

Chancellor statement to Parliament

21.4.2026 - | Her Majesty's Revenue and Customs

Chancellor Rachel Reeves has today (21 April) updated the House of Commons on the Government's economic response to the Middle East.

With permission, Mr Speaker, I will update the House on the Spring Meetings of the International Monetary Fund and the continued action that the Government is taking to strengthen our economic and energy security in response to the conflict in the Middle East.

Mr Speaker, we did not start this war and we did not join this war

but since the war in the Middle East broke out, I have been clear-eyed about my duty:

To be responsive to a changing world,

And responsible in the national interest.

The best economic policy today is our diplomatic policy.

Negotiation, de-escalation and the permanent reopening of the Strait of Hormuz.

Last week in Washington I held talks with world finance ministers, including US Treasury Secretary Scott Bessent.

I struck a joint agreement with ten other major economies calling for a swift and lasting negotiated resolution to the conflict

And agreeing to avoid unnecessary trade restrictions to support energy and food security.

We agreed to maintain maximum economic pressure to ensure that Russia cannot profit from this war

and I was proud to announce the UK's third tranche of Extraordinary Revenue Acceleration funding for Ukraine's defences.

As well as continuing to work with the US administration to increase economic pressure on Iran.

The Prime Minister has also led global action convening a summit of nations with the President of France to work together to support freedom of navigation through the Strait of Hormuz.

The UK will continue to play its part, including engagement with the insurance industry to support shipping when conditions allow.

We are continuing to plan for every eventuality but we must deal with the economic costs that are already being felt.

I reject the demands for a knee-jerk response to this crisis that would put household finances at risk through higher inflation and higher interest rates.

Every choice that I make will be about keeping costs down for families and businesses:

That's why I have extended the 5p cut for fuel duty twice since the election, saving the average motorist £90 a year compared to the plans I inherited.

It is why I have frozen prescription charges two years in a row, frozen rail fares for the first time in 30 years and why I am taking £150 off energy bills with additional help for those struggling with the cost of heating oil, and it is why I have expanded the British Industrial Competitiveness Scheme to over 10,000 manufacturers - addressing long-term competitiveness and cutting electricity costs from this year.

During the last energy shock, the previous government's package of unfunded, untargeted support saw more than a third of the direct energy bills support go to the wealthiest households, and that meant higher inflation, higher interest rates and higher taxes.

I will not repeat those mistakes.

Last week the IMF said that my plan is "the appropriate response" to the conflict and I led a joint statement with ten other major economies agreeing to coordinate our domestic responses -to ensure that they are both responsive and responsible.

Mr Speaker, this Government has the right plan for our economy.

At the Spring Forecast, we saw how the action we have taken since the election has prepared Britain to better weather this conflict:

Inflation was at 3% and set to fall to target, a lower base than at the outset of the Russia-Ukraine conflict, when inflation was high and rising

Borrowing was set to fall more over this Parliament than in any other G7 economy,

We are set to reduce the deficit by £20bn from 5.2% to 4.3% of GDP this year

And I increased our financial buffers - with headroom against the stability rule of £23.7bn so that we can weather shocks and keep borrowing costs down.

Last week the IMF welcomed the UK's "notable improvement" in our public finances.

I am clear that the best way we can build a stronger, more resilient economy is through economic growth.

I welcome the recent figures showing that the economy grew by 0.5% in the three months to February and upgraded growth for the three months to January to 0.3%.

I also welcome this morning's labour market figures for February showing unemployment coming down and real wages continuing to rise as they have in every month since I became Chancellor, adding to the evidence that the Government has the right economic plan to steer our economy through the uncertainty ahead.

But as I have said, the war in Iran will come at a cost.

Last week, the IMF published their updated forecasts for the global economy in response to the war.

They reduced their expectations for GDP growth in the United Kingdom and increased their expectations for inflation.

This builds on their judgement that the UK is more exposed to energy price shocks than our counterparts -

a problem that the previous government failed to address in fourteen years -

and on the IMF's observation since the last energy crisis that the UK had higher inflation than other countries where the aftermath of [redacted political content] disastrous mini-Budget and the previous government's untargeted, unfunded support package contributed to a more persistent rise in inflation and in interest rates than other countries around the world.

The IMF's forecasts are a stark reminder of why we must stick to our economic plan and go further and faster on delivering our economic security.

Since the election, we have invested in clean, home-grown energy - in renewables and in nuclear.

In 2025, we imported 17% less gas than in 2021 and gas generation now sets the wholesale price of electricity around a third less frequently than it did in the early 2020s meaning that our energy system is more secure, and less exposed to volatile global energy prices.

Today we are going further.

With a package of changes to reduce our reliance on imported oil and gas, boost the use of renewables, and smooth the impact of energy price shocks.

First, oil and gas production from the North Sea is an important and valuable resource, and its workforce is a vital asset for our country.

That is why we are harnessing our domestic supply by managing existing fields for their entire lifetimes, including by allowing tiebacks for those fields to ensure that they remain viable.

Today, in advance of legislation, we are publishing further details on tiebacks, which I first announced in the Budget which external analysis has predicted could result in tens of millions more barrels of oil and gas being available for UK supply.

Today's announcement gives industry greater clarity to support investment in these projects and maximise supply from our existing sites to support our energy security.

Second, we are sweeping away the barriers to new renewables investment:

Accelerating vital grid infrastructure, reforming land access rules and extending permitted development rights as well as making more public land available for renewable infrastructure, which could unlock up to 10GW of new capacity and helping households and businesses to switch to clean, cheaper, renewable electricity - through plug-in solar panels and better EV charging.

And third, we are reforming our energy system.

Currently, households and businesses pay more for their electricity when the price of gas is high.

The Electricity Generator Levy already recoups some of the excess returns made by generators due to high gas prices.

And today I am announcing that I will extend the Electricity Generator Levy passed its scheduled conclusion in 2028 and ahead of that I am increasing the rate of the Electricity Generator Levy from 45% to 55%.

This ensures that a larger proportion of any exceptional revenues from high gas prices are passed back to government providing a vital revenue stream so that money is available for government to support businesses and families with the impacts of the conflict in the Middle East.

But crucially, it will encourage older low carbon electricity generators, which supply about a third of our power, to move from market pricing to fixed-price contracts for difference.

Under new proposals set out by the Energy Secretary today, that will

further weaken the link between high gas prices and price paid for our electricity

and limiting the spikes in energy prices from driving up inflation and costs for households and for businesses.

Mr Speaker, this Government has the right economic plan.

A plan that was right before the conflict in the Middle East started.

And is now essential to weather the impact of that conflict.

A plan that is backed by the IMF.

A plan to keep costs down for everyone.

And to support those who need it most.

And in a world that is more uncertain,

A plan to build a Britain that is stronger and more secure.

<https://www.gov.uk/government/speeches/chancellor-statement-to-parliament>