in the UK Energy Security Strategy. This could include plans to ramp up solar photovoltaics and developing commercially viable hydrogen generation.

We know that difficult decisions lie ahead for the Government. Businesses and the public sector across West Yorkshire, and indeed the country, are looking to the Government to provide help in the year ahead. Supporting households, businesses and public and third sector organisations will be crucial.

Yours sincerely,



Tracy Brabin
Mayor of West Yorkshire
West Yorkshire Combined Authority



Mark Roberts
Chair
Leeds City Region Enterprise Partnership