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Rt Hon Ed Miliband MP  
Secretary of State for Energy Security and Net Zero  
Department for Energy Security and Net Zero  
1 Victoria Street  
London  
SW1H 0ET

12 March 2026

Dear Ed,

Developments in Iran and its surrounding region have caused great global economic instability, as well as awful suffering for those involved. Your Government has recognised that the effects of this will almost certainly hit the British economy and the British people, most likely via soaring prices driven by higher energy costs.

Previous energy crises have hit the hospitality sector disproportionately hard, most recently following the 2022 invasion of Ukraine. While the sector is not among the most energy-intensive, it faces sharp hikes in direct and indirect costs. As a diverse sector, made up of a majority of small businesses, it has lower buying power than other sectors. Even larger businesses struggle to secure competitive contracts and face stringent conditions, partially based on the lingering impact of the pandemic.

The indirect costs we face through the supply chain will also see excessive increases. The food input price inflation into the sector was almost treble the overall inflation level at the peak of the last crisis. Our customers cannot absorb the level of price increases necessary to cover these costs, so savings have to be made in other parts of the business – though it is hard to see what more there is to cut back on after recent successive operating cost increases.

Ofgem recognised the specific pressures that hospitality faced in the last crisis and had vowed to take action. Some of these measures were to guard against future price spikes and we are wary of how successful they will be. Other measures have increased transparency in the market.

We have written to the CMA urging them to instigate a new Market Investigation Reference (MIR) into the energy market, following their 2016 identification of various features that adversely affect competition in the supply of gas and electricity to SMEs - leading to them paying 18% too much. A MIR has been ruled out by the CMA at this time and will likely only take place with political backing. While it would have been preferable for the CMA to have

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acted ahead of a crisis, we remain of the view that competition in the business energy market must be addressed now.

While the extent of the upheaval caused by the situation in the Middle East remains unclear, it is surely prudent for Government to be preparing measures to support businesses and their customers. The non-commodity costs attached to bills are already excessive and Government should be looking at whether some or all of these can be suspended.

More widely, the Government could look at specific support for hospitality. The two clearest modes of support are on VAT and business rates. A reduction in the sector's VAT rate would be quick to implement and easy to administer, given the experience during the pandemic. Likewise, business rates reliefs could be applied at local authority level – in the last energy crisis hospitality received a 75% relief on business rates bills.

We are confident that Government will be looking at all eventualities but cannot emphasise enough how important support for the hospitality sector is if the country wants to maintain economic growth, provide career opportunities for young people and renew our high streets.

Yours sincerely,



**Allen Simpson**  
Chief Executive, UKHospitality

**Cc:**  
Rt Hon Peter Kyle MP, Secretary of State for Business and Trade and  
President of the Board of Trade