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HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Russell Borthwick
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12 June 2026

Dear Mr Borthwick,

Thank you and your co-signatories for your letter of 7 November to the Chancellor of the Exchequer about the Energy Profits Levy (EPL). I am replying as Minister responsible for the UK tax system. I am sorry for the delayed response.

The Government is committed to managing the North Sea in a way that ensures a fair, orderly and prosperous transition, while recognising domestic oil and gas will continue to have a role in the energy mix for decades to come.

On tax, we are taking a responsible and proportionate approach which recognises the ongoing role of the oil and gas industry and workforce in our current energy mix while ensuring the sector contributes more towards our energy transition.

The EPL remains in place as a temporary windfall tax, with the design incorporating a price floor, the Energy Security Investment Mechanism (ESIM), where if both average oil and gas prices fall below the ESIM thresholds for a period of 6 months, the EPL will end early.The ESIM thresholds for ending EPL have not been triggered.

The EPL has already raised around £12 billion since its introduction in 2022. At Spring Forecast 2026, the Office of Budget Responsibility (OBR) forecast the oil and gas sector will raise around £8.3 billion in tax receipts between 2025/26 and 2030/31 across the offshore fiscal regime. This includes £5.0 billion of EPL receipts, until 30 September 2027, when the OBR forecast that ESIM will trigger and the EPL will cease. Recent events have led to a spike in oil and gas prices; if sustained, we would expect receipts to increase. This revenue will support vital public services.

When the EPL comes to an end, either on 31 March 2030 or earlier if the ESIM triggers, it will be replaced by the permanent Oil and Gas Price Mechanism (OGPM) which will operate in times of high prices. The Chancellor recognises industry's calls for the EPL to be replaced by the permanent Oil and Gas Price Mechanism (OGPM) earlier than 2030 and wants to work with industry to create a stable, predictable fiscal environment to support investment and jobs whilst taxing windfall profits of energy companies. The Government will publish draft legislation for the OGPM, to be included in the next available Finance Bill.

The transition from oil and gas to a greener economy will involve close collaboration between the Government, devolved governments, skills bodies, trade unions and businesses to ensure our offshore workers lead the world in the industries of the future. We will be continuing engagement with industry on the draft legislation and in implementation of the OGPM, to ensure the regime is ready to operate if required, and to consider the potential impacts of an early end to the EPL.

Through this continued engagement the Government wants to work with industry and other stakeholders to develop an approach that will give the sector certainty and the predictability they need to keep investing, while ensuring they pay their fair share of tax on excess profits in the future.

I hope this response is helpful. Thank you and your co-signatories for taking the time to make me aware of your concerns.

Yours sincerely,

DANIEL TOMLINSON MP
EXCHEQUER SECRETARY TO THE TREASURY