



UNISON Scotland response:

Economy, Jobs and Fair Work Committee. Scottish Publicly Owned Energy Company (POEC)

September 2018

Introduction

UNISON is Scotland largest trade union with members across the public, private and voluntary sectors. We are the largest trade union in the gas and electricity sectors as well as in local government, and other sectors with a specific interest in this issue. All our members have an interest in the wider citizenship impact of Scotland's energy strategy. We welcome the opportunity to respond to the Economy, Jobs and Fair Work Committee's Call for Views.

UNISON is a member of the Just Transition Partnership (JTP), with the STUC, with other unions, and with Friends of the Earth Scotland and WWF Scotland. Our response should be read in conjunction with the JTP response and the STUC's response.

We have copied the Committee's questions below, with our responses.

Scottish Publicly Owned Energy Company (POEC)

- **What are your general views on the idea of a Scottish publicly owned energy company (POEC)?**

UNISON Scotland supports the idea of a Scottish publicly owned energy company. It has a key role to play in the Just Transition to a low carbon economy, which needs to be integrated into an industrial strategy, with Fair Work principles, and Scotland's Climate Change Plan. We believe, along with the JTP, that the POEC must have an ambitious remit, involving generation and transmission as well as supply.

In our response last year to the Scottish Government's Scottish Energy Strategy consultation, we made the point that creating a government owned energy company is just one step in extending public ownership throughout the system. We want this to include co-operatives and municipal energy companies.

- **What role should it fulfil and how?**

We believe the POEC has a major role within a proper balanced energy strategy for Scotland that aims to deliver security of supply, at an affordable cost, meeting

climate change targets, with communities supported to develop local energy solutions.

The specific role for the POEC within this should be to support a Just Transition to a balanced, low-carbon energy system in ways which address fuel poverty, protect workers' livelihoods, create a new industrial base and deliver a fairer Scotland.

As noted above, this means its remit must include generation and transmission, as well as supply. It certainly must be more than a 'white label' branding of an existing supplier. It should have a role in encouraging and supporting energy efficiency, with the related benefits to fuel poverty, climate targets and job creation, ensuring decent, quality jobs.

As Dave Watson, our Head of Policy and Public Affairs, warned earlier this year on publication of the Strategic Outline Case¹, the suggested model lacks ambition and there is a danger that it leads to the POEC being merely "a modest dabble in the market that fails to address the real problems facing Scotland's energy sector."

It is important that the Scoping Note on a Scottish Publicly Owned Energy Company, provided for the Committee, looked at a wider view of the purpose than just as a government owned supply company. The Scoping Note concluded that the Scottish POEC could have four overarching objectives and could deliver on a number of these: "creating new energy infrastructure platforms, accelerating wider energy system transformation, increasing engagement and participation in the energy system and reducing costs to consumers." It said that it is possible to integrate these into planning, even if the initial focus is for the POEC as an energy supply company.

The Scottish Energy Strategy² says that the company "may also have a role to play in helping deliver broader Government energy ambitions – including the promotion of renewable generation and maximising benefits for local communities."

The Just Transition Partnership says the company must drive the transition, warning that the current marketised, privately-owned energy system isn't delivering change at the pace needed. Along with unacceptable levels of fuel poverty, high energy prices and dissatisfaction with the behaviours of the big energy suppliers, the case is overwhelming for extending public ownership within the energy system.

The SOC gives little attention to decarbonisation and energy efficiency. UNISON urges Committee members to call for the POEC to embark on generation and transmission in its initial phase.

¹ <https://www.gov.scot/Resource/0053/00533962.pdf>

² Scottish Government Scottish Energy Strategy Dec 2017 www.gov.scot/Resource/0052/00529523.pdf

- **What are the key challenges that the POEC should address?**

There has been a dramatic fall in investment in renewables, as noted by the House of Commons Environmental Audit Committee³. Alongside rising energy bills for consumers and the impact on fuel poverty, causing misery for families already hit by austerity-led pressures on wages and cuts to benefits, the need for addressing inequalities (which would be in line with a range of Scottish Government policy priorities), is paramount. The POEC should be well resourced to help ensure it plays a significant part in addressing these, along with the Scottish National Investment Bank, as part of an industrial strategy that is aligned with the Climate Change Plan. We want to see investment in energy efficiency, combined heat and power plants, finance for a national programme of district heating, expansion of community and locally owned energy and support for low-carbon transport (including increased public ownership here too). There needs to be investment in new generation and storage technologies, and strategies must ensure we maximise the social and economic benefits of the range of necessary investments.

- **How might a Scottish energy supply company work best to support the growth of local and community projects, and fuel poverty reduction?**

UNISON believes that the market conditions for a publicly owned retail supplier mean that the provision of energy efficiency measures to those in fuel poverty will be as important as offering marginally lower energy costs. It is crucial to have funding schemes for energy efficiency which are part of the offer to customers.

The company could work with community and locally owned energy projects as well as with local authorities to promote municipal energy much more widely. Funding support for such projects must be increased. See our September 2018 response on community and locally owned energy⁴.

- **How can the POEC be best designed to align with wider Scottish energy policy objectives, and to avoid potential policy conflicts?**

³ House of Commons Environmental Audit Committee. 2018. Green Finance: Mobilising investment in clean energy and sustainable development.
https://publications.parliament.uk/pa/cm201719/cmselect/cmenvaud/617/61708.htm#_idTextAnchor069

⁴ <http://www.unison-scotland.org/library/EFJWCtteeDraftBudget19-20.pdf>

With the Just Transition Partnership, we believe it is vital to enshrine the Just Transition principles in the Climate Change Bill in a meaningful way. There are major challenges in ensuring Scotland meets its climate targets (including the new, net zero greenhouse gas emissions target by 2050 at the latest, which we are calling for in the Bill, along with the Stop Climate Chaos Scotland coalition). Just Transition is the answer to many of those challenges, because it is central to a successful response to climate change. Just Transition should ensure the transition to a prosperous low carbon economy is done in a way in which the costs and rewards are shared fairly and employment levels and job quality are protected and enhanced. This will ensure popular support by bringing socio-economic benefits and the needs of workers and communities into account.

The Just Transition Partnership argues for the Bill to establish the Commission as a statutory body which will advise ministers and report on and scrutinise the measures put in place to ensure that livelihoods of workers and of communities are protected and social equity is enhanced. UNISON urges the Committee to support the full set of JTP recommendations for the Bill⁵.

The Scottish National Investment Bank's remit should include support for a Just Transition and some of the investment requirements highlighted above.

- **Should a new Scottish POEC be more than solely a licensed energy supply company? Should it have a direct role in energy generation?**

Definitely. This is crucial to having an ambitious publicly owned energy company that makes a major contribution to driving the Just Transition to a prosperous low carbon economy. (See also our answers to the first two questions above.) This should be embarked on in the initial phase and not left as a vague possible option in the future.

- **How might the POEC be designed to promote objectives and functions beyond the retail of gas and electricity (e.g. supporting investment and innovation in new technologies and infrastructure)? What benefits are there to having wider objectives?**

The POEC should be designed in a way to allow it to support and work with municipal energy companies in particular. We have highlighted in a range of submissions and similar documents that municipal energy has major potential, including as an income stream for financially pressed local authorities – in other words all Scottish councils, given the massive funding cuts to local government. However, we repeat the point we made in our Scottish Energy Strategy response that if local government is pivotal to developing a more decentralised energy system, it has to have proper funding.

⁵ <http://www.unison-scotland.org/library/Briefing-for-ECCLR-on-JTC-12.06.18-final.pdf>

Utilities used to be an important part of local government and still are in many parts of Europe and North America, as highlighted in the 2018 Jimmy Reid Foundation report *Municipal Socialism for Modern Scotland: local public enterprise for the common good*⁶. Around 2000 municipally owned electric utilities supply around a quarter of all energy in the US. Not-for-profit council renewables generation could contribute significantly here to reduced energy bills and tackling fuel poverty if given the right support and encouragement. Options for investment include local government pension funds, which need to be switching out of fossil fuels and investing in renewables.

The POEC could also assist in support for offshore renewables, district heating and renewable heat networks, as well as supply chain job opportunities.

What governance arrangements should a Scottish POEC have? Who should it be accountable to e.g. Parliament?

- **Should legislation be required to underpin the creation of a POEC?**

While a publicly owned company is more accountable, UNISON would support accountability measures such as reports to Parliament (see the Statoil model in Norway), which may require legislation to establish the appropriate form of Parliamentary scrutiny. It would be sensible to align such reporting with other aspects of reporting under the updated climate legislation. As noted above, we believe there should be reports on the various Just Transition and other measures put in place.

**UNISON Scotland
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For further information, please contact:

Fiona Montgomery,
Information Development Officer
f.montgomery@unison.co.uk

**Mike Kirby, Scottish Secretary
UNISON Scotland, UNISON House, 14, West Campbell Street, Glasgow,
G2 6RX**

⁶ <http://reidfoundation.org/wp-content/uploads/2018/05/JRFDaveWatsonmunicipalsocialism.docx>