

Rt Hon Grant Shapps MP  
Department for Business, Energy and Industrial Strategy  
1 Victoria Street  
London  
SW1H 0ET

2<sup>nd</sup> February 2023

Dear Secretary of State,

## **Supporting vulnerable hospitality businesses with energy bills**

Our organisations representing pubs, brewers and wider hospitality operators across the UK have recently surveyed our combined membership on the financial realities for their businesses. The results are stark but unsurprising with over **1600 hospitality businesses already having failed in the last three months** (CGA & AlixPartners research) and with thousands more failing without meaningful support.

**1 in 3 of our members are at risk of business failure in the next 12 months** with energy now the largest concern as their second largest cost after labour, higher than rent and rates combined. Our members, being the first to close and last to reopen during the last three years of the pandemic, are extremely fragile. **16% of members have no current cash reserves, with a further 23% with fewer than 3 months. This comes at the same time as large energy companies announcing record-breaking multi-billion pound profits for 2022.**

The support provided via EBRS has been greatly appreciated and has saved thousands of businesses. Even with it in place **businesses will be experiencing at least a 100% increase in energy bills this quarter**, compared to the same period last year. When this support ends and moves to EBDS our members forecast a further 82% rise in their energy bills. The further hike in bills will devastate our sector as even at the current levels their trading is significantly affected, with **42% of businesses reducing opening hours per day** and **34% reducing the amount of days they open per week**. The vast majority of members have also taken considerable action in reducing consumption through turning off equipment and switching to low energy devices in their energy intensive businesses, having to power cellars, kitchens and large customer spaces.

**50% of our members have had to renew energy contracts from July to the end of 2022 at exceptionally high rates** in long term contracts, with no genuine open market in operation. Many suppliers were unwilling to supply hospitality businesses and those that would, clearly priced-in a risk premium and with escalating fixed charges. In fact **2 in 3 have seen significant increases in standing charges alone.**

We are asking for your support in three key areas;

- **Ensure enforcement via Ofgem of a specific fair and reasonable operating framework preventing bad practice moving forward. This needs to address applying an unfair hospitality risk premium and unreasonable differentiation between short and long-term contracts. We have provided significant examples into the BEIS team and Ofgem**
- **Allow our members to renegotiate new contracts for all deals agreed during 2022 into new fair and reasonable agreements**
- **Formally recognise hospitality business as energy intensive to access further EBDS support**

As it stands Government policy is working against its economic objectives. The Prime Minister clearly stated his desire to slash inflation and deliver growth. Without meaningful support, hospitality businesses through increased consumer pricing will be adding to inflation; and with business failures and reduced trading we will be heading into economic decline rather than growth. We want to be supporting the Government's agenda, not working against it, but businesses will need the support outlined above to do that.

We would be delighted to discuss these proposals with you and your team to ensure that a fair solution is implemented, preventing unnecessary mass failure of hospitality businesses in every community.

Yours sincerely,



Steve Alton, Chief Executive of the British Institute of Innkeeping (BII);



Emma McClarkin, Chief Executive, British Beer & Pub Association (BBPA);



Kate Nicholls, Chief Executive, UKHospitality (UKH);



Colin Neill, Chief Executive, Hospitality Ulster (HU);