

## Introduction

UNISON is Scotland's 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.

UNISON Scotland welcomes the Scottish Government's consultation paper and the opportunity to respond.

## Overview

UNISON Scotland broadly supports the ambition and the specific targets set out in the consultation paper. A whole system approach, with stable transition to a more local and decarbonised energy system is clearly the correct approach.

We also recognise that important elements of energy policy are reserved and we agree that important decisions over issues like CCS, transmission charges and market support for renewables have been unhelpful in developing this strategy. Brexit and the UK's future in the EU energy system is also an important issue in the forthcoming negotiations.

While we support much of the ambition in the paper, we believe further action is needed to deliver that ambition. The key areas include:

- Energy targets need milestones and delivery plans.
- A balanced energy policy using a range of electricity generation and storage.
- More effort is needed on poor performing sectors, including transport and domestic heat.
- A greater focus on workforce matters and a Just Transition Plan.
- A third of Scottish households remain in fuel poverty and the statutory target to eliminate it was missed. New investment and credible plans are needed, together with a new target.

### 10. The Scottish Government's 2050 energy vision is aligned to three themes:



- If local government is pivotal to the development of a more decentralised energy system then it has to receive proper funding.
- Renewable energy developments in Scotland have been dominated by the big energy companies, developers and large landowners. The community ownership targets are very modest and require new public sector entrants to the market, primarily local authorities.
- The creation of a government owned energy company is just one step towards the extension of public ownership throughout the system. This should include co-operatives and municipal energy companies.

Current energy policy outcomes produce massive inequalities. Wealthy elites (corporate CEOs, large landowners) are reaping large dividends whilst fuel poverty blights a third of households. This energy strategy has much to commend it technically. What it needs is a new focus on social justice.

## Consultation Questions

**1 What are your views on the priorities presented in Chapter 3 for energy supply over the coming decades? In answering, please consider whether the priorities are the right ones for delivering our vision.**

**2 What are your views on the actions for Scottish Government set out in Chapter 3 regarding energy supply? In answering, please consider whether the actions are both necessary and sufficient for delivering our vision.**

It is difficult to assess the Scottish Government's priorities and actions for energy supply when the strategy gives little indication of what the energy mix should be, how it will be achieved and over what timescale. Grand targets, far ahead of normal political terms, need milestones if they are to be credible.

UNISON Scotland supports a balanced energy policy in relation to the supply of electricity. This should be largely decarbonised, although we would retain some flexibility, including the gas power station at Peterhead, for balancing the system. Without better storage and other balancing options, Scotland will increasingly rely on imports from England when the wind isn't blowing. We should continue to be a net exporter of energy, but further imports mean we are exporting jobs as well.

We are strongly opposed to fracking and do not believe that our gas requirements need to be sourced in this way. We have set out our detailed arguments in our response to the separate fracking consultation.

We agree with the strategy's support for Carbon Capture and Storage, although it would be unwise to rely on it coming forward in a commercially viable form. Scotland is well placed to develop this technology with our academic and industry expertise, coupled with the pipeline infrastructure. The UK Government's decision to drop their support for a major demonstration project was hugely disappointing.

If renewables are going to play a larger role in Scotland's generation mix then we need more storage. In the longer term batteries may play a role, but for now the proven technology is pumped hydro. However, the industry argues that a lack of certainty around long-term revenue is holding back growth. SSE and ScottishPower have major projects planned at Coire Glas and Cruachan. However, both have recently highlighted the large upfront capital costs and significant lead times. They believe current market conditions do not provide sufficient revenue certainty to enable investment decisions on a new build project.

The Scottish Government should support a review of the Capacity Market to ensure that technologies such as storage and demand response are able to access longer contracts. While there has been some progress in moving away from absurd diesel contracts this year, this review should include regulatory changes to remove the 'double charging' of environmental levies on storage.

We should also recognise the huge contribution that our decarbonised nuclear power stations make to Scotland's energy security, with one-third of supply generated at just two power stations. A distributed energy system is certainly possible, but baseload generation remains an important part of the system. There are differing views over the real and comparable costs of large nuclear power stations such as Hinkley Point. However, it is also the case that this investment would be far more effective if used in energy efficiency measures.

Discussion of nuclear power in the current market system is academic in Scotland because no company is going to waste time and money battling against the Scottish Government's opposition to nuclear power. They can build in England and transmit the power to Scotland, when the wind isn't blowing. A more viable alternative might be small modular reactors (SMRs). It is argued that these offer a form of secure, low-carbon energy, the cost of which is comparable to, if not lower than, larger reactors. They also have smaller up-front costs, shorter build times and the option to gradually scale up capacity. However, they will have to overturn a key principle that has historically underpinned nuclear reactor design – economies of scale.

In summary, we believe that Scottish energy supply is overly reliant on onshore wind. Other technologies, such as tidal, have been much slower to become economically viable than anticipated. A better mix between solar PV generation and wind power would help. In the absence of clear timelines in the strategy, we should plan for a more balanced supply strategy that includes some baseload generation and a Scotland based source of balancing the system.

**3 What are your views on the proposed target to supply the equivalent of 50% of all Scotland's energy consumption from renewable sources by 2030? In answering, please consider the ambition and feasibility of such a target.**

UNISON Scotland supports the proposed target, which is compatible with achieving Scotland's equally ambitious climate change plans. It will be challenging and more will need to be done in difficult policy areas.

We are concerned that poor performing sectors are largely avoided because it is politically difficult – including, transport, agriculture and domestic heat. We need measurable action on active travel, car use, housing efficiency, district heating and soil testing. The Scottish Government is also adding to the problem with the proposed cut in Air Passenger Duty. Our submission to consultations and the current Bill on APD set out why we believe this plan is unnecessary, environmentally damaging, unaffordable and a regressive tax policy.

#### **4 What are your views on the development of an appropriate target to encourage the full range of low and zero carbon energy technologies?**

As set out above we believe that any credible strategy has to have milestones, not just long-term targets.

#### **5 What ideas do you have about how we can achieve commercial development of onshore wind in Scotland without subsidy?**

We believe that Scotland has become over reliant on onshore. The subsidy regime has largely benefited big energy companies, developers and landowners. We cover the important issue of community ownership below.

The UK Government's decision on subsidies was not wrong in principle. It was wrong in terms of timing and the message it sent out to investors who need a stable policy framework for what are long term investments.

#### **6 What are your views on the potential future of Scotland's decommissioned thermal generation sites?**

We would support energy related developments, given the existing transmission infrastructure.

We are concerned that jobs in the sector may be impacted by UK government policy. Scottish Renewables recently warned its members were expecting their workforce to shrink by 16.9% over the next 12 months. They said:

*"These results show that changes to and closures of support schemes are having an impact on our members and on the numbers of employees within their businesses. Onshore wind and solar are the two cheapest forms of electricity, but ministers are refusing to allow them to access long-term contracts for power, which will result in a marked slowdown in investment and a decrease in employment."*

#### **7 What ideas do you have about how we can develop the role of hydrogen in Scotland's energy mix?**

We welcome the Scottish Government's support for small scale projects. We agree that hydrogen has significant potential, but we should be wary of relying on potential technologies in energy planning until they have proven viability. This does not mean the strategic routemap and other initiatives should not be pursued, along with CCS.

**8 What are your views on the priorities presented in Chapter 4 for transforming energy use over the coming decades? In answering, please consider whether the priorities are the right ones for delivering our vision.**

**9 What are your views on the actions for Scottish Government set out in Chapter 4 regarding transforming energy use? In answering, please consider whether the actions are both necessary and sufficient for delivering our vision.**

See 11/12 below.

**10 What ideas do you have about what energy efficiency target we should set for Scotland, and how it should be measured? In answering, please consider the EU ambition to implement an energy efficiency target of 30% by 2030 across the EU.**

We support the EU energy efficiency target, but if adopted Scotland will need to take more radical action in heat and transport. As with the overall energy target, there must be measurable actions and timelines.

The statutory duty under the Housing (Scotland) Act 2001 for the Scottish Government to eradicate fuel poverty expired this year and the target was missed. Two working groups were tasked to advise Scottish Ministers on their next steps and they have made over 100 recommendations. The Scottish Government must deliver an effective new strategy, set a new fuel poverty target and increase funding for its programmes. The progress to date on solving the problem of cold, damp and unaffordable to heat homes must not be lost, but can and should be built upon.

With energy prices remaining relatively low, spending on energy efficiency remains an important element of a fuel poverty strategy. We support the representations of the Existing Homes Alliance, to increase spending on energy efficiency in the Scottish budget. to an average of £450m a year over ten years.

Another measure that would help with eliminating fuel poverty is ending the price differential between pre-payment meters and direct debit. Prepayment customers represent just 15% of the domestic market, but account for over 30% of all fuel poor households.

A recent UK analysis shows that removing the price disparity between tariffs could lift between 95,000 (12%) and 181,000 (23%) of fuel poor prepayment customers out of fuel poverty and reduce the gap for the remainder. The widespread adoption of SMETS2 smart prepayment meters (Smart PPM) could deliver real competition in the prepayment market, driving down prices towards parity with direct debit payment.

The modest reduction in fuel poverty in Scotland is welcome, but there is still much to do when nearly a third of households remain in fuel poverty. This is the time to develop a new strategy and invest in energy efficiency.

**11 What are your views on the priorities presented in Chapter 5 for developing smart, local energy systems over the coming decades? In answering, please consider whether the priorities are the right ones for delivering our vision.**

**12 What are your views on the actions for Scottish Government set out in Chapter 5 regarding smart, local energy systems? In answering, please consider whether the actions are both necessary and sufficient for delivering our vision.**

We welcome the ambition in the strategy on District Heating and the commitment to ensure that all of Scotland is covered. However, we are concerned over the absence of a detailed delivery plan. There are no national targets proposed for the uptake of district heating which link to the rest of the energy strategy, nor an assessment of the investment required. It also needs to be clearer whether the measures will achieve the reductions needed in the Climate Change Plan.

We support powers to compel large users to connect, because voluntary approaches are not guaranteed to work and the creation of this power sends the necessary signals to large enterprises. We also believe that local authorities should have the power to take direct responsibility for implementing district heating programmes as part of a municipal energy plan (see below).

There should be engagement with the trade unions on how to expand the sector and the provision of skills training. This will initially involve council staff, followed by a large-scale workforce expansion to reduce unemployment in target areas and groups, and achieve gender balance.

We support the proposal that local authorities should have a duty to produce and implement an LHEES given their local knowledge and engagement. Consultation with communities, voluntary organisations and the workforce in the sector should be part of the duty. However, creating a duty on local authorities is meaningless unless the Scottish Government provides adequate funding. Councils have borne the brunt of austerity with the largest budget cuts in government allocations.

We have similar concerns over SEEP. There is insufficient clarity about the wider, long-term targets for SEEP and regular milestones. We also need more detail on the SEEP delivery model, including budgets and financing mechanisms.

While UNISON welcomes the initiatives taken by the Scottish Government to encourage community ownership, we believe that they do not go far enough. Fully functioning direct ownership is limited to small scale, mostly rural hydro and wind farms. Modest expenditure in the form of loans is miniscule when compared to the massive support the big energy companies receive. Continuing down this path is unlikely to deliver a radical change in energy ownership in Scotland.

Experience from Europe indicates that to make serious steps in diversifying ownership requires new public sector entrants to the market, primarily local authorities. Scottish Water shows how other public bodies can also play a role, although even their developments could be on a much larger scale.

**13 What are your views on the idea of a Government-owned energy company to support the development of local energy? In answering, please consider how a Government-owned company could address specific market failure or add value.**

We support the idea of a government-owned energy company, but this has to be part of a wider consideration of ownership in the sector, something that is missing from this strategy. The loss of Scotland based power companies creates additional problems in terms of competition for investment and speed of decision making.

Decentralising the industry can be done by incentivising community energy projects on a much larger scale and through vertically integrated municipal energy companies. These should be about much more than retailing energy. They should be generating electricity, promoting demand reduction and energy efficiency as well.

The APSE research paper, '*Municipal Energy: Ensuring councils plan, manage and deliver on local energy*', found that:

- For every £1 invested in renewable energy schemes there is a further £2.90 in cashable benefits
- 17 jobs can be created from every £1 million in energy saving measures
- Energy efficiency and renewable energy can create 10 times more jobs per unit of electricity generated than fossil fuels
- The UK local government sector annual energy bill of £750 million could be reduced by up to half by leveraging in spending power and using readily available and low cost technologies in existing buildings

Work by David Hall (PSIRU University of Greenwich) shows that we could achieve a decentralised and more democratic UK energy system at a cost of £24bn, with annual benefits through lower prices of £3.2bn per year. We could also look at basing compensation on non-amortised assets as they have done in Catalonia. All of this needs a workforce strategy otherwise we won't have enough expertise to develop it.

**14 What are your views on the idea of a Scottish Renewable Energy Bond to allow savers to invest in and support Scotland's renewable energy sector? In answering, please consider the possible roles of both the public and private sectors in such an arrangement.**

We support the idea of a Scottish Renewable Energy Bond. In addition to the ideas in the paper and from Scottish Renewables, we would point to the Scottish Local Government Pension Scheme that has more than £36bn of assets. There has been some small scale investment in renewable energy projects by a couple of funds, but not at the scale we would like to see. Part of the reason is the limited expertise in funds on renewable energy investment and this is something a government-owned energy company could provide.

**15 What ideas do you have about how Scottish Government, the private sector and the public sector can maximise the benefits of working in partnership to deliver the vision for energy in Scotland?**

While we have argued for a large extension of public and community ownership, this would still leave a mixed economy of provision. The roadmap to public ownership isn't about recreating a command and control nationalised industry.

However, we do need to recognise that the energy market system has failed Scotland and consumers. It needs to be replaced by a new structure that allows for proper planning, not relying on the vagaries of the market.

**16 What ideas do you have about how delivery of the Energy Strategy should be monitored?**

**17 What are your views on the proposed approach to deepening public engagement set out in chapter 6?**

We support the idea of an annual energy statement. A common understanding of the data and progress in delivering the targets in the strategy is an important element of any public engagement strategy.

### **Other**

The strategy pays very limited attention to workforce matters. There is an ageing workforce and potential skills shortages. Both of which could be exacerbated by Brexit.

We also need a Just Transition Plan. Some initial work has been done on this by trade unions and environmental groups. They have recently published an 11 point Just Transition Plan that includes a Just Transition Commission, training, secure jobs, a new industrial strategy, and action on procurement. This should also be built into the activity of the Fair Work Convention.

The strategy should recognise that moving to a modern low-carbon economy has to be done in ways which protect workers' livelihoods, create a new industrial base and deliver a fairer Scotland. The need for action is urgent in order to avert the environmental and economic costs of climate change and to rebalance the economy to one which provides enough decent jobs making things in clean ways.

We share a concern that plans for this transition so far have not been ambitious enough and that progress has been slow except regarding on-shore wind. There has been little planning to ensure the protection of the people most affected, in particular those who work in sectors reliant on fossil fuels. It is necessary to confront the danger of losing a large part of the industrial base as employment in traditional sectors declines. Workers, if losing their job in these sectors, should be able to redeploy to new sectors and opportunities for retraining must be expanded.

**UNISON Scotland  
May 2017**

### **For further information contact:**

Dave Watson  
Head of Policy and Public Affairs  
d.watson@unison.co.uk