



Scottish Parliament Energy Review 2008

**The UNISON Scotland Submission to
*Determining and delivering Scotland's energy
future* - a review by the Energy, Tourism and
Economy Committee of the Scottish
Parliament**

August 2008

Introduction

UNISON is one of Scotland's largest trade unions representing over 160,000 members, and is the biggest union in the Scottish power industry. Our members in other sectors including local government also have an interest in energy, particularly fuel poverty. Our wider membership is concerned to ensure that Scotland has a safe, reliable, clean and secure supply of electricity. We welcome the opportunity to respond to *Determining and Delivering Scotland's Energy Future*, the Scottish Parliament Economy, Energy and Tourism Committee inquiry into Scotland's energy future.

Background

The Scottish Parliament's Energy Committee is conducting this review at a time when energy policy is becoming increasingly controversial. The current energy crisis has seen the price of crude oil double in the past year partly caused by demand in large developing economies led by China and India and partly by speculation in an unregulated global market. Gas and electricity prices for consumers have followed the steep upward trend bringing inflationary problems to the UK economy, causing wages to fall in real terms, raising concerns about increasing fuel poverty and prompting calls for windfall taxes on profits. The crisis has also further highlighted issues of energy security and stability as the UK is increasingly reliant on imported oil and gas and exposed to foreign ownership of key elements of the energy sector. Meanwhile global environmental damage caused by increasing CO₂ and other greenhouse emissions continues despite international agreements such as the Kyoto protocol.

Scotland occupies an integral but unique position in the UK energy market. It has been self-sufficient in energy for many years and is a net exporter of electricity to the UK. There remains huge natural energy potential in terms of fossil fuels and renewables. Nevertheless Scotland may face an insecure energy future as oil peaks and declines, current nuclear generating capacity comes to the end of its life, renewable sources remain undelivered and clean coal technology remains unproven.

Therefore the remit of this Scottish Parliament Energy Committee review is apposite, as it seeks to determine:

“what type of future we want in Scotland in terms of the production, distribution and more efficient use of energy, and how and when it can be delivered to meet the Scottish Government's objectives of increasing renewable energy generation and reducing emissions. It will also consider how energy supplies can be secured at an affordable price and how economic benefits from the energy industries can be maximised.”

This remit resolves into three main questions to which we respond in turn. Issues raised in additional questions are included in these points.

Scotland's energy future – a balanced energy policy

- *What type of future is needed in Scotland in terms of the production, distribution and more efficient use of energy, given the issues of price, security of supply and sustainable development?*

UNISON Scotland believes that a sustainable Scottish energy strategy can and should be based on a planned market for energy in order to guarantee security of supply, as well as social, employment and environmental objectives. UNISON Scotland believes that

climate change issues must be prioritised and supports the challenging targets for reducing CO₂ and other greenhouse emissions adopted by both the UK and Scottish Governments which are in line with international treaty obligations. However, neither the targets on emissions nor the aims of secure and affordable energy will be met by rhetoric about the potential of renewables or by reliance on market forces.

UNISON, along with the other energy unions in the STUC has long called for a balanced energy policy which includes electricity generation from a number of sources. This would minimise volatility and ensure security of supply. We support continuing with gas and coal generation at current levels for the foreseeable future, subject to the introduction of new clean coal technologies. This requires significant government commitment to research and development investment as a matter of urgency.

We support increases in targets for generating electricity from renewable sources. Again, these targets will not be met unless fully supported also by government funding and planning. Wind and wave power offer the most viable medium term options and the necessary transmission infrastructure should be strengthened to support these developments.

Demand for energy should be reduced by promoting and incentivising energy efficiency for individuals, the private and public sectors, with new resources for local government and revised targets including new building standards.

Delivering on targets and obligations

- *How can this future be delivered in Scotland and how will we meet all the various targets and obligations?*

Joined-up government for a balanced energy policy

Energy policy for Scotland is mainly operated at UK level although numerous related powers are devolved, including the environment, planning, education and training, economic development, and sustainable development. Both the UK and Scottish Governments have commitments to secure energy supplies and also targets for cutting emissions and increasing renewable sources.

The UK Government's Energy White Paper published in May 2007 (before the oil price shock of the last year took effect) restated its four main energy goals initially identified in 2003. They were to: "cut CO₂ emissions by 60% by 2050, with real progress by 2020; maintain the reliability of energy supplies; promote competitive markets in the UK and beyond; and ensure that every home is adequately and affordably heated."

A clear policy difference exists between the Scottish and UK Governments over nuclear power and the potential to replace it by renewables. Scotland's two remaining operational nuclear power stations at Hunterston and Torness, accounting for between 40-50% of installed generating capacity, are due to close by around 2020. Most of the other UK nuclear capacity has a similar lifespan. The UK Government is committed to a new generation of nuclear power stations. The Scottish Government in contrast is against new nuclear power capacity and has argued that renewable alternatives can make up the energy gap.

The Scottish Government has set out ambitious proposals for a Scottish Climate Change Bill. UNISON Scotland has welcomed the proposed Bill and we support the inclusion

within it of: a target of 80% cut in CO2 and other greenhouse gas emissions by 2050; statutory annual reductions of at least 3% per year; inclusion of emissions from international aviation and shipping; and a general duty on public bodies to consider climate change in all decisions and to report on progress annually, with negotiated green workplace agreements. We have called for the Bill to establish a Scottish Commission on Climate Change, modelled on the successful Freedom of Information Commission, with the Commissioner sitting on the UK Committee on Climate Change.

To meet the climate change targets, the Scottish Government is committed to increasing the contribution of renewables in electricity generation to 50% by 2020 (up from the previous Scottish Executive target of 40%). Renewables account for 18% of electricity generating capacity now, which is ahead of the previous Executive's target to achieve this level by 2010. More than half of that 18% is already existing hydro power and most of the rest is recently installed wind power capacity.

Wind power is the most proven technology amongst the renewables. In terms of installed capacity in Scotland wind power is now on a par with nuclear. However wind power generation is inherently variable. It operates on average at around 30% of capacity, compared with around 80% for nuclear. Wave, tidal and other renewable power sources remain insignificant. The Scottish Government's decision not to proceed with the large Lewis windfarm proposal and other planning difficulties have cast further doubt over the possibility of achieving significant increases in renewable generating capacity in the short to medium term.

To meet the objective of security of supply it will be necessary to continue with coal and nuclear generation at least for the short and medium term. To meet emissions targets in the medium to long term it will be necessary to make real developments out of what are at present still only potential developments in renewables. Meeting and even exceeding the current emissions targets for 2020 is necessary but already appears unrealistic and will certainly be impossible without decisive and speedy joined-up government action involving co-operation at both Scottish and UK level.

Network and transmission issues

The British Electricity Trading and Transmission Arrangement (BETTA) which established a single UK national grid and wholesale electricity in 2005 has not resulted in the significant benefits to Scottish consumers which it was claimed would occur from increased competition. Retail price benefits which may have happened would anyway be negligible compared with the price rises faced by consumers in the current energy crisis.

Network access charges discriminate against Scottish generators who have to pay more to get power to the main users in the large English conurbations. The proposal to introduce zonal transmission loss charges would further directly discriminate against energy generation in Scotland, which is by definition further away from the main UK centres of population and electricity demand.

As renewable forms of generation like wind and wave power are in fact located outwith urban areas, the network access charges and proposed transmission loss charges clearly run counter to the aim of increasing renewables. UNISON Scotland believes that the current regulatory regime with its primary emphasis on competition is damaging to the possibility of a balanced energy policy for Scotland and the UK, and should be reviewed.

Fuel poverty

One in three Scottish households are in fuel poverty, which means they have to spend more than 10% of income on energy bills. As domestic fuel prices continue to rise, Scottish Government figures indicate that for every 1% increase in fuel price approximately 8,000 more households enter fuel poverty. These high levels of fuel poverty in Scotland are unacceptable and require action as part of a Scottish energy strategy.

The problem is compounded by the regressive nature of the competitive domestic energy market. The poorest customers are forced into more expensive prepayment arrangements, while richer customers paying by direct debits are rewarded with discounts on their energy costs.

Scottish Government has adopted the previous Executive's target of abolishing fuel poverty by 2016. However, despite some progress which was made by the Central Heating Programme and Warm Deal in the early years of the strategy, fuel poverty has been on the rise again since 2002. The recent Scottish Fuel Poverty Review (May 2008) admitted that "In a context of rising fuel prices, the extent of the increase in household incomes required to abolish fuel poverty is daunting." The UK Government's policy goal that "every home should be adequately and affordably heated" is clearly not met either.

The main factors in fuel poverty are poverty itself which is due to low incomes, and the rising cost of fuel. Short of abolishing poverty, which in itself would be desirable, it is clear that action is required on fuel pricing. UNISON Scotland rejects the idea that price competition alone is sufficient to assist those in greatest need. We believe that UK Government should abandon its mantra of competition and review the Ofgem terms of reference to enable direct intervention on fuel pricing and establish incentives to encourage good practice by suppliers. The Scottish Government also has responsibilities in this field and should properly fund the range of programmes initiated by the last administration.

Urgent action required

- *What decisions need to be taken, by when and by whom to deliver on Scotland's energy future?*

The need for a planned energy policy in Scotland is increasingly urgent, for the many reasons discussed above. In the absence of decisions on replacement or extension of current generating capacity, Scotland faces a large imminent energy gap which can only otherwise be filled by imports and which will undermine the objectives of security of energy supply. A clear planned energy policy including a balance of energy sources is therefore required, with obligations on both Scottish and UK Governments.

The Scottish Government should act to ensure the replacement or extension of existing gas and coal fired generating capacity in the near future. The UK Government needs to authorise investment in clean coal technology and ensure that it is actually implemented in coal burning power stations in Scotland.

The Scottish Government should not object to new or extended nuclear capacity in Scotland. However, with the discriminatory regulatory regime and in the absence of planned energy policy we doubt if commercial power companies would regard Scotland as a priority for nuclear investment.

Renewable energy is not currently a viable alternative to current sources of electricity generation, and we will need both to meet our energy objectives for at least the short and medium terms. Both Scottish and UK Governments must act to encourage development of renewable energy including wind, wave, tidal and other sources of power. This will require investment, support and decisions including on transmission network projects. Most immediately, approval of the proposed Beaully-Denny power line, currently subject to a Public Inquiry, will be essential to link renewable power generation in the Highlands to the grid. The UK Government should review Ofgem's terms of reference in order to allow a fairer system of access to the national grid for electricity generators large and small.

The UK Government review of Ofgem's terms of reference should also enable intervention in fuel pricing so as to mitigate fuel poverty. There should also be a review of the market mechanisms that we believe have contributed to increased energy prices.

A balanced energy policy would also play a vital role in sustaining Scotland economy. The existing energy sector is already a major provider of quality employment in Scotland and it is important that this is developed. The upgrading of the transmission and distribution networks and building of new interconnectors if done on the scale required for the balanced energy policy as proposed will provide extensive construction employment for many years. Development of renewable energy sources and associated technologies and international markets will provide economic growth and is vital to deliver on emissions targets. Training and skills development including apprenticeships will be required to meet the demands of these

The Scottish public sector could lead the way to greener workplaces through a collective workplace environmental agreement in every public body which would benefit not just the environment and the economy but also the quality of people's working lives.

Conclusion

UNISON Scotland has consistently argued the need for a balanced energy policy in Scotland, including a range of sources. The absence of such a policy, and the pursuit of a competitive market at all costs has led us to a position where we now face an imminent energy gap with no plan to replace current power generating capacity and insufficient renewable sources as viable alternatives. In the present energy crisis we also face rising fuel costs and increasing fuel poverty.

We believe that only a planned, balanced energy policy can provide security of supply and meet our targets for addressing climate change. With concerted action in this direction from both Scottish and UK Governments, we can deliver the future we want in Scotland in terms of the production, distribution and more efficient use of energy; meet the Scottish Government's objectives of increasing renewable energy generation and reducing emissions; secure energy supplies at an affordable price; and maximise economic benefits from the energy industries.

References: Some recent UNISON Scotland policy documents

UNISON Scotland has developed a consistent set of policies on energy and climate change in a series of documents which deal in more detail with many of the issues discussed in this response. The most recent of these are:

Scotland's Energy — Scotland's Future: a call for action

UNISON Scotland Energy Policy document, 2006

<http://www.unison-scotland.org.uk/energy/energypolicy06.pdf>

Meeting the Energy Challenge - Energy policy

Briefing No. 165 November 2007

<http://www.unison-scotland.org.uk/briefings/energybrief07.html>

Scottish Climate Change Bill: Act now to demand a stronger Bill - 4 key 'asks'

Briefing No. 181 April 2008

<http://www.unison-scotland.org.uk/briefings/climatechangebill.html>

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