

Scottish Trades Union Congress (STUC) submission to Energy Price Rises Inquiry

10 May 2022

The UK is facing the biggest collapse in household incomes since records began in 1948. RPI inflation in March was 9% and CPI inflation hit a thirty year high of 7%.

Energy bill increases of up to 54% are estimated to push 210,000 households in Scotland into fuel poverty. From oil and gas companies like BP, to distribution network operators like Scottish Power and Scottish and Southern Energy, energy companies have seen huge rises in profits just as massively inflated energy prices drop through people's doors.ⁱ

The market has failed to deliver affordable or secure energy. A decade of policy based on more competition and telling consumers to switch has failed. Now households are facing a cost-of-living crisis thanks to a regime that embedded privatisation and financial profiteering.

The UK's energy infrastructure (including gas storage, energy networks, nuclear energy, and domestic manufacturing for renewable energy) has been hollowed out by years of under-investment. Our high dependence on globally traded gas for heat and power generation makes bills subject to the volatility of an unregulated commodity market and exposes households and businesses to soaring gas prices. We need a fundamental shift in energy policy to reduce profit extraction, provide long-term price stability, accelerate the climate transition, and support the Scottish supply chain.ⁱⁱ A consistent and large majority of the public, across the political spectrum, supports taking energy back into public hands.

Besides energy price rises, the cost of rent and transport are increasing. Household incomes are not keeping up. In contrast to every other region of the UK, median pay in Scotland fell in nominal terms in January and February. Median pay in Scotland has now fallen behind the UK average for the first time since July 2014. Increased National Insurance contributions have exacerbated the fall in wages.

The removal of the £20 Universal Credit uplift has hit thousands of households across Scotland. The 3% benefits uplift at the start of April is less than half of inflation and will cause misery across our communities. The UK Government has broken the pension triple lock.

We know that those already vulnerable and struggling to make ends meet, especially disabled people and pensioners, will be hardest hit. We know too that structural inequality in our society means that women will bear the burden disproportionately.

The STUC recognises that the UK Government holds many of the key economic levers in borrowing, tax and benefits, employment rights and energy policy and that the Scottish Government shares many of our demands of Westminster to act.

The UK Government should act immediately to:

- Increase public sector wages at least to match inflation, and substantially increase the Minimum Wage to at least £12 hour.
- Reverse the National Insurance increase.
- Immediately increase Universal Credit to reverse the real terms drop in income, reinstate the £20 uplift and remove the Benefits Cap.
- Reduce the energy price cap as seen in France, funded by a Windfall Tax on energy companies and other multinationals which have seen profits soar.
- Take our energy system back into democratic public ownership to reduce profit extraction, provide long-term price stability for households and accelerate the climate transition.ⁱⁱⁱ

Nevertheless, the Scottish Government itself has powers over public sector pay, some tax and benefits and housing, transport and environmental policy which it must use to mitigate the impact of the Westminster driven crisis.

Whilst some welcome moves have been made including the increase in the Scottish Child Payment, the STUC has been, and will continue to be, critical of the failure to introduce more radical measures to tackle falling standards of living in Scotland. With the Scottish Government currently undertaking its Spending Review and six months away from the next Scottish Budget, now is the time to take decisive action.

The Scottish Government should:

- Agree to pay rises for all public sector workers that at least match inflation and make urgent progress on increasing collective bargaining in low-paid sectors.
- Abandon its commitment not to raise tax on the better off for the next four years, and explore options for wealth and inheritance taxes and urgently begin the task of reforming Council Tax.
- Invest significantly in local government and support the policies listed in the STUC's Council Election Manifesto.^{iv}
- Introduce an urgent rent freeze and bring rent controls forward well ahead of the current timetable.
- Introduce universal free school meals for all.
- Properly fund a publicly-owned National Care Service, delivered free at the point of need.
- Fund local government to deliver an urgent greener homes retrofitting programme to improve energy efficiency.^v
- Invest in publicly owned bus networks delivering low-cost sustainable travel.^{vi}
- Invest £2.5 billion - £4.5 billion (to 2035) in ports and manufacturing to supply large scale offshore renewables and decommissioning.^{vii}
- Democratise our energy through a publicly owned energy company, and a national infrastructure company building 35GW of renewables by 2050, running energy networks, and coordinating upgrades.
- Expand local content (as practiced in France, Turkey, Taiwan and elsewhere) and local hiring requirements.
- Phase in a 90% lifetime local content target for National Energy Company. Skills programmes to address shortages, and remove barriers to renewables jobs for oil and gas workers.
- Fund quick scale-up of hydrogen electrolysis and tidal stream technology.

For further information contact:
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ⁱ <https://www.common-wealth.co.uk/reports/profitting-amid-the-crisis>

ⁱⁱ https://stuc.org.uk/files/Policy/Research_Briefings/Broken%20promises%20and%20offshored%20jobs%20report.pdf and https://stuc.org.uk/files/Policy/Research-papers/Renewable_Jobs_Crisis_Covid-19.pdf

ⁱⁱⁱ <https://committees.parliament.uk/writtenevidence/43522/pdf/>

^{iv} <https://stuc.org.uk/files/STUCouncilManifesto.pdf>

^v <https://stuc.org.uk/campaigns-and-events/campaigns/homes>

^{vi} https://stuc.org.uk/files/campaigns/Buses/Our-Buses_briefing.pdf

^{vii} https://stuc.org.uk/files/Policy/STUC_Green_Jobs.pdf